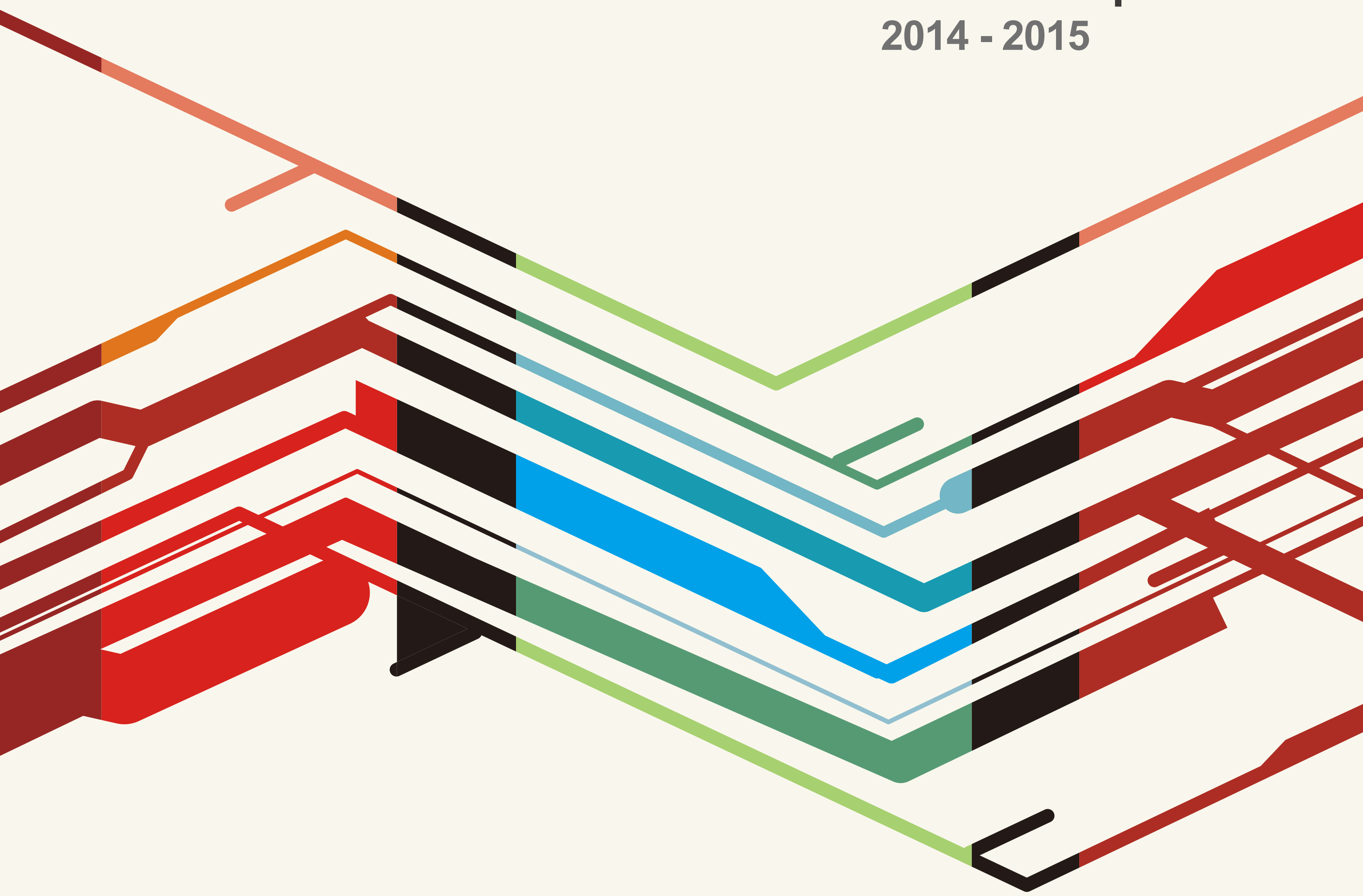
DAISHO MICROLINE HOLDINGS LIMITED

大 昌 微 綫 集 團 有 限 公 司

Stock Code : 0567

Annual Report
2014 - 2015



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CORPORATE INFORMATION AND FINANCIAL CALENDAR

Board of Directors

Executive directors

Chan Sik Ming, Harry *(Chairman & Chief Executive Officer)*
Au-Yeung Wai Hung
Cheung Lai Na (Appointed on 9 June 2015)

Independent non-executive directors

Li Chi Kwong
Yeung Chi Shing, Bret
Leung King Fai (Appointed on 9 June 2015)
Chou Yuk Yan (Appointed on 21 June 2016)
Chong Chi Wah (Resigned on 1 April 2016)

Company Secretary

Au-Yeung Wai Hung

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

Auditor

Mazars CPA Limited
Certified Public Accountants

Legal Advisers in Hong Kong

Woo Kwan Lee & Lo

Legal Advisers in Bermuda

Appleby

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Head Office and Principal Place of Business

Units 1-2, 16/F,
Nan Fung Commercial Centre
19 Lam Lok Street
Kowloon Bay
Hong Kong

Principal Registrar

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

Branch Registrar in Hong Kong

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Stock Code

0567

Company Website

www.irasia.com/listco/hk/daisho

Financial Calendar

Interim Results:

21 November 2014

Annual Results:

7 October 2016

Annual General Meeting

22 November 2016 (Tuesday)

Dividends

Interim dividend:	Nil
Proposed final dividend:	Nil

BIOGRAPHICAL INFORMATION OF DIRECTORS

Executive Directors

Chan Sik Ming Harry, aged 62, has been an executive director of the Company since 1990. He is now the chairman and the chief executive officer of the Company responsible for the overall strategic planning for the Group. Apart from being the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company, he is also a director of all subsidiaries of the Company although he resigned as the managing director of a major subsidiary of the Company in Mainland China on 16 October 2015.

Mr. Chan graduated from the University of Hitotsubashi in Japan with a Bachelor of Arts degree in Commerce in 1978. He has over 36 years of experience in the electronics industry.

Au-Yeung Wai Hung, aged 50, has been an executive director of the Company since November 2003. He has been the company secretary and the financial controller of the Company since July 1996. He is also a member of the Remuneration Committee of the Company. He is a director of a number of subsidiaries of the Company although he resigned as a director of a major subsidiary of the Company in Mainland China on 16 October 2015.

Mr. Au-Yeung graduated from The Hong Kong Polytechnic in 1988 with a Professional Diploma in Accountancy. He also obtained a Bachelor of Arts degree in Accountancy from the Hong Kong Polytechnic University in 1996 and a Master of Business degree in E-Commerce from the Curtin University of Technology in Australia in 2002. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He has over 28 years of experience in areas related to accounting, auditing, taxation, company secretarial, financial management, personnel management and information technology management.

Cheung Lai Na, aged 41, has been an executive director, a member of the Remuneration Committee and the Nomination Committee of the Company since 9 June 2015. She is also a director of a number of Hong Kong incorporated subsidiaries of the Company.

After her study in Canada, Ms. Cheung returned to Hong Kong and completed the Diploma course in China Finance from Hong Kong Management Association.

Ms. Cheung is the founder and chief executive officer of a bunkering company in Hong Kong. She is also the founder and director of a bunkering company in Singapore. She is the daughter of Mr. Cheung Ling Mun who is a major shareholder of the Company and a senior management of the Group.

BIOGRAPHICAL INFORMATION OF DIRECTORS

Independent Non-Executive Directors

Li Chi Kwong, aged 63, has been an independent non-executive director, a member of the Audit Committee and the Remuneration Committee of the Company since 22 December 2005 and a member of the Nomination Committee of the Company since 26 March 2012. He has been appointed as the chairman of the Remuneration Committee of the Company with effect from 2 April 2016.

Dr. Li holds a Doctor of Philosophy degree from the University of Westminster in the United Kingdom and a Master of Science degree in Cybernetics from the London University in the United Kingdom. He also holds numerous professional qualifications in engineering, including Chartered Engineer, Member of the Institute of Mechanical Engineers, Fellow of the Institute of Engineering and Technology, Fellow of the Hong Kong Institute of Engineers, Senior Member of the Institute of Electrical and Electronic Engineers Inc., Fellow of the Hong Kong Association of the Advancement of Science and Technology, and he is also a Registered Professional Engineer.

Dr. Li was an Associate Professor in the Department of Electronic and Information Engineering in the Hong Kong Polytechnic University from year 1985 to 2013. After obtaining over 36 years of experience in the academic field and the engineering industry, he sets up a private consultant company serving a number of engineering companies. He has published over 150 technical papers in international journals and conferences and obtained a number of patents. Dr. Li also serves in many professional bodies and government committees.

Dr. Li had been an independent non-executive director of Group Sense (International) Limited, a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the period from 11 September 2013 to 26 March 2015.

Yeung Chi Shing, Bret, aged 60, has been an independent non-executive director, a member of the Audit Committee and the Remuneration Committee of the Company since 21 November 2011 and a member of the Nomination Committee of the Company since 26 March 2012.

Mr. Yeung graduated from Jinan University in Guangzhou, Mainland China with a Bachelor's degree of Economics in 1983. He joined Nanyang Commercial Bank Limited soon after his graduation. From 1983 to 2002, he served several positions in Nanyang Commercial Bank Limited, including Representative and Chief Representative of Beijing Representative Office, President of Guangzhou Branch, Executive Vice President of Beijing Branch and President of Shenzhen Branch. He has considerable years of experience in banking, business operation and management, particularly in the banking and financial business in the Mainland China.

Independent Non-Executive Directors (continued)

Leung King Fai, aged 44, has been an independent non-executive director, a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company since 9 June 2015. He has been appointed as the chairman of the Audit Committee of the Company with effect from 2 April 2016.

Mr. Leung graduated from the Deakin University with a Bachelor degree in Commerce in 1996. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. He has over 19 years of experience in accounting, audit and finance.

Mr. Leung is currently an executive director of Kirin Group Holdings Limited (formerly known as Creative Energy Solutions Holdings Limited), a company listed on the Growth Enterprise Market ("GEM") of the Stock Exchange, and an independent director of Biostar Pharmaceuticals Inc., a company listed on the National Association of Securities Dealers Automated Quotations (NASDAQ) Stock Market. Mr. Leung was an executive director of Hao Wen Holdings Limited, a company listed on the GEM of the Stock Exchange, from September 2010 to March 2015.

Chou Yuk Yan, aged 72, has been an independent non-executive director, a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company since 21 June 2016.

Mr. Chou was educated in Hong Kong and the Mainland China. He joined Kincheng Banking Corporation in Hong Kong in 1973 and his last position before his retirement at the same bank in 2000 was assistant manager. He started a new business in promoting health products in Hong Kong afterwards. He has considerable years of experience in banking industry and business management. In particular, his invaluable experience in capital finance and his business acumen would be beneficial to the Group.

Chong Chi Wah, aged 54, had been an independent non-executive director, a member and chairman of the Audit Committee, a member and chairman of the Remuneration Committee and a member of the Nomination Committee of the Company since 26 August 2013 until his resignation on 1 April 2016.

Mr. Chong graduated from the Hong Kong Polytechnic (now known as Hong Kong Polytechnic University) with a Diploma in Management Studies in 1991 and graduated from University of San Francisco of the United States with a Master degree in Business Administration in 1997. He is a fellow member of both The Association of Chartered Certified Accountants, and also an associate member of Hong Kong Institute of Certified Public Accountants, The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. He has over 30 years of experience in accounting, audit and finance.

Mr. Chong was an independent non-executive director of China Solar Energy Holdings Limited, Ruifeng Petroleum Chemical Holdings Limited and China Longevity Group Company Limited, being companies listed on the Stock Exchange, during the period from 28 March 2011 to 6 January 2012, from 9 December 2013 to 4 April 2014 and from 14 February 2011 to 30 June 2016 respectively.

Business and Financial Review

The Group's revenue for the current year was approximately HK$239 million, down 2% from last year. Contrary to the net loss of approximately HK$38 million for the last year, the Group's net profit for the current year was approximately HK$14 million which was mainly due to the recognition of the total insurance compensation of approximately HK$74 million for the current year relating to the fire accident occurred in the principal production base of the Group in Huizhou, the People's Republic of China (the "PRC") on 24 January 2013. However, the results improvement was particularly hindered by the impairment loss on available-for-sale financial assets of HK$10 million and the impairment loss on other receivables, deposits and prepayments of approximately HK$14 million for the current year although the impairment loss on property, plant and equipment decreased from approximately HK$14 million in last year to approximately HK$7 million in current year due to better expectation of future market development.

The Group's gross profit margin for the current year of approximately 3.3% did not change much as compared to the last year of approximately 4%.

The Group's administrative expenses for the current year increased by approximately HK$10 million as compared to last year mainly attributable to the consultancy fee for approximately HK$3.1 million in respect of the insurance claim as mentioned above along with the increase in audit fee for approximately HK$1.6 million resulting mainly from the change of the Company's auditor for the current year.

An equity transfer and shareholder's loan repayment agreement was entered into by the Group on 2 July 2014 at a total consideration of approximately HK$55 million to dispose of the Group's entire interest in the joint venture to a third party and to recover the shareholder's loan as previously injected by the Group to the joint venture. As a result, there were a gain on disposal of interests in a joint venture of approximately HK$4 million along with a cash inflow of approximately HK$55 million for the current year.

The Group's gearing ratios (defined as interest-bearing borrowings divided by total equity) as at 31 March 2015 was 77% *(2014: 77%)*. The Group's current ratio as 31 March 2015 and 31 March 2014 was 1.66 times and 1.60 times respectively. The Group's PCB operations had a net cash inflow of approximately HK$10 million during the current year *(2014: net cash outflow of approximately HK$7 million)*.

The interest rate structure, maturity profile, currency structure and underlying security of the Group's interest-bearing borrowings as at 31 March 2015 and 31 March 2014 are detailed in note 25 to the consolidated financial statements.

As at 31 March 2015, the Group's total cash and bank balances (including pledged bank deposits) were approximately HK$372 million *(2014: HK$340 million)* and the Group's total interest-bearing borrowings amounting to approximately HK$242 million *(2014: HK$237 million)*. Therefore, the Group had a net cash balance of approximately HK$130 million *(2014: HK$103 million)*. Besides, the total credit facilities available to the Group were approximately HK$341 million *(2014: HK$271 million)* and, therefore, the unutilised credit facilities were approximately HK$99 million *(2014: HK$34 million)*. Accordingly, the Group is capable of financing its operation by its own internal resources and available banking facilities.

Most of the Group's bank balances were denominated in RMB while all of the Group's borrowings were denominated in either US$ or HK$. The Group benefited from the interest rate differential between RMB and US$ or HK$ because the overall deposit interest rate for the Group's bank balances in RMB was higher than the overall borrowing interest rate for the Group's borrowings in US$ or HK$ during the current year.

Business and Financial Review (continued)

As at 31 March 2015, the Group's assets and liabilities were mostly denominated in either HK$, US$ or RMB. Because HK$ is pegged to US$ and the possible change in the exchange rate for US$ against HK$ is minimal, the Group has not adopted any hedging tool against its assets or liabilities denominated in US$. Because of the Group's subsidiary in Mainland China had net assets as at 31 March 2015 and the Group considers that the extent of any depreciation of RMB against HK$ should not be substantial in light of the current circumstance, the Group has not adopted any hedging tool against its assets or liabilities denominated in RMB.

Contingent Liabilities

As at 31 March 2015, the Group did not have any material contingent liability *(2014: Nil)*. The Company has provided certain banks with corporate guarantees of approximately HK$314 million *(2014: approximately HK$244 million)* to secure banking facilities granted to its subsidiaries. At 31 March 2015, the facilities were utilised to the extent of approximately HK$238 million *(2014: approximately HK$233 million)*.

Employee Benefits

As at 31 March 2015, the Group had 605 *(2014: 689)* employees, including directors, working mainly in Mainland China. For the year ended 31 March 2015, the Group's total staff costs including directors' emoluments were approximately HK$49 million *(2014: HK$51 million)*.

Outlook

If all one-off events (namely the total insurance compensation, impairment loss on property, plant and equipment, impairment loss on available-for-sale financial assets, impairment loss on other receivable, deposits and prepayments, gain on disposal of non-current asset classified as held for sale and income tax expenses as recorded in the consolidated statement of profit or loss had been excluded, the Group would have recorded a net loss of approximately HK$29 million for the year ended 31 March 2015 instead. It is estimated that the Group may record a net loss for the year ended 31 March 2016 because of the slow-down of the global economy and the worsening of the general operating environment especially in Mainland China for the year ended 31 March 2016, which has resulted in the reduction of the Group's turnover for the year ended 31 March 2016 on the one hand, and has driven up the Group's operating costs on the other hand, although the management has taken various measures to mitigate such impact on the operating performance of the Group.

It should be noted that the previous largest shareholder of the Company (Mr. Chan Sik Ming, Harry) had disposed of most of his shareholding interests in the Company on 9 June 2015 to Mr. Cheung Ling Mun who has become the current largest shareholder holding 25% shareholding interests in the Company. Although there has been no change in the business direction for the Group, new management styles have been introduced to the Group since then. In particular, a new chief operating officer who is a veteran management with proven track record in building business operations on both strategic and operation levels and also in turning around loss-making companies has been recruited in August 2015. Besides, various measures have been taken by the Group to canvass for new sales orders from both existing and potential customers, to review the areas with potential for further cost savings as well as to enhance the internal control system. It is expected that the introduction of the new management styles to the Group can stimulate not only the vitality of the Group's staff but also the determination to further improve the operating results of the Group.

The directors present their report and the audited consolidated financial statements of the Group for the year ended 31 March 2015.

Principal Activities

The principal activity of the Company is investment holding. The principal activities of the subsidiaries consist of investment holding and the manufacture and trading of printed circuit boards. There were no significant changes in the nature of the Group's principal activities during the year.

Results and Dividends

The Group's profit for the year ended 31 March 2015 are set out in the consolidated statement of profit or loss on page 27.

The directors do not recommend the payment of any dividend in respect of the year *(2014: Nil)*.

Business Review

A review of the business of the Group during the year and a discussion on the Group's future business development are provided in Management Discussion and Analysis on pages 6 to 7 of this report.

The financial risk management of the Group are shown in note 31 to the consolidated financial statements.

Summary Financial Information

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out below.

RESULTS			**Year ended 31 March**		
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**238,559**	244,372	295,930	362,043	442,395
PROFIT (LOSS) BEFORE TAX	**17,797**	(37,545)	(66,218)	(94,299)	20,496
Income tax (expense) credit	**(3,505)**	–	(2,300)	2,000	(3,800)
PROFIT (LOSS) FOR THE YEAR	**14,292**	(37,545)	(68,518)	(92,299)	16,696
Attributable to:					
Owners of the Company	**14,292**	(37,545)	(68,518)	(92,299)	16,696

Summary Financial Information (continued)

ASSETS AND LIABILITIES	As at 31 March				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**611,264**	630,682	557,549	609,740	646,638
TOTAL LIABILITIES	**(298,918)**	(323,936)	(221,243)	(207,180)	(173,311)
	312,346	306,746	336,306	402,560	473,327

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in note 12 to the consolidated financial statements.

Share Capital

There were no movements in either the Company's authorised or issued share capital during the year. Details of the Company's authorised and issued share capital are set out in note 28 to the consolidated financial statements.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-Laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or were in existence during the year.

Equity-linked Agreements

No equity-linked agreements into which the Company entered subsisted at any time during the year.

Purchase, Redemption or Sale of Listed Securities of the Company

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

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 34(a) to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

Distributable Reserves

As at 31 March 2015, the Company's reserves available for cash distribution and distribution in specie were HK$85,092,000 *(2014: HK$86,113,000)*. In addition, the Company's share premium account, in the amount of HK$91,483,000 *(2014: HK$91,483,000)*, may be distributed in the form of fully paid bonus shares.

Major Suppliers and Customers

The percentages of the Group's purchases and sales attributable to major suppliers and customers are as follows:

a.	Percentage of purchases attributable to the:	
	– Largest supplier	30%
	– Five largest suppliers	58%
b.	Percentage of sales attributable to the:	
	– Largest customer	22%
	– Five largest customers	78%

Save as disclosed under the heading "Continuing Connected Transactions" below in this report, none of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers and customers.

Directors

The directors of the Company during the year and up to the date of this report were as follows:

Executive directors:

Chan Sik Ming, Harry	*(Chairman & Chief Executive Officer)*
Au-Yeung Wai Hung	
Cheung Lai Na	(Appointed on 9 June 2015)
Shozo Sugaya	(Resigned on 31 December 2014)
Yoshio Handa	(Resigned on 31 December 2014)

Independent non-executive directors:

Li Chi Kwong	
Yeung Chi Shing, Bret	
Leung King Fai	(Appointed on 9 June 2015)
Chou Yuk Yan	(Appointed on 21 June 2016)
Chong Chi Wah	(Resigned on 1 April 2016)

Directors (continued)

According to the Company's private act known as "The Juko Laboratories Holdings Limited Company Act 1990", which is an Act of the Company established when the Company was first established under the former name of Juko Laboratories Holdings Limited, the Chairman of the Company is not required to be subject to rotation in accordance with the Bye-Laws of the Company. However, in the spirit of good corporate governance practice, the existing Chairman of the Company, Mr. Chan Sik Ming, Harry, has agreed to retire on a voluntary basis at least once every three years. The last time Mr. Chan Sik Ming, Harry retired on a voluntary basis was on 26 August 2013. He will also retire on a voluntary basis and, being eligible, will offer himself for re-election at the forthcoming annual general meeting in 2016.

In accordance with Bye-Law 102 of the Company's Bye-Laws, Ms. Cheung Lai Na, Mr. Leung King Fai and Mr. Chou Yuk Yan will retire from their offices and being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

In accordance with Bye-Law 99(A) of the Company's Bye-Laws, Dr. Li Chi Kwong will retire by rotation and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from Mr. Chong Chi Wah, Dr. Li Chi Kwong, Mr. Yeung Chi Shing, Bret and Mr. Leung King Fai as well as written confirmation of independence from Mr. Chou Yuk Yan and as at the date of this report still considers them to be independent.

Directors' Biographies

Biographical details of the directors of the Company are set out on pages 3 to 5 of the annual report.

Directors' Service Contracts

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Remuneration

The Company's Remuneration Committee makes recommendations to the Board on the specific remuneration packages of individual directors with reference to such factors as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and the justification of performance-based remuneration.

Directors' Interests in Contracts

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

Permitted Indemnity Provisions

A permitted indemnity provision for the benefit of the directors and officers of the Company is currently in force and was in force throughout the year. Pursuant to the Bye-Laws of the Company, the directors and the officers of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duties. The Company has maintained liability insurance to provide appropriate cover for the directors and officers of the Group.

Directors' Interests and Short Positions in Shares and Underlying Shares

As at 31 March 2015, the interests and short positions of the directors in the share capital 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:

Long positions in ordinary shares of the Company:

Name of director	Directly beneficially owned	Beneficiary of a trust	Total number of shares held	Percentage of the Company's issued share capital
Chan Sik Ming, Harry	43,480,001	100,292,415 (note)	143,772,416	29.94%
Au-Yeung Wai Hung	1,300,000	–	1,300,000	0.27%

Note: Chan Sik Ming, Harry, and his family are the objects of a discretionary trust which has appointed Earnwell (PTC) Limited as its trustee. As at 31 March 2015, Earnwell (PTC) Limited held 100,292,415 shares representing approximately 20.88% of the issued share capital of the Company.

Save as disclosed above, as at 31 March 2015, none of the directors had registered an 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 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.

Directors' Rights to Acquire Shares or Debentures

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

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

As at 31 March 2015, the following interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Earnwell (PTC) Limited	Trustee	100,292,415	20.88%
Daisho Denshi Co., Ltd.	Directly beneficially owned	50,000,000	10.41%

Save as disclosed above, as at 31 March 2015, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Continuing Connected Transactions

During the year, the Group had the following continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

During the year, the Group had continuing connected transactions with Daisho Denshi (H.K.) Limited, a subsidiary of Daisho Denshi Co., Ltd., a substantial shareholder of the Company who has 10.41% equity interests in the Company, for the sale of printed circuit boards amounting to approximately HK$40 million *(2014: approximately HK$38 million)* which are conducted in the ordinary and usual course of the Group's business.

Pursuant to the Company's special general meeting on 28 March 2013, an ordinary resolution was passed to approve the sales transactions with Daisho Denshi Co., Ltd. and its subsidiary (the "Daisho Denshi Group") and the maximum aggregate annual values for these sales transactions were set at HK$95 million, HK$115 million and HK$140 million for the financial years ended 31 March 2014, 2015 and 2016, respectively.

Continuing Connected Transactions (continued)

The independent non-executive directors of the Company have reviewed the continuing connected transactions with the Daisho Denshi Group as set out above and have confirmed that these continuing connected transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) according to the agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Crowe Horwath (HK) CPA Limited, the Company's predecessor auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *"Assurance Engagements Other Than Audits or Reviews of Historical Financial Information"* and with reference to Practice Note 740 *"Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules"* issued by the Hong Kong Institute of Certified Public Accountants. Crowe Horwath (HK) CPA Limited had issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

Director's Interest in a Competing Business

During the year and up to the date of this report, the following directors are considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules, as set out below.

Mr. Yoshio Handa and Mr. Shozo Sugaya, who had resigned as the executive directors of the Company on 31 December 2014 were also the executive director and vice president of Daisho Denshi Co., Ltd, which is also involved in the manufacture and trading of printed circuit boards.

As the board of directors of the Company is independent from the board of directors of Daisho Denshi Co., Ltd. and the above directors do not control the board of the Company, the Group is capable of carrying on its business independently of, and at arm's length from, the business of Daisho Denshi Co., Ltd.

Auditors

Ernst & Young resigned as the auditor of the Company on 26 August 2013 and Crowe Horwath (HK) CPA Limited was appointed as the auditor of the Company on 26 August 2013. Crowe Horwath (HK) CPA Limited resigned as the auditor of the Company on 26 May 2016 and Mazars CPA Limited, *Certified Public Accountants*, was appointed as the auditor of the Company on 7 June 2016 to fill the vacancy following the resignation of Crowe Horwath (HK) CPA Limited. A resolution will be submitted at the forthcoming annual general meeting to re-appoint Mazars CPA Limited as the auditor of the Company for the ensuing year.

ON BEHALF OF THE BOARD

Chan Sik Ming, Harry
Chairman

Hong Kong
7 October 2016

Corporate Governance Practices

The Company recognises that good corporate governance is vital to the success and the sustained development of the Group.

The Company aims at complying with, where appropriate, all code provisions of the Code of Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Company's corporate governance practices are based on the principles and the code provisions ("Code Provisions") as set out in the CG Code of the Listing Rules. The Company has applied and complied with most of the applicable Code Provisions throughout the year ended 31 March 2015, except for certain deviations from the Code Provisions in respect of Code Provisions A.2.1, A.4.1 and A.4.2, details of which are explained below.

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 throughout the year ended 31 March 2015.

Board of Directors

Board composition and practice

The directors of the Company during the year and up to the date of this annual report were as follows:

Executive directors:

Chan Sik Ming, Harry	*(Chairman & Chief Executive Officer)*
Au-Yeung Wai Hung	
Cheung Lai Na	(Appointed on 9 June 2015)
Shozo Sugaya	(Resigned on 31 December 2014)
Yoshio Handa	(Resigned on 31 December 2014)

Independent non-executive directors:

Li Chi Kwong	
Yeung Chi Shing, Bret	
Leung King Fai	(Appointed on 9 June 2015)
Chou Yuk Yan	(Appointed on 21 June 2016)
Chong Chi Wah	(Resigned on 1 April 2016)

The biographical details of the Board members are set out on pages 3 and 5 of this annual report.

The Board is responsible for the strategic planning for the Group and the monitoring of the Group's operating performance while day-to-day management of the Group is delegated to the management team.

Board of Directors (continued)

Board composition and practice (continued)

The Board supervises the management of business and affairs of the Group. It has established self-regulatory and monitor mechanisms to ensure that effective corporate governance is practised. The Board oversees the Group's overall strategic plans, reviews and approves the interim and annual reports, declares dividend, ensures good corporate governance and compliance, monitors the performance of the management, reviews and approves any material acquisition and disposal of assets.

The Company complies with Rules 3.10(1) and (2) of the Listing Rules relating to the appointment of at least three independent non-executive directors and one of the independent non-executive directors has appropriate professional qualifications or accounting or related finance management expertise. The Board considers that each independent non-executive director is independent in character and judgement and that they all meet the specific independence criteria as required by the Listing Rules. Moreover, each independent non-executive director has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules.

Appropriate insurance cover on directors' and officers' liabilities has been in force to protect the directors and officers of the Group from their risk exposure arising from the operation of the Group.

Directors' training is an on-going process. The Company is responsible for arranging and funding suitable training and all directors are encouraged to attend relevant training courses. Effective from 1 April 2012, all directors are required to provide the Company with his training record on an annual basis.

Chairman and Chief Executive Officer

According to the Code Provision A.2.1, the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and CEO should be clearly established and set out in writing.

The Company does not have a separate Chairman and CEO, and Mr. Chan Sik Ming, Harry currently holds both positions. The Board believes that vesting the roles of both Chairman and CEO in the same person ensures consistent leadership within the Group and enables more effective and efficient planning of long term strategies and implementation of business plans. The Board believes that the balance of power and authority will not be impaired and is adequately ensured by an effective Board which comprises experienced and high calibre individuals with a sufficient number thereof being independent non-executive directors.

Non-Executive Directors

Under the Code Provision A.4.1, non-executive directors should be appointed for a specific term subject to re-election.

Dr. Li Chi Kwong does not have a specific term of service, but is subject to retirement by rotation and re-election in accordance with the relevant provisions of the Company's Bye-Laws.

Re-election of Directors

Under the Code Provision A.4.2, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to the Company's private act known as "The Juko Laboratories Holdings Limited Company Act 1990" which is an Act of the Company established when the Company was first established under the former name of Juko Laboratories Holdings Limited, the Chairman of the Company is not required to be subject to rotation in accordance with the Bye-Laws of the Company. However, in the spirit of good corporate governance practice, the existing Chairman of the Company, Mr. Chan Sik Ming, Harry, has agreed to retire on a voluntary basis at least once every three years. The last time Mr. Chan Sik Ming, Harry retired on a voluntary basis and stood for re-election was in the annual general meeting held on 26 August 2013. He will also retire on a voluntary basis and, being eligible, will offer himself for re-election at the forthcoming annual general meeting in 2016.

Board Committees

Audit Committee

The Audit Committee was established in 1999 and comprises the four independent non-executive directors of the Company at present. The Board considers that each Audit Committee member has broad commercial experience and technical knowledge and there is a suitable mix of expertise in business, accounting and financial management within the Audit Committee. The composition of the Audit Committee complies with the requirements under Rule 3.21 of the Listing Rules. Its members are:

Independent non-executive directors

Leung King Fai	*(Chairman since 2 April 2016 and member since 9 June 2015)*
Li Chi Kwong	
Yeung Chi Shing, Bret	
Chou Yuk Yan	(Member since 21 June 2016)
Chong Chi Wah	(Resigned as chairman and member on 1 April 2016)

The Audit Committee's primary responsibility includes reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee also acts as a communication channel between the Company's external auditors and management for all essential issues identified during the course of the audit. The Board has delegated the responsibility for reviewing the corporate governance matters of the Group to the Audit Committee.

During the year, there were two Audit Committee meetings in which the following major responsibilities had been accomplished.

– reviewed with the management the accounting principles and practices adopted by the Group;

– discussed internal controls and financial reporting matters including the review of both the interim and annual consolidated financial statements of the Group and agreed with all the accounting treatments which have been adopted therein;

– reviewed the continuing connected transactions of the Group;

– reviewed the re-appointment, remuneration and terms of engagement of the Company's external auditors;

– reviewed the Company's compliance with the CG code and disclosure in the corporate governance report under the Listing Rules.

Board Committees (continued)

Remuneration Committee

The Remuneration Committee was established on 22 December 2005 and comprises seven members, the majority of whom are independent non-executive directors and its members are:

Independent non-executive directors	
Li Chi Kwong	*(Chairman since 2 April 2016)*
Yeung Chi Shing, Bret	
Leung King Fai	(Member since 9 June 2015)
Chou Yuk Yan	(Member since 21 June 2016)
Chong Chi Wah	(Resigned as chairman and member on 1 April 2016)
Executive directors	
Chan Sik Ming, Harry	
Au-Yeung Wai Hung	
Cheung Lai Na	(Member since 9 June 2015)

The Remuneration Committee is responsible for formulating and reviewing the remuneration policy and the specific remuneration packages of all directors and senior management of the Group.

The Remuneration Committee makes recommendations to the Board on the specific remuneration packages of individual director and senior management of the Group, including benefits in kind, pension rights and compensation payments. In determining the emolument payable to directors, it takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and the justification of performance-based remuneration.

During the year, there was one written resolution from the Remuneration Committee members, in which the level of remuneration for all independent non-executive directors was reviewed and fixed.

Nomination Committee

The Nomination Committee was established on 26 March 2012 and comprises six members, the majority of whom are independent non-executive directors and its members are:

Executive directors	
Chan Sik Ming, Harry	*(Chairman)*
Cheung Lai Na	(Member since 9 June 2015)
Independent non-executive directors	
Li Chi Kwong	
Yeung Chi Shing, Bret	
Leung King Fai	(Member since 9 June 2015)
Chou Yuk Yan	(Member since 21 June 2016)
Chong Chi Wah	(Resigned as member on 1 April 2016)

Board Committees (continued)

Nomination Committee (continued)

The Nomination Committee is responsible for formulating director nomination policy for the Board's consideration and implementing the Board's approved director nomination policy.

During the year, there was one written resolution from the Nomination Committee members, in which the following major responsibilities had been accomplished.

– reviewed the structure, size and composition of the Board;

– assessed the independence of the independent non-executive directors;

– reviewed the director nomination policy and the board diversity policy;

– reviewed the contribution by each director to performing his responsibilities to the Company and whether he was spending sufficient time performing them;

– made recommendation to the Board on the re-appointment of directors.

A copy of the Company's Policy on Board Diversity has been posted to the Company's website at www.irasia.com/listco/hk/daisho and the progress up to the date of this annual report on achieving the measurable objectives set for implementing the Company's Policy on Board Diversity is as follows:

	Objectives	Progress
1.	The Board should consist of at least one female member.	Completed
2.	The Board should comprise at least one member under the age groups of "41 to 50", "51 to 60" and "61 to 70".	Completed
3.	The Board should consist of at least one member with professional accountancy qualification, one member with PCB manufacturing experience and one member with real estate development experience in the PRC.	Completed

Board Committees (continued)

Nomination Committee (continued)

The Board's composition as at the date of this annual report under different diversified perspectives is summarised as follows:

		Number of board members
1.	Gender	
	– Male	6
	– Female	1
2.	Age	
	– 41 to 50	3
	– 51 to 60	1
	– 61 to 70	2
	– 71 to 80	1
3.	Qualification and experience	
	– with professional accountancy qualification	2
	– with PCB manufacturing experience	1
	– with real estate development experience in the PRC	1
	– with other qualifications and experience	3

Directors' Attendance at Board Meetings, Board Committee Meetings and General Meeting

During the year, there were four Board meetings, two Audit Committee meetings and one General meeting held.

The names and individual attendance of each director at each Board meeting, Board Committee meeting and General meeting during the year are set out below:

Name of director	Attendance/ Number of Board Meeting	Attendance/ Number of Audit Committee Meeting	Attendance/ Number of General Meeting
Chan Sik Ming, Harry	4/4	N/A	1/1
Au-Yeung Wai Hung	4/4	N/A	1/1
Yoshio Handa	0/3	N/A	0/1
Shozo Sugaya	0/3	N/A	0/1
Li Chi Kwong	4/4	2/2	1/1
Yeung Chi Shing, Bret	4/4	2/2	1/1
Chong Chi Wah	4/4	2/2	1/1

Auditor's Remuneration

On 30 May 2016, the Company received a letter of resignation from Crowe Horwath (HK) CPA Limited ("Crowe Horwath") in respect of their resignation as the auditor of the Company with effect from 26 May 2016 because a consensus could not be reached with the Company on the additional audit fees and the audit timetable for the financial year ended 31 March 2015. Mazars CPA Limited ("Mazars") has been appointed as the new auditor of the Company with effect from 7 June 2016 to fill the casual vacancy following the resignation of Crowe Horwath.

The services provided by the auditors to the Group and associated remuneration were as follows:

	Group	
	2015	2014
	HK$'000	HK$'000
Audit services		
– Crowe Horwath	**1,102**	480
– Mazars	**1,050**	N/A
Non-audit services		
– Crowe Horwath	**11**	10
– Mazars	**32**	N/A

The Audit Committee is of the view that the auditors' independence was not affected by the provision of non-audit related services.

Internal Controls

The board of directors hold full responsibility for the system of internal control of the Group and continuously reviews its effectiveness. The internal audit division performs investigation of the effectiveness of material processes and controls on a risk-based approach in accordance with the provisions on internal controls as set forth in the CG Code. The findings are reported to the Audit Committee. The Board of Directors, through the Audit Committee, has reviewed the effectiveness of the system of internal control for the year ended 31 March 2015.

Directors' Responsibility for the Financial Statements

The directors acknowledge their responsibility for preparing financial statements for each financial year, which give a true and fair view of the state of affairs of the Group. The directors are responsible for ensuring that the Group maintains accounting records which disclose with reasonable accuracy the financial position of the Group and which enable the preparation of financial statements in accordance with the disclosure requirements of the Hong Kong Companies Ordinance, all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, and all applicable disclosure provisions of the Listing Rules. The directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

A statement by the auditors about their reporting responsibilities is set out on page 24 of this annual report.

Company Secretary

Mr. Au-Yeung Wai Hung has been appointed as the company secretary of the Company since 1 July 1996, and he is also the financial controller and the executive director of the Company. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. According to Rule 3.29 of the Listing Rules, he is required to take no less than 15 hours of relevant professional training in each financial year commencing from 1 April 2015. He had complied with the above training requirement for the current financial year ended 31 March 2015.

Shareholder Communication Policy

The Board acknowledges that the effective communication with the shareholders of the Company (the "Shareholders") could enhance the mutual understanding between the Company and the Shareholders. The Board also recognises that the transparency and timely disclosure of corporate information could enable the Shareholders to make the most informed investment decision. Accordingly, the Company has formulated the shareholder communication policy which has been posted to the Company's website at www.irasia.com/listco/hk/daisho.

Shareholders' Rights

The Shareholders have the rights of convening special general meeting, sending enquiries to the Board, proposing resolution at general meeting and proposing a person for election as a director of the Company. The procedures for the Shareholders to exercise these rights are contained in the Company's website at www.irasia.com/listco/hk/daisho.

Constitutional Documents

A copy of the Company's Memorandum of Association and New Bye-Laws has been posted to both the website of the Hong Kong Stock Exchange at www.hkexnews.hk and the website of the Company at www.irasia.com/listco/hk/daisho. There was no change to the Company's Memorandum of Association and New Bye-Laws during the year.

INDEPENDENT AUDITOR'S REPORT

MAZARS CPA LIMITED
瑪澤會計師事務所有限公司
42nd Floor, Central Plaza,
18 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道 18 號中環廣場 42 樓

To the members of Daisho Microline Holdings Limited
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Daisho Microline Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 27 to 86, which comprise the consolidated statement of financial position as at 31 March 2015, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

Prepayment to a sewage treatment company

Included in the Group's "Other receivables, deposits and prepayments" as at 31 March 2014 was a prepayment of HK$9,849,000 to a sewage treatment company. As explained in note 19(a)(i) to the consolidated financial statements, an impairment loss on the carrying amount of the prepayment of HK$7,424,000 was recognised during the year ended 31 March 2015 as the directors considered the chance to recover the prepayment was low.

The sewage treatment company had been suffering from financial difficulties since July 2013 but we have not obtained sufficient appropriate audit evidence to substantiate the financial ability of the sewage treatment company as at 31 March 2014. In addition, since the financial and operating status of the guarantor of the sewage treatment company and the value of the assets being frozen as at 31 March 2014 had not been evaluated properly, we were unable to verify the financial ability of the guarantor of the sewage treatment company as at 31 March 2014. We were unable to obtain sufficient appropriate audit evidence to evaluate the recoverability of the prepayment of HK$9,849,000 as at 31 March 2014. Therefore, we were unable to determine whether any adjustments to the impairment loss recognised during the year ended 31 March 2015 in respect of the prepayment were necessary, which may have a significant impact on the financial performance and the elements making up the consolidated statement of cash flows of the Group for the year ended 31 March 2015.

Loan receivable

Included in the Group's "Other receivables, deposits and prepayments" as at 31 March 2014 was a loan receivable of HK$2,522,000. As explained in note 19(a)(ii) to the consolidated financial statements, an impairment loss on the unsettled loan receivable of HK$2,499,000 was recognised during the year ended 31 March 2015 as the directors considered the chance to recover the loan receivable was low.

We have not obtained sufficient appropriate audit evidence to verify the financial ability of the borrower as at 31 March 2014 and we were unable to obtain sufficient documentation to evaluate the recoverability of the loan receivable of HK$2,522,000 as at 31 March 2014. Therefore, we were unable to determine whether any adjustments to the impairment loss recognised during the year ended 31 March 2015 in respect of the loan receivable were necessary, which may have a significant impact on the financial performance and the elements making up the consolidated statement of cash flows of the Group for the year ended 31 March 2015.

Impairment of available-for-sale financial assets

As at 31 March 2014, the Group had available-for-sale financial assets carried at cost with carrying amount of HK$19,281,000, which were an unlisted equity investment in a Japanese company. An impairment loss on this unlisted equity investment of HK$10,000,000 had been recognised during the year ended 31 March 2015.

There was objective evidence of impairment as a result of the deteriorated economic environment of electronic component industry in Japan since an earthquake in 2011. However, we were unable to obtain sufficient appropriate audit evidence to assess the present value of estimated future cash flows discounted at the then current market rate of return for a similar financial asset at the dates when the objective evidence existed. There were no alternative audit procedures that we could perform to verify the carrying amount of the available-for-sale financial assets as at those dates and 31 March 2014. Therefore, we were unable to determine whether any adjustments to the impairment loss recognised during the year ended 31 March 2015 in respect of the available-for-sale financial assets were necessary, which may have a significant impact on the financial performance and the elements making up the consolidated statement of cash flows of the Group for the year ended 31 March 2015.

Qualified opinion

In our opinion, except for the possible effects of the matters described in the basis for qualified opinion paragraphs, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Other matter

The consolidated financial statements of the Group for the year ended 31 March 2014 were audited by the predecessor auditor who expressed a qualified opinion on those statements on 27 June 2014.

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 7 October 2016

Chan Chi Wai
Practising Certificate number: P05708

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2015

	Notes	2015 HK$'000	2014 HK$'000
Revenue	5	**238,559**	244,372
Cost of sales		**(230,805)**	(234,620)
Gross profit		**7,754**	9,752
Other income	7	**15,873**	12,580
Selling and distribution expenses		**(8,270)**	(7,413)
Administrative expenses		**(38,527)**	(28,823)
Other operating expenses		**(1,887)**	(5,586)
Insurance compensation	24(a)	**73,561**	–
Gain on disposal of non-current asset classified as held for sale	22	**4,102**	–
Impairment loss on property, plant and equipment	12	**(6,540)**	(13,512)
Impairment loss on available-for-sale financial assets	15	**(10,000)**	–
Impairment loss on other receivables, deposits and prepayments	19(c)	**(14,083)**	–
Fair value gains (losses) on financial assets at fair value through profit or loss, net		**790**	(216)
Profit (Loss) from operations		**22,773**	(33,218)
Finance costs	8	**(4,976)**	(4,620)
Share of results of a joint venture		**–**	293
Profit (Loss) before taxation	8	**17,797**	(37,545)
Income tax expenses	9	**(3,505)**	–
Profit (Loss) for the year		**14,292**	(37,545)
Profit (Loss) attributable to:			
Owners of the Company		**14,292**	(37,545)
Earnings (Loss) per share	11		
– Basic and diluted		**HK2.98 cents**	HK(7.82) cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2015

	2015 HK$'000	2014 HK$'000
Profit (Loss) for the year	**14,292**	(37,545)
Other comprehensive (loss) income		
Items that are or may be reclassified subsequently to profit or loss:		
Reclassification adjustment for exchange difference realised upon the disposal of non-current asset classified as held for sale	**(3,243)**	–
Exchange difference on translation of functional currency to presentation currency	**(5,449)**	7,985
Other comprehensive (loss) income for the year	**(8,692)**	7,985
Total comprehensive income (loss) for the year	**5,600**	(29,560)
Total comprehensive income (loss) attributable to:		
Owners of the Company	**5,600**	(29,560)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**91,444**	79,313
Prepaid lease payments	13	**13,956**	14,413
Deposits paid for acquisition of property, plant and equipment		**989**	897
Available-for-sale financial assets	15	**9,281**	19,281
		115,670	113,904
CURRENT ASSETS			
Financial assets at fair value through profit or loss	16	**5,572**	8,624
Inventories	17	**29,418**	26,585
Trade receivables	18	**32,069**	35,847
Other receivables, deposits and prepayments	19	**56,962**	50,749
Tax recoverable		**–**	211
Pledged bank deposits	20	**280,490**	269,342
Cash and cash equivalents	21	**91,083**	70,786
		495,594	462,144
Non-current asset classified as held for sale	22	**–**	54,634
		495,594	516,778
CURRENT LIABILITIES			
Trade payables	23	**34,861**	57,764
Other payables and accruals	24	**20,062**	24,380
Interest-bearing borrowings	25	**241,782**	237,324
Provision	26	**2,213**	4,468
		298,918	323,936
NET CURRENT ASSETS		**196,676**	192,842
NET ASSETS		**312,346**	306,746
CAPITAL AND RESERVES			
Share capital	28	**48,024**	48,024
Reserves	29	**264,322**	258,722
TOTAL EQUITY		**312,346**	306,746

Approved and authorised for issue by the Board of Directors on 7 October 2016 and signed on its behalf by

Chan Sik Ming, Harry
Director

Au-Yeung Wai Hung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2015

	Share capital HK$'000 (Note 28)	Reserves: Share premium HK$'000 (Note 29(a))	Contributed surplus HK$'000 (Note 29(b))	Exchange translation reserve HK$'000 (Note 29(c))	Retained profits HK$'000	Sub-total HK$'000	Total HK$'000
At 1 April 2013	48,024	91,483	9,379	127,609	59,811	288,282	336,306
Loss for the year	–	–	–	–	(37,545)	(37,545)	(37,545)
Other comprehensive income							
Exchange difference on translation of functional currency to presentation currency	–	–	–	7,985	–	7,985	7,985
Total comprehensive income (loss) for the year	–	–	–	7,985	(37,545)	(29,560)	(29,560)
At 31 March 2014	48,024	91,483	9,379	135,594	22,266	258,722	306,746
At 1 April 2014	48,024	91,483	9,379	135,594	22,266	258,722	306,746
Profit for the year	–	–	–	–	14,292	14,292	14,292
Other comprehensive loss							
Reclassification adjustment for exchange difference realised upon the disposal of non-current asset classified as held for sale	–	–	–	(3,243)	–	(3,243)	(3,243)
Exchange difference on translation of functional currency to presentation currency	–	–	–	(5,449)	–	(5,449)	(5,449)
Total other comprehensive loss for the year	–	–	–	(8,692)	–	(8,692)	(8,692)
Total comprehensive income (loss) for the year	–	–	–	(8,692)	14,292	5,600	5,600
At 31 March 2015	**48,024**	**91,483**	**9,379**	**126,902**	**36,558**	**264,322**	**312,346**

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2015

	2015 HK$'000	2014 HK$'000
OPERATING ACTIVITIES		
Profit (Loss) before taxation	**17,797**	(37,545)
Adjustments for:		
Interest income	**(10,887)**	(8,731)
Dividend income from listed equity investments	**(326)**	(598)
Loss on disposal of property, plant and equipment	**748**	–
Fair value (gains) losses on financial assets at fair value through profit or loss, net	**(790)**	216
Depreciation	**13,501**	16,545
Impairment loss on trade receivables, net	**–**	381
Amortisation of prepaid lease payments	**322**	324
Provision for tax payable and tax penalty	**286**	–
Reversal of write down of inventories	**(1,125)**	(400)
Write down of inventories	**–**	1,754
Write-back of trade payables	**(1,155)**	–
Impairment loss on property, plant and equipment	**6,540**	13,512
Impairment loss on available-for-sale financial assets	**10,000**	–
Impairment loss on other receivables, deposits and prepayments	**14,083**	–
Insurance compensation	**(12,612)**	–
Finance costs	**4,976**	4,620
Share of results of a joint venture	**–**	(293)
Gain on disposal of non-current asset classified as held for sale	**(4,102)**	–
Operating cash flows before changes in working capital	**37,256**	(10,215)
Changes in working capital:		
Financial assets at fair value through profit or loss	**3,847**	11,106
Inventories	**(1,978)**	1,897
Trade receivables	**3,754**	(6,512)
Other receivables, deposits and prepayments	**(17,093)**	(32,472)
Trade payables	**(21,347)**	23,047
Other payables and accruals	**8,316**	6,523
Provision	**(2,499)**	–
Cash generated from (used in) operations	**10,256**	(6,626)
Interest received	**7,361**	6,309
Income tax paid	**(3,296)**	–
Net cash generated from (used in) operating activities	**14,321**	(317)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2015

	Note	2015 HK$'000	2014 HK$'000
INVESTING ACTIVITIES			
Dividend income from listed equity investments		**326**	598
Payment for purchase of property, plant and equipment		**(34,127)**	(12,496)
Proceeds from disposal of property, plant and equipment		**123**	–
Proceeds from disposal of non-current asset classified as held for sale		**55,493**	–
Increase in pledged bank deposits		**(13,668)**	(95,047)
Net cash generated from (used in) investing activities		**8,147**	(106,945)
FINANCING ACTIVITIES			
Repayment of trust receipt loans		**–**	(3,845)
New bank loans raised		**80,000**	94,111
Repayment of bank loans		**(75,500)**	(17,768)
Interest paid		**(4,976)**	(4,620)
Net cash (used in) generated from financing activities		**(476)**	67,878
Net increase (decrease) in cash and cash equivalents		**21,992**	(39,384)
Cash and cash equivalents at beginning of year		**70,786**	109,482
Effect of foreign exchange rate changes, net		**(1,695)**	688
Cash and cash equivalents at end of year, represented by bank balances and cash	21	**91,083**	70,786

1. General Information

Daisho Microline Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda as an exempted company with limited liability. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the Company's registered office is located at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and its principal place of business has been changed to Units 1-2, 16/F., Nan Fung Commercial Centre, No. 19 Lam Lok Street, Kowloon Bay, Hong Kong since May 2016.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in investment holding and manufacturing and trading of printed circuit boards. The principal activities of its subsidiaries are set out in note 14 to the consolidated financial statements.

2. Significant Accounting Policies

Statement of compliance

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"), and 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 of Hong Kong Limited (the "Listing Rules").

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2014 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 3 to the consolidated financial statements. A summary of the significant accounting policies adopted by the Group is set out below.

Amendments to the Listing Rules

The amendments to the Listing Rules in relation to the financial-reporting requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Cap. 622) which are not yet effective have been early adopted in the preparation of these consolidated financial statements and as a result, there are changes to the presentation and disclosures of certain information as compared with the 2014 consolidated financial statements. Where appropriate, the comparative information has been amended to achieve a consistent presentation.

Basis of measurement

The measurement basis used in the preparation of these consolidated financial statements is historical cost, except for financial assets at fair value through profit or loss, which are measured at fair value as explained in the accounting policies set out below.

2. Significant Accounting Policies (continued)

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Company using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Changes in ownership interests

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the Group had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset or liability, interest in associate, interest in joint venture or others as appropriate from the date when control is lost.

Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position which is presented within these notes, an investment in subsidiary is stated at cost less impairment loss. The carrying amount of the investment is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

2. Significant Accounting Policies (continued)

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs of disposal.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment, over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Buildings	50 years
Leasehold improvements	Over the lease term (i.e. 3 years to 10 years)
Machinery and equipment	10 years
Furniture and fixtures	5 years
Motor vehicles	5 years
Computers	5 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

Prepaid lease payments

Prepaid lease payments are up-front payments to acquire fixed term interests in lessee-occupied land that are classified as operating leases. The premiums are stated at cost less accumulated amortisation and accumulated impairment losses and are amortised over the period of the lease on a straight-line basis to profit or loss.

2. Significant Accounting Policies (continued)

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Classification and measurement

Financial assets or financial liabilities are initially recognised at their fair value plus, in the case of financial assets or financial liabilities not carried at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities.

(1) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading. They are carried at fair value, with any resultant gain and loss recognised in profit or loss, which excludes any dividend or interest earned on the financial assets.

Financial assets are classified as held for trading if they are (i) acquired principally for the purpose of selling in the near future; (ii) part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or (iii) derivatives that are not financial guarantee contracts or not designated and effective hedging instruments.

(2) *Loans and receivables*

Loans and receivables including cash and cash equivalents, pledged bank deposits, trade receivables and other receivables, deposits and prepayments are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition over the period to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

2. Significant Accounting Policies (continued)

Financial instruments (continued)

Classification and measurement (continued)

(3) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives financial assets that are either designated at this category or not classified in any of the other categories of financial assets. They are measured at fair value with changes in value recognised as a separate component of equity until the assets are sold, collected or otherwise disposed of, or until the assets are determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income shall be reclassified to profit or loss as a reclassification adjustment.

Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less impairment loss.

(4) *Financial liabilities*

The Group's financial liabilities include trade and other payables and interest-bearing borrowings. All financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Impairment of financial assets

At the end of each reporting period, the Group assesses whether there is objective evidence that financial assets, other than those at fair value through profit or loss, are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through profit or loss when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For an available-for-sale financial asset that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss shall not be reversed.

Cash equivalents

For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdraft, if any.

2. Significant Accounting Policies (continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably and on the following bases:

Sale of goods is recognised on transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered and title has been passed.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Interest income from financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is Hong Kong dollars ("HK$") and majority of its subsidiaries used HK$ as their functional currency, except for the subsidiary operated in the People's Republic of China (the "PRC"), which has Renminbi ("RMB") as its functional currency. The consolidated financial statements are presented in HK$, which is the Company's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

The results and financial position of all the Group's entities that have a functional currency different from the presentation currency ("foreign operations") are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented, are translated at the closing rate at the end of the reporting period.

- Income and expenses for each statement of comprehensive income are translated at the average exchange rates.

- All resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity.

- On the disposal of a foreign operation, which includes a disposal of the Group's entire interest in a foreign operation, a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest is no longer equity-accounted for, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised.

2. Significant Accounting Policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period of the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Impairment of other assets

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that its property, plant and equipment, prepaid lease payments and deposits paid for acquisition of property, plant and equipment may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. a cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense in profit or loss immediately.

A reversal of impairment losses is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment losses is recognised as an income in profit or loss immediately.

Borrowing costs

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

2. Significant Accounting Policies (continued)

Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

As lessee

Assets held under finance leases are recognised as assets of the Group at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as finance lease obligation. Finance charges, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

Lease incentives are recognised in profit or loss as an integral part of the net consideration agreed for the use of the leased asset. Contingent rentals are recognised as expenses in the accounting period in which they are incurred.

Employee benefits

Short term employee benefits

Salaries, annual bonuses, paid annual leave, and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

2. Significant Accounting Policies (continued)

Employee benefits (continued)

Defined contribution plans

The obligations for contributions to defined contribution retirement scheme are recognised as expenses in profit or loss as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior the contributions are vested fully in those employees. The assets of the scheme are held separately from those of the Group in an independently administered fund.

Long service payments

The Group's net obligation in respect of long service payments under the Employment Ordinance is the amounts of future benefit that employees have earned in return for their services in the current and prior periods. The obligation is calculated using the projected unit credit method and discounted to its present value and after deducting the fair value of any related assets, including those retirement scheme benefits.

Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

Taxation

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, any deferred tax arises from initial recognition of goodwill; or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on interest in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2. Significant Accounting Policies (continued)

Related parties

A related party is a person or entity that is related to the Group:

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2. Significant Accounting Policies (continued)

Related parties (continued)

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the Group and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the board of directors, which is the Group's chief operating decision maker, for the purposes of allocating resources to, and assessing the performance of, the Group's various geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2. Significant Accounting Policies (continued)

Future changes in HKFRSs

At the date of authorisation of these consolidated financial statements, the HKICPA has issued the following new/revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

Amendments to HKAS 19 (2011)	*Defined Benefit Plans – Employee Contributions* [1]
Various HKFRSs	*Annual Improvements Project – 2010-2012 Cycle* [2]
Various HKFRSs	*Annual Improvements Project – 2011-2013 Cycle* [2]
Amendments to HKAS 1	*Disclosure Initiative* [3]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation* [3]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants* [3]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements* [3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception* [3]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations* [3]
HKFRS 14	*Regulatory Deferral Accounts* [3]
Various HKFRSs	*Annual Improvements Project – 2012-2014 Cycle* [3]
Amendments to HKAS 7	*Disclosure Initiative* [4]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses* [4]
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions* [5]
HKFRS 15 and Clarifications to HKFRS 15	*Revenue from Contracts with Customers* [5]
HKFRS 9 (2014)	*Financial Instruments* [5]
HKFRS 16	*Leases* [6]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale of Contribution of Assets between an Investor and its Associate or Joint Venture* [7]

[1] Effective for annual periods beginning on or after 1 July 2014
[2] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
[3] Effective for annual periods beginning on or after 1 January 2016
[4] Effective for annual periods beginning on or after 1 January 2017
[5] Effective for annual periods beginning on or after 1 January 2018
[6] Effective for annual periods beginning on or after 1 January 2019
[7] The effective date of the amendments which was originally intended to be effective for annual periods beginning on or after 1 January 2016 has been deferred/removed

The directors of the Company are in the process of assessing the impact of the future adoption of these new/revised HKFRSs. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

3. Adoption of New/Revised HKFRSs

In the current year, the Group has applied the following new/revised HKFRSs that are relevant to the Group and effective from the current year.

Amendments to HKAS 32: Presentation – Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify the requirements for offsetting financial instruments. These amendments do not have an impact on the consolidated financial statements as they are consistent with the policies already adopted by the Group.

Amendments to HKAS 36: Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, additional information is required to be disclosed when the recoverable amount of assets is based on fair value less costs of disposal. Other than the additional disclosures made in note 12 to the consolidated financial statements, the application of the amendments does not have a significant impact on the consolidated financial statements.

4. Critical Accounting Estimates and Judgements

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

Key sources of estimation uncertainty

(i) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period in accordance with the accounting policies as disclosed in note 2 to the consolidated financial statements. In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the directors have to assess whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence. If any such indication exists, the recoverable amounts of the asset would be determined as the greater of the fair value less costs of disposal and value in use, the calculations of which involve the use of estimates. Owing to inherent risk associated with estimations in the timing and amounts of the future cash flows and fair value less costs of disposal, the estimated recoverable amount of the asset may be different from the amount actually received and profit or loss could be affected by accuracy of the estimations.

4. Critical Accounting Estimates and Judgements (continued)

Key sources of estimation uncertainty (continued)

(ii) Available-for-sale financial assets carried at cost

The Group assesses whether there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured. Impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The assumptions selected by the management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

(iii) Deferred tax assets

No deferred tax asset in relation to unused tax losses has been recognised in the consolidated statement of financial position. Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. In cases where the actual future profits generated are different from the original estimate, a material recognition of deferred tax assets may arise, which would be recognised in profit or loss in the period in which such estimate is changed. Details of unrecognised deferred tax assets are contained in note 27 to the consolidated financial statement.

(iv) Impairment of trade receivables, and other receivables, deposits and prepayments

The Group makes impairment loss for doubtful debts based on an assessment of the recoverability of trade receivables, and other receivables, deposits and prepayments. Impairment provision is made for trade receivables, and other receivables, deposits and prepayments where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation on the recoverability is different from the original estimates, such difference will impact the carrying value of receivables and the impairment provision in the periods in which such estimate has been changed.

4. Critical Accounting Estimates and Judgements (continued)

Key sources of estimation uncertainty (continued)

(v) Depreciation

The Group depreciates property, plant and equipment on the straight-line basis over the respective estimated useful lives as set out in note 2 to the consolidated financial statements, with the depreciation charge commencing from the date an item of the property, plant and equipment is available for use. The estimated useful life reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

(vi) Write down of inventories

The Group reviews the inventory ageing analysis periodically to write down obsolete and slow-moving inventory items identified that are no longer suitable for use in production. The Group carries out an inventory review on a product-by-product basis at the end of each reporting period and writes down obsolete and slow-moving items through management's estimation of the net realisable value for such obsolete and slow-moving items based primarily on the latest market prices and current market conditions.

5. Revenue

The Group's revenue represents net invoiced value of goods sold after allowance for returns, trade discounts and value-added tax during the year.

	2015	2014
	HK$'000	HK$'000
Sales of printed circuit boards	**238,559**	244,372

6. Segment Information

The Company's management considers that the Group has only one reportable segment, which is the manufacturing and trading of printed circuit boards. Revenue and operating results are the two key indicators provided to the Group's chief operating decision maker to make decision about resource allocation and performance assessment.

In determining the Group's geographical segments, revenue and results are based on the location in which the customers are located; non-current assets and capital expenditure are attributed to the segments based on the locations of the assets.

The segment information for the years ended 31 March 2015 and 2014 is as follows:

Geographical information

(a) Revenue from external customers

	2015	2014
	HK$'000	HK$'000
The PRC	**66,501**	83,684
North America	**61,680**	41,130
Hong Kong	**46,900**	45,754
Japan	**39,750**	38,556
Europe	**19,975**	27,163
Other countries	**3,753**	8,085
	238,559	244,372

6. Segment Information (continued)

Geographical information (continued)

(b) Non-current assets

	2015 HK$'000	2014 HK$'000
Hong Kong	**241**	452
The PRC (Note)	**106,148**	94,171
	106,389	94,623

The non-current asset information above is based on the locations of assets and excludes available-for-sale financial assets.

Note: An impairment loss of HK$6,540,000 *(2014: HK$13,512,000)* was recognised on machinery and equipment located in the PRC during the year, further details are set out in note 12 to the consolidated financial statements.

Information of major customers

Revenue from the customers individually accounted for 10% or more of the Group's revenue for the years ended 31 March 2015 and 2014 is as follows:

	2015 HK$'000	2014 HK$'000
Customer A	**53,231**	40,439
Customer B	**47,805**	52,076
Customer C	**39,631**	38,382
Customer D	**27,821**	Note

Note: Transactions with the Customer D accounted for less than 10% of the Group's revenue for the year ended 31 March 2014.

Revenue of approximately HK$39,631,000 *(2014: HK$38,382,000)* was derived from sales of printed circuit boards to a subsidiary of Daisho Denshi Co., Ltd ("Daisho Denshi"). Daisho Denshi has approximately 10.41% equity interests in the Company and therefore is a substantial shareholder of the Company. On the other hand, the Group holds approximately 7.46% equity interests in Daisho Denshi at the end of the reporting period (Note 15).

7. Other Income

	2015	2014
	HK$'000	HK$'000
Bank and other interest income	**10,887**	8,731
Dividend income from listed equity investments	**326**	598
Gain on disposal of scrap materials	**2,976**	3,073
Write-back of trade payables	**1,155**	–
Others	**529**	178
	15,873	12,580

8. Profit (Loss) Before Taxation

This is stated after charging (crediting):

	2015 HK$'000	2014 HK$'000
Finance costs		
Interest on bank borrowings	**4,976**	4,620
Staff costs (excluding directors' emoluments in note 10)		
Salaries and other benefits	**36,634**	38,580
Contribution to defined contribution plans	**3,651**	4,782
Less: Forfeited contributions	**–**	(6)
	40,285	43,356
Other items		
Auditor's remuneration		
– Current year	**2,067**	480
– Under-provision for prior year	**85**	–
Amortisation of prepaid lease payments	**322**	324
Cost of inventories (Note (i))	**231,930**	233,266
Depreciation	**13,501**	16,545
Exchange loss, net	**315**	2,420
Impairment loss on trade receivables	**–**	381
Loss on disposal of property, plant and equipment	**748**	–
Operating lease charges for premises	**305**	328
Provision for tax payable and tax penalty included in (Note 26):		
– Cost of sales	**–**	516
– Other operating expenses	**286**	2,234
Reversal of write down of inventories	**(1,125)**	(400)
Write down of inventories	**–**	1,754

Note:

(i) Cost of inventories includes HK$40,688,000 *(2014: HK$46,893,000)* relating to staff costs and depreciation, which are included in the respective total amounts disclosed separately above.

9. Income Tax Expenses

PRC Enterprise Income Tax has been provided based on the Group's estimated assessable profits arising in the PRC for the year *(2014: Nil)*.

Hong Kong Profits Tax has not been provided as the Group has no assessable profits arising in Hong Kong for the year *(2014: Nil)*.

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

	2015 **HK$'000**	2014 HK$'000
Current tax		
PRC Enterprise Income Tax:		
Current year	**3,294**	–
Hong Kong Profits Tax:		
Under-provision in prior years	**211**	–
	3,505	–

Reconciliation of tax expense

	2015 **HK$'000**	2014 HK$'000
Profit (Loss) before taxation	**17,797**	(37,545)
Notional tax on profit (loss) before tax, calculated at the rates applicable to profit (loss) in the relevant tax jurisdiction	**6,980**	(8,808)
Share of results of a joint venture	**–**	(48)
Non-deductible expenses	**3,216**	168
Tax exempted revenue	**(767)**	(99)
Unrecognised temporary differences	**2,610**	5,432
Unrecognised tax losses	**4,526**	3,420
Utilisation of previously unrecognised tax losses	**(13,474)**	(65)
Under-provision in prior years	**211**	–
Others	**203**	–
Income tax expenses	**3,505**	–

10. Directors' Emoluments and Emoluments of Five Highest Paid Individuals

10(a) Directors' emoluments

The emoluments paid or payable to each of the following directors were as follows:

For the year ended 31 March 2015

	Directors' fees HK$'000	Salaries, allowance and benefits-in-kind HK$'000	Retirement scheme contribution HK$'000	Total HK$'000
Executive directors:				
Chan Sik Ming, Harry (Note (a))	–	6,098	305	6,403
Au-Yeung Wai Hung	–	1,092	50	1,142
Yoshio Handa (Note (c))	–	–	–	–
Shozo Sugaya (Note (c))	–	–	–	–
Independent non-executive directors:				
Chong Chi Wah (Note (f))	230	–	–	230
Li Chi Kwong	230	–	–	230
Yeung Chi Shing, Bret	230	–	–	230
	690	7,190	355	8,235

10. Directors' Emoluments and Emoluments of Five Highest Paid Individuals (continued)

10(a) Directors' emoluments (continued)

For the year ended 31 March 2014

	Directors' fees HK$'000	Salaries, allowance and benefits-in-kind HK$'000	Retirement scheme contribution HK$'000	Total HK$'000
Executive directors:				
Chan Sik Ming, Harry (Note (a))	–	6,098	305	6,403
Au-Yeung Wai Hung	–	762	38	800
Yoshio Handa (Note (c))	–	–	–	–
Shozo Sugaya (Note (c))	–	–	–	–
Independent non-executive directors:				
Chan Yuk Tong (Note (b))	83	–	–	83
Chong Chi Wah (Note (f))	120	–	–	120
Li Chi Kwong	200	–	–	200
Yeung Chi Shing, Bret	200	–	–	200
	603	6,860	343	7,806

Notes:

a) Being the executive director, Chairman and Chief Executive Officer of the Group.

b) On 26 August 2013, Mr. Chan Yuk Tong resigned as an independent non-executive director of the Company.

c) On 31 December 2014, Mr. Yoshio Handa and Mr. Shozo Sugaya resigned as executive directors of the Company.

d) On 9 June 2015, Mr. Leung King Fai was appointed as an independent non-executive director of the Company.

e) On 9 June 2015, Ms. Cheung Lai Na was appointed as an executive director of the Company.

f) On 1 April 2016, Mr. Chong Chi Wah resigned as an independent non-executive director of the Company.

g) On 21 June 2016, Mr. Chou Yuk Yan was appointed as an independent non-executive director of the Company.

For the years ended 31 March 2015 and 2014, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. No directors waived or agreed to waive any emoluments in respect of the years ended 31 March 2015 and 2014.

10. Directors' Emoluments and Emoluments of Five Highest Paid Individuals (continued)

10(b) Emoluments of five highest paid individuals

The five highest paid individuals of the Group for the year included two *(2014: two)* directors whose emoluments are reflected in the analysis presented above and three *(2014: three)* non-director individuals whose emoluments are disclosed as follows:

	2015	2014
	HK$'000	HK$'000
Salaries and other benefits	**1,425**	1,428
Retirement scheme contributions	**66**	63
	1,491	1,491

The emoluments fell within the following band:

	Number of individuals	
	2015	2014
Nil and up to HK$1,000,000	**3**	3

For the years ended 31 March 2015 and 2014, no emoluments were paid by the Group to the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

11. Earnings (Loss) Per Share

(a) Basic earnings (loss) per share

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

	2015	2014
Profit (Loss) attributable to owners of the Company (HK$'000)	**14,292**	(37,545)
Weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share	**480,243,785**	480,243,785
Basic earnings (loss) per share (HK cents)	**2.98**	(7.82)

(b) Diluted earnings (loss) per share

There were no dilutive potential ordinary shares in issue during both years. The diluted earnings (loss) per share is the same as the basic earnings (loss) per share during the years ended 31 March 2015 and 2014.

12. Property, Plant and Equipment

	Buildings HK$'000 (Note (a))	Leasehold improvements HK$'000	Machinery and equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Computers HK$'000	Total HK$'000
Reconciliation of carrying amount – year ended 31 March 2014							
At beginning of the reporting period	32,060	4,909	54,944	14	213	474	92,614
Additions	–	–	15,667	107	–	31	15,805
Impairment loss	–	–	(13,512)	–	–	–	(13,512)
Depreciation	(1,075)	(775)	(14,468)	(17)	(69)	(141)	(16,545)
Exchange realignment	602	91	249	–	1	8	951
At end of the reporting period	31,587	4,225	42,880	104	145	372	79,313
Reconciliation of carrying amount – year ended 31 March 2015							
At beginning of the reporting period	**31,587**	**4,225**	**42,880**	**104**	**145**	**372**	**79,313**
Additions	**–**	**–**	**33,978**	**6**	**–**	**51**	**34,035**
Disposals	**–**	**(13)**	**(737)**	**–**	**–**	**–**	**(750)**
Impairment loss	**–**	**–**	**(6,540)**	**–**	**–**	**–**	**(6,540)**
Depreciation	**(1,069)**	**(640)**	**(11,560)**	**(25)**	**(69)**	**(138)**	**(13,501)**
Exchange realignment	**(295)**	**(37)**	**(778)**	**–**	**–**	**(3)**	**(1,113)**
At end of the reporting period	**30,223**	**3,535**	**57,243**	**85**	**76**	**282**	**91,444**
At 31 March 2014							
Cost	54,917	33,507	636,126	8,678	2,226	3,447	738,901
Accumulated depreciation and impairment losses	(23,330)	(29,282)	(593,246)	(8,574)	(2,081)	(3,075)	(659,588)
Net carrying amount	31,587	4,225	42,880	104	145	372	79,313
At 31 March 2015							
Cost	**54,403**	**30,600**	**628,189**	**8,281**	**1,977**	**3,484**	**726,934**
Accumulated depreciation and impairment losses	**(24,180)**	**(27,065)**	**(570,946)**	**(8,196)**	**(1,901)**	**(3,202)**	**(635,490)**
Net carrying amount	**30,223**	**3,535**	**57,243**	**85**	**76**	**282**	**91,444**

12. Property, Plant and Equipment (continued)

Notes:

(a) All buildings are situated on land in the PRC. A building with carrying amount of approximately HK$4,210,000 as at 31 March 2015 *(2014: HK$4,382,000)* has been frozen by a court in the PRC to provide security for the property preservation. Details are set out in note 19(a)(i) to the consolidated financial statements. Up to the date of this report, the application for the release of the property preservation order is still in progress.

(b) In view of the reduction of revenue and the operating losses (excluding the impact of insurance compensation) for the year ended 31 March 2015, the directors considered that non-current assets of the Group might be impaired. In view of this, the directors estimated the recoverable amount of the cash-generating unit as the higher of the fair value less costs of disposal and the value in use of the cash-generating unit based on the valuation report prepared by an independent professional valuer. The cash-generating unit consisted of the Group's printed circuit board manufacturing facility, which is composed of prepaid lease payments and property, plant and equipment (the "PCB CGU").

The estimates of the recoverable amount of the PCB CGU as at 31 March 2015 of approximately HK$105,722,000 *(2014: approximately HK$94,050,000)* were determined based on the fair value less costs of disposal which was calculated by using cash flow projections based on the five-year financial forecast approved by the directors with terminal value estimated based on the disposal value in the terminal year. The terminal values of the prepaid lease payments and buildings (the "Real Estate") are determined using market comparison approach by reference to recent sale price of comparable properties on a price per square meter basis, adjusted for differences that are specific to the quality, locations and plot ratio of the Real Estate compared to the recent sales. The other key assumptions used for estimating the fair value less costs of disposal as at 31 March 2015 and 2014 are as follow:

Sales volume growth rate: 7% *(2014: 6%)*
Gross profit margin rate: 14% *(2014: 13%)*
Discount rate: 12% *(2014: 12%)*

The directors determined the above sales volume growth rate and gross profit margin rate based on the expectation of future market development.

An impairment loss against the machinery and equipment of HK$6,540,000 *(2014: HK$13,512,000)* was recognised in the consolidated statement of profit or loss for the year.

The PCB CGU was categorised into the level 3 fair value hierarchy as defined in HKFRS 13, Fair Value Measurement. There were no transfers into or out of level 3 for the fair value measurement of the PCB CGU during the years ended 31 March 2015 and 2014.

13. Prepaid Lease Payments

Prepaid lease payments represent cost paid for leasehold land with lease term of 50 years since the renewal of the lease term in 2009 in the PRC that is classified as an operating lease. The cost is amortised over the lease term.

	2015	2014
	HK$'000	HK$'000
At beginning of the reporting period	**14,737**	14,783
Amortisation	**(322)**	(324)
Exchange realignment	**(137)**	278
At the end of the reporting period	**14,278**	14,737
Current portion included in prepayments	**322**	324
Non-current portion	**13,956**	14,413
	14,278	14,737

14. Subsidiaries

Details of principal subsidiaries at the end of reporting period are as follows:

Name of subsidiary	Class of shares held	Place of incorporation and business	Attributable equity interest held by the Company Directly	Attributable equity interest held by the Company Indirectly	Issued/registered and fully paid-up capital	Principal activities	Legal form of corporate existence
Daisho Microline Limited	Ordinary	Hong Kong	–	100%	HK$2	Trading of printed circuit boards	Private limited liability company
Daisho Microline Investment Limited	Ordinary	Hong Kong	–	100%	HK$100,000	Investment holding	Private limited liability company
Frequent Luck Limited	Ordinary	The British Virgin Islands, Hong Kong	100%	–	US$1	Investment holding	Private limited liability company
華鋒微綫電子(惠州)工業有限公司 ("Huafeng Microline (Huizhou) Circuits Limited")* ("Huafeng")	Registered	The PRC	–	100%	US$62,000,000	Manufacture of printed circuit boards	Wholly foreign-owned enterprise

* English name is for identification purpose only.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding during the year or at the end of the reporting period.

15. Available-for-Sale Financial Assets

	2015 HK$'000	2014 HK$'000
Unlisted equity investment, at costs	19,281	19,281
Impairment losses	(10,000)	–
	9,281	19,281

The above investment represents an unlisted equity investment (7.46%) in Daisho Denshi, a substantial shareholder of the Company which was incorporated in Japan, which is designated as available-for-sale financial assets. The unlisted equity investment was stated at cost less impairment because the directors are of the opinion that the fair value cannot be measured reliably given that the range of reasonable fair value estimates is so significant and the probabilities of the various estimates cannot be reasonably assessed. The Group does not intend to dispose of this unlisted equity investment in the near future.

An impairment loss of HK$10,000,000 which was the difference between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return of a similar financial asset as at 31 March 2015 was recognised during the year ended 31 March 2015.

16. Financial Assets at Fair Value through Profit or Loss

	2015 HK$'000	2014 HK$'000
Equity securities, listed in Hong Kong	5,572	6,541
Equity securities, listed outside Hong Kong	–	2,083
	5,572	8,624

The above investments as at 31 March 2015 and 2014 were classified as held for trading.

As at 31 March 2015 and 2014, all of the above equity securities listed in Hong Kong have been pledged to secure certain bank borrowings of the Group (Note 25).

17. Inventories

	2015 HK$'000	2014 HK$'000
Raw materials	**10,076**	8,405
Work in progress	**14,949**	11,860
Finished goods	**4,393**	6,320
	29,418	26,585

18. Trade Receivables

	Note	2015 HK$'000	2014 HK$'000
Trade receivables			
From third parties		**26,904**	31,560
From a related party		**5,385**	5,970
		32,289	37,530
Allowance for doubtful debts	18(a)	**(220)**	(1,683)
		32,069	35,847

The related party, which is a subsidiary of a substantial shareholder of the Company, is granted with a credit period of 45 days. At the end of the reporting period, no provision had been made for non-repayment of the amount due.

18. Trade Receivables (continued)

18(a) Allowance for doubtful debts

	2015 HK$'000	2014 HK$'000
At beginning of the reporting period	**1,683**	1,278
Impairment loss recognised	**–**	381
Amount written off	**(1,465)**	–
Exchange realignment	**2**	24
At end of the reporting period	**220**	1,683

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

	2015 HK$'000	2014 HK$'000
Less than 1 month	**17,985**	19,790
1 to 2 months	**10,598**	11,549
2 to 3 months	**3,418**	3,104
Over 3 months	**288**	3,087
	32,289	37,530

18. Trade Receivables (continued)

18(a) Allowance for doubtful debts (continued)

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:

	2015	2014
	HK$'000	HK$'000
Not past due	**28,887**	32,071
Less than 1 month past due	**3,024**	2,516
1 to 2 months past due	**91**	196
2 to 3 months past due	**67**	–
Over 3 months past due	**–**	1,064
	32,069	35,847

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 believe that the amounts are recoverable. The Group does not hold any collateral over these balances.

Receivables that are neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

19. Other Receivables, Deposits and Prepayments

	Notes	2015 HK$'000	2014 HK$'000
Deposits and other receivables	19(a)	**51,611**	31,439
Less: impairment losses	19(c)	**(14,083)**	–
		37,528	31,439
Prepayments	19(b)	**4,130**	6,578
Bank interest receivables on time deposits		**10,685**	7,159
Value-added tax recoverable		**4,619**	5,573
		19,434	19,310
		56,962	50,749

19(a) Deposits and other receivables

	Notes	2015 HK$'000	2014 HK$'000
Prepayment to a sewage treatment company	19(a)(i)	**7,424**	9,849
Loan to the holding company of a sewage treatment company	19(a)(ii)	**2,499**	2,522
Payment to a service contractor	19(a)(iii)	**–**	15,008
Loan receivable from a chamber of commerce in Huizhou	19(a)(iv)	**6,247**	–
Deposits to PRC Customs	19(a)(v)	**27,356**	–
Others		**8,085**	4,060
		51,611	31,439

19. Other Receivables, Deposits and Prepayments (continued)

19(a) Deposits and other receivables (continued)

Notes:

(i) Prepayment to a sewage treatment company

On 12 April 2013, a wholly owned subsidiary of the Company, Huafeng entered into a sewage treatment contract with a sewage treatment company (the "Sewage Treatment Company") which had been a sewage treatment contractor of Huafeng since 2007 and the holding company of the Sewage Treatment Company (the "Holding Company of Sewage Treatment Company") acted as a guarantor of the Sewage Treatment Company for its obligation to repay the outstanding balance of the prepayment under the sewage treatment contract. Pursuant to the sewage treatment contract, Huafeng agreed to prepay a sewage treatment fee of RMB10,000,000 (the "Prepayment") (equivalent to approximately HK$12,612,000) which had been paid on 16 April 2013 to the Sewage Treatment Company for offsetting against the subsequent monthly sewage treatment fees and the Sewage Treatment Company agreed to give a monthly discount of RMB50,000 (equivalent to approximately HK$63,000) for the sewage treatment fees payable by Huafeng for the first three months of the contract period from 16 April 2013 to 15 October 2015. After the first three months of the contract period, Huafeng could demand immediate repayment of the outstanding balance of the Prepayment or if the Sewage Treatment Company agreed to give a monthly discount of RMB50,000 (equivalent to approximately HK$63,000) for the remaining contract period, Huafeng had an option to allow retainment of the outstanding balance of the Prepayment to offset subsequent sewage treatment fees.

After the first three months of the contract period, Huafeng demanded repayment of the outstanding balance of the Prepayment of RMB9,153,000 (equivalent to approximately HK$11,544,000) in September 2013 but the Sewage Treatment Company failed to make the repayment. Afterwards, Huafeng commenced legal proceedings and was granted a seizure order by Huizhou Huicheng District People's Court to freeze shareholdings of the Holding Company of Sewage Treatment Company in its two subsidiaries (the "Frozen Assets") in November 2013. The management considered that the Prepayment was recoverable as the value of one of the Frozen Assets which had a qualification of dismantling obsolete electronic appliances in Guangdong Province was estimated to be approximately RMB256,000,000 (equivalent to approximately HK$322,000,000) as at 31 December 2012 according to the valuation report prepared by a professional valuer in November 2013 and the Sewage Treatment Company continued to provide sewage treatment services to Huafeng. However, the value of the valuable subsidiary may have deteriorated significantly after 31 December 2012 because it had been disqualified to dismantle obsolete electronic appliances in Guangdong Province in March 2014. The financial and operating status of the Holding Company of Sewage Treatment Company and the value of the Frozen Assets as at 31 March 2014 had not been evaluated properly.

As a condition for the application of the court's order for the Frozen Assets, a building of Huafeng with a carrying amount of approximately HK$4,210,000 *(2014: approximately HK$4,382,000)* has been frozen by the court to provide security for the property preservation (Note 12(a)).

During the year ended 31 March 2014, total sewage treatment service fees of RMB3,502,000 (equivalent to approximately HK$4,417,000) was charged to Huafeng. As the Sewage Treatment Company was suffering from the shortage of working capital, Huafeng had paid sewage treatment service fees of RMB1,292,000 (equivalent to approximately HK$1,630,000) for ensuring the Sewage Treatment Company's operation to maintain the provision of sewage treatment services to Huafeng. However, the financial information of the Sewage Treatment Company as at 31 March 2014 had not been obtained to ascertain the continuance of operation. As at 31 March 2014, the outstanding balance of the Prepayment amounted to RMB7,809,000 (equivalent to approximately HK$9,849,000) was included in deposits and other receivables.

19. Other Receivables, Deposits and Prepayments (continued)

19(a) Deposits and other receivables (continued)

Notes: (continued)

(i) Prepayment to a sewage treatment company (continued)

On 21 April 2014, the Huizhou Arbitration Commission ordered the Sewage Treatment Company to return the outstanding balance of the Prepayment and the Holding Company of Sewage Treatment Company to honour the guarantee in respect of the outstanding amount. In June 2014, Huafeng filed an application to Huizhou Intermediate People's Court to enforce the execution of the order issued by the Huizhou Arbitration Commission. It was advised by Huafeng's PRC lawyer that Huafeng was requested by the court to undertake the costs for engaging a valuer to conduct a valuation on the Frozen Assets in order to enforce the execution of disposal of the Frozen Assets. The Company's directors considered that the value of the Frozen Assets may have declined significantly since the value of the Frozen Assets was mainly attributable to the qualification to dismantle obsolete electronic appliances in Guangdong Province which was no longer valid since March 2014. Therefore, the management decided not to proceed with the application and the seizure order expired in November 2015.

On 13 March 2015, Huafeng terminated the sewage treatment service contract with the Sewage Treatment Company due to its failure to provide the sewage treatment services up to environmental standards. As of the date of the termination, the outstanding balance of the Prepayment amounted to RMB5,942,000 (equivalent to approximately HK$7,424,000). During the year ended 31 March 2015, sewage treatment service fees of RMB4,319,000 (equivalent to approximately HK$5,397,000) were charged to Huafeng and Huafeng had paid sewage treatment service fees of RMB2,437,000 (equivalent to approximately HK$3,044,000).

In view of the low chance to recover the outstanding balance of the Prepayment through sewage treatment services to be provided by the Sewage Treatment Company or proceeds on disposal of the Frozen Assets, the directors of the Company determined to recognise an impairment loss on the outstanding balance of the Prepayment of RMB5,942,000 (equivalent to approximately HK$7,424,000) during the year ended 31 March 2015.

(ii) Loan to the holding company of a sewage treatment company

The amount represents the outstanding balance of an unsecured loan of RMB4.7 million with interest-bearing of 0.54% per month for a period of two months to the Holding Company of Sewage Treatment Company made by Huafeng on 24 May 2013. The outstanding loan balance at maturity date amounted to RMB3.7 million (equivalent to approximately HK$4,666,000). In late July 2013 and August 2013, amount of RMB0.7 million and RMB1 million were received by Huafeng respectively. Despite the repeated verbal demands made by Huafeng, the Holding Company of Sewage Treatment Company failed to further repay the outstanding loan balance. Huafeng commenced legal proceeding in November 2013 and obtained an order from the court in February 2014 in favour of Huafeng for demanding repayment. During the year ended 31 March 2014, no interest income was recognised. As at 31 March 2014, the outstanding loan balance amounted to RMB2 million (equivalent to approximately HK$2,522,000).

In view of the low chance to recover the outstanding balance of the loan receivable through proceeds on disposal of the Frozen Assets because of the reason as mentioned in note 19(a)(i) above, the directors of the Company determined to recognise an impairment loss on the outstanding balance of the loan receivable of RMB2 million (equivalent to approximately HK$2,499,000) during the year ended 31 March 2015.

(iii) Payment to a service contractor

The amount represented a payment of HK$15,008,000 for a service contract which was cancelled in March 2014 and the same amount was fully refunded to the Group in April 2014.

19. Other Receivables, Deposits and Prepayments (continued)

19(a) Deposits and other receivables (continued)

Notes: (continued)

(iv) **Loan receivable from a chamber of commerce in Huizhou**

On 5 May 2014, Huafeng entered into a loan agreement of RMB6 million (equivalent to HK$7,496,000) bearing interest of 1% per month with the maturity date on 6 February 2015 with a chamber of commerce in Huizhou (the "Chamber") and an executive president of the Chamber acted as a guarantor (the "Guarantor") of the Chamber. As at 31 March 2015, the outstanding loan balance was RMB5 million (equivalent to approximately HK$6,247,000). In May and July 2015, a total of RMB820,000 (equivalent to approximately HK$977,000) was settled. Despite repeated verbal demands made by Huafeng, the Chamber failed to further repay the outstanding loan balance with interest in total of RMB4,480,000 (equivalent to approximately HK$5,339,000). Huafeng commenced legal proceeding in July 2015 and obtained an order from the court in December 2015 in favour of Huafeng for demanding repayment. In March 2016, the court issued an order to freeze certain bank accounts of the Chamber and the Guarantor with a total deposit balance of RMB886,000 (equivalent to approximately HK$1,056,000) and equity interests held by the Guarantor in certain companies. As at 31 March 2016, the outstanding loan balance was RMB4.18 million (equivalent to approximately HK$4,981,000). In August 2016, approximately RMB850,000 (equivalent to approximately HK$1,013,000) was received through the court as a result of realisation of the frozen bank accounts.

In view of uncertainty of the amount recoverable from the frozen assets, the directors of the Company determined to recognise an impairment loss of RMB3.3 million (equivalent to approximately HK$4,160,000) during the year ended 31 March 2015.

(v) **Deposits to PRC Customs**

The deposits mainly represent the amounts in aggregate of RMB20,117,000 (equivalent to approximately HK$25,134,000) paid to PRC Customs as a security deposit for importing of bonded materials by Huafeng due to the downgrade of administrative category of Huafeng by the PRC Customs as a result of violation of PRC Customs regulations by Huafeng (details of which are set out in note 26 to the consolidated financial statement). Such deposits are refundable upon the completion of the clearance of the bonded materials imported by Huafeng by the PRC Customs. Deposits in relation to the security deposit of RMB14,807,000 (equivalent to approximately HK$18,500,000) were subsequently refunded to Huafeng in June 2015.

19(b) Prepayments

Included in prepayments as at 31 March 2014 was a payment for renovation. On 18 September 2013, Huafeng prepaid an amount of RMB2 million (equivalent to approximately HK$2,522,000) to a construction company (the "Construction Company") for a contract sum of RMB4.14 million (equivalent to approximately HK$5,221,000) according to a draft renovation contract. Subsequent to the payment, no renovation work had been performed by the Construction Company. In August 2014, Huafeng engaged another contractor to perform the renovation work.

In July 2015, Huafeng filed a property preservation application to freeze the bank account of the Construction Company in order to recover the prepayment. In August 2015, Huafeng filed a claim to the Huizhou Huicheng District People's Court against the Construction Company for the prepayment but a court order in favour of the Construction Company was issued in November 2015. Huafeng appealed to the Huizhou Intermediate People's Court in December 2015. On 28 April 2016, Huafeng withdrew the appeal to the Huizhou Intermediate People's Court as a result of settlement agreement between Huafeng and the Construction Company because Huafeng received an aggregate amount of RMB2 million (equivalent to approximately HK$2,383,000) in April 2016.

19. Other Receivables, Deposits and Prepayments (continued)

19(c) Impairment losses

Impairment losses in respect of other receivables, deposits and prepayments are recorded using an allowance account unless the Group is of the view that recovery of the amount is remote, in which case the impairment loss is written off against other receivables, deposits and prepayments directly.

The movements in the allowance account for other receivables, deposits and prepayments are as follows:

	Notes	2015 HK$'000	2014 HK$'000
At beginning of the reporting period		–	–
Impairment loss recognised in respect of:			
– Prepayment to a sewage treatment company	19(a)(i)	7,424	–
– Loan to the holding company of a sewage treatment company	19(a)(ii)	2,499	–
– Loan receivable from a chamber of commerce in Huizhou	19(a)(iv)	4,160	–
		14,083	–
At end of the reporting period		**14,083**	–

20. Pledged Bank Deposits

The bank deposits amounting to approximately HK$280,490,000 *(2014: HK$269,342,000)* were placed with banks in the PRC to secure short-term bank loans of the Group. Therefore, those pledged bank deposits were classified as current assets.

The interest rates on the pledged bank deposits range from 1.75% to 3.75% *(2014: 3.30% to 3.75%)* per annum.

21. Cash and Cash Equivalents

	2015	2014
	HK$'000	HK$'000
Cash and cash equivalents in the consolidated statement of financial position and the consolidated statement of cash flows	**91,083**	70,786

Bank balances in total of HK$91,016,000 *(2014: HK$70,719,000)* carry interest at market rates ranging from 0.52% to 1.31% *(2014: 0.52% to 1.31%)* per annum.

As at 31 March 2015, the balances that were placed with banks in the PRC amounted to HK$67,244,000 *(2014: HK$37,234,000)*. Remittance of funds out of the PRC is subject to the exchange controls imposed by the PRC government.

22. Non-Current Asset Classified as Held for Sale

As at 31 March 2014, the investment in a joint venture with carrying amount of HK$54,634,000 had been classified as held for sale. In July 2014, the Group disposed of the entire interests in the joint venture to a third party and to obtain the repayment of the shareholder's loan as previously injected by the Group to the joint venture at a total consideration of RMB44,000,000 (equivalent to approximately HK$55,493,000). Upon the disposal, the cumulative exchange reserve previously recognised in equity of HK$3,243,000 was realised. The total gain on disposal of HK$4,102,000 was recognised in the consolidated statement of profit or loss during the year ended 31 March 2015.

23. Trade Payables

	2015 HK$'000	2014 HK$'000
Trade payables to third parties	**34,861**	57,764

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

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

	2015 HK$'000	2014 HK$'000
Less than 1 month	**10,658**	11,540
1 to 2 months	**5,890**	10,565
2 to 3 months	**9,138**	7,417
Over 3 months	**9,175**	28,242
	34,861	57,764

24. Other Payables and Accruals

	Note	2015 HK$'000	2014 HK$'000
Receipts in advance	24(a)	–	12,612
Other payables		13,125	6,475
Accruals		6,937	5,293
		20,062	24,380

24(a) The balance as at 31 March 2014 represented a refundable advance of RMB10,000,000 (equivalent to approximately HK$12,612,000) received in August 2013 from an insurance company in relation to an insurance compensation claim for the losses on assets and losses on profits as a result of the fire accident occurred in the production base of the Group in Huizhou, the PRC in January 2013. In November 2014, a final insurance compensation notice was issued by the insurance company. The receipt in advance from the insurance company was realised and the total insurance compensation amount of approximately RMB58 million (equivalent to approximately HK$73,561,000) was recognised in the consolidated statement of profit or loss for the year.

25. Interest-Bearing Borrowings

At the end of the reporting period, the details of the interesting-bearing borrowings of the Group are as follows:

	2015		2014	
	Effective interest rate (%)	HK$'000	Effective interest rate (%)	HK$'000
Bank loans				
– secured	HIBOR +1.1% to HIBOR +1.5%	171,782	HIBOR +1.1% to LIBOR +2.5%	92,324
– secured	2.3%	70,000	1.8% to 2.3%	145,000
		241,782		237,324

At the end of the reporting period, all bank loans are repayable within one year and are secured by the Group's bank deposits amounting to HK$280,490,000 *(2014: HK$269,342,000)* (Note 20) and the Group's Hong Kong listed equity investments amounting to HK$5,572,000 *(2014: HK$6,541,000)* (Note 16).

26. Provision

Provision for tax payable and tax penalty

	2015 HK$'000	2014 HK$'000
At beginning of the reporting period	4,468	–
Additional provision made	286	4,468
Amount paid	(2,499)	–
Exchange realignment	(42)	–
At end of the reporting period	2,213	4,468

In January 2014, Huafeng was investigated by the PRC Customs in respect of suspected violation of PRC Customs regulations. In June 2014, the PRC Customs issued two notices of assessment to Huafeng on the relevant tax evaded, including customs duty and import value-added tax, of totaling approximately RMB1,771,000 (equivalent to approximately HK$2,234,000) in respect of certain spare parts imported by Huafeng without declaration and bonded materials used by Huafeng for domestic sales in the PRC. A provision of HK$516,000 and HK$1,718,000 for customs duty and import value-added tax respectively together with relevant tax penalty of RMB1,771,000 (equivalent to approximately HK$2,234,000) which was estimated based on legal advice had been provided as at 31 March 2014.

Pursuant to the judgement of the court on 19 January 2015, the penalty of tax evasion was finalised to be RMB2,000,000 (equivalent to approximately HK$2,499,000) which had been settled during the year ended 31 March 2015. The understated penalty of RMB229,000 (equivalent to approximately HK$286,000) was charged to profit or loss during the year. In addition, the final assessment of tax evasion in respect of customs duty and import value-added tax in total of RMB1,771,000 (equivalent to approximately HK$2,213,000) was issued in April 2015 and was settled in May 2015.

27. Deferred Taxation

	2015 HK$'000	2014 HK$'000
Unrecognised deferred tax assets arising from		
– Deductible temporary differences	50,893	39,191
– Tax losses arising in Hong Kong	94,411	73,522
– Tax losses arising in the PRC	4,316	54,469
	149,620	167,182

27. Deferred Taxation (continued)

Neither the tax losses arising in Hong Kong nor the deductible temporary differences expire under current tax legislation, while the tax losses arising in the PRC will expire in one to five years. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

28. Share Capital

	2015		2014	
	No. of shares	**HK$'000**	No. of shares	HK$'000
Authorised:				
At beginning and				
at end of the reporting period				
Ordinary shares of HK$0.1 each	**600,000,000**	**60,000**	600,000,000	60,000
Issued and fully paid:				
At beginning and				
at end of the reporting period	**480,243,785**	**48,024**	480,243,785	48,024

29. Reserves

(a) Share premium

The application of share premium is governed by section 40 of the Bermuda Companies Act 1981. Where the Company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premium on those shares shall be transferred to the share premium account.

(b) Contributed surplus

The Group's contributed surplus represents the difference between the nominal value of the Company's shares issued pursuant to the Group's reorganisation in 1989 and the nominal value of the shares and the share premium account of the subsidiaries acquired.

(c) Exchange translation reserve

Exchange translation reserve has been set up and is dealt with in accordance with the accounting policies adopted for foreign currency translation as set out in note 2 to the consolidated financial statements.

30. Significant Related Party Transactions

In addition to the information disclosed elsewhere in these consolidated financial statements, the Group had the following transactions with related parties:

(a) Related party transactions

	2015	2014
	HK$'000	HK$'000
Sales of printed circuit boards to a related party	**39,631**	38,382

Printed circuit boards were sold to a subsidiary of Daisho Denshi, a substantial shareholder of the Company which has 10.41% equity interests in the Company and the Group has 7.46% equity interests in Daisho Denshi. The products sold were unique and tailor-made according to the customer's requirements and specifications. The selling price of the printed circuit boards was determined based on the complexity of the specifications and was agreed between the respective parties.

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, representing amounts paid to the Company's directors as disclosed in note 10 to the consolidated financial statements, is as follows:

	2015	2014
	HK$'000	HK$'000
Salaries and other emoluments	**7,880**	7,463
Retirement scheme contributions	**355**	343
	8,235	7,806

The remuneration was based on the terms mutually agreed between the Group and the related parties.

In the opinion of the Company's directors, these related party transactions were conducted in the ordinary course of business of the Group.

31. Financial Risk Management

The Group's principal financial instruments comprise available-for-sale financial assets, financial assets at fair value through profit or loss, interest-bearing borrowings, pledged bank deposits, cash and cash equivalents, other receivables and other payables. The main purpose of these financial instruments is to raise and maintain finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The accounting policies for financial instruments have been applied to the line items below:

	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Financial assets at fair value through profit or loss HK$'000	Total HK$'000
As at 31 March 2015				
Assets as per consolidated statement of financial position				
Available-for-sale financial assets	–	9,281	–	9,281
Financial assets at fair value through profit or loss	–	–	5,572	5,572
Trade receivables	32,069	–	–	32,069
Financial assets included in other receivables, deposits and prepayments	48,213	–	–	48,213
Pledged bank deposits	280,490	–	–	280,490
Cash and cash equivalents	91,083	–	–	91,083
Total	451,855	9,281	5,572	466,708

	Financial liabilities at amortised cost HK$'000
As at 31 March 2015	
Liabilities as per consolidated statement of financial position	
Trade payables	34,861
Financial liabilities included in other payables and accruals	6,937
Interest-bearing borrowings	241,782
Total	283,580

31. Financial Risk Management (continued)

	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Financial assets at fair value through profit or loss HK$'000	Total HK$'000
As at 31 March 2014				
Assets as per consolidated statement of financial position				
Available-for-sale financial assets	–	19,281	–	19,281
Financial assets at fair value through profit or loss	–	–	8,624	8,624
Trade receivables	35,847	–	–	35,847
Financial assets included in other receivables, deposits and prepayments	38,598	–	–	38,598
Pledged bank deposits	269,342	–	–	269,342
Cash and cash equivalents	70,786	–	–	70,786
Total	414,573	19,281	8,624	442,478

	Financial liabilities at amortised cost HK$'000
As at 31 March 2014	
Liabilities as per consolidated statement of financial position	
Trade payables	57,764
Financial liabilities included in other payables and accruals	5,293
Interest-bearing borrowings	237,324
Total	300,381

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, market price risk, credit risk and liquidity risk. The board of directors of the Company reviews and agrees policies for managing each of these risks and they are summarised below.

31. Financial Risk Management (continued)

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's interest-bearing borrowings with floating interest rates. The interest rates and terms of repayment of the interest-bearing borrowings of the Group are disclosed in note 25 to the consolidated financial statements.

The Group's policy is to minimise the interest rate risk for interest-bearing borrowings with an original tenor of more than one year by fixing the interest rate at the commencement of the tenor. The Group may make use of interest rate swaps transactions in order to effect fixed interest rates for such borrowings if required.

At the end of the reporting period, if interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit before tax would decrease/increase by HK$1,718,000 *(2014: loss before tax would increase/decrease by HK$923,000)* but there would be no impact on the other equity reserves.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next annual reporting period. The analysis is performed on the same basis for 2014.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. The Group operates in Hong Kong and the PRC with most of the transactions denominated and settled in either United States dollars ("USD"), Hong Kong dollars ("HK$") or Renminbi ("RMB"). As HK$ is pegged to USD, the management considers the risk of movements in exchange rates between HK$ and USD to be insignificant. The Group is mainly exposed to the foreign currency risk of RMB.

The Group may enter into forward currency contracts with reference to the estimated cash flows in foreign currencies in order to manage the foreign currency exposures as and when appropriate. The Group has not entered into hedging activities to hedge against the exposure to foreign exchange risk of RMB.

The following table demonstrates the sensitivity to a reasonably possible change in the exchange rates, with all other variables held constant, of the Group's profit (loss) before tax and the Group's equity, in respect of the monetary assets and liabilities based on their carrying amounts at the end of the reporting period.

31. Financial Risk Management (continued)

Foreign currency risk (continued)

	Increase (Decrease) in exchange rates %	Increase (Decrease) in profit before tax HK$'000	Increase (Decrease) in equity* HK$'000
As at 31 March 2015			
If HK$ weakens against RMB	**10.0**	**(3,723)**	**–**
If HK$ strengthens against RMB	**(1.0)**	**372**	**–**

	Increase (Decrease) in exchange rates %	Increase (Decrease) in loss before tax HK$'000	Increase (Decrease) in equity* HK$'000
As at 31 March 2014			
If HK$ weakens against RMB	10.0	4,198	–
If HK$ strengthens against RMB	(1.0)	(420)	–

* Excluding retained profits

Since Hong Kong dollar is pegged against United States dollar, it is assumed that the foreign exchange risk is remote. The conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

Market price risk

The Group is exposed to equity price risk arising from equity investments held under financial assets at fair value through profit or loss amounted to HK$5,572,000 *(2014: HK$8,624,000)*. For the Group's equity securities investments that are publicly traded, the fair value is determined with reference to quoted market prices.

31. Financial Risk Management (continued)

Market price risk (continued)

The sensitivity analysis has been determined based on the exposure of the listed equity investment to equity price risk. At the end of the reporting period, it is estimated that if there would be an increase/decrease of 5% *(2014: 5%)* in the relevant stock market index as applicable, with all other variables held constant, would have increased/decreased the Group's profit for the year and increased/decreased retained profits by HK$279,000 *(2014: decreased/increased the Group's loss for the year and increased/decreased retained profits by HK$431,000)* due to change in the fair value of investments held-for-trading. The Group's sensitivity to equity price has not changed significantly from the prior year.

The sensitivity analysis has been determined assuming that the reasonably possible changes in the stock market index had occurred at the end of the reporting period and had been applied to the exposure to equity price risk in existence at that date. It is also assumed that the fair values of the Group's listed investments would change in accordance with the historical correlation with the relevant stock market index. The stated changes represent management's assessment of reasonably possible changes in the relevant stock market index over the period until the end of the next annual reporting period. The analysis is performed on the same basis for 2014.

Credit risk

The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, debtor balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise bank balances and cash, and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. In order to minimise the credit risk, the management of the Group continuously monitors the level of exposure to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Since the Group trades only with recognised and creditworthy customers, there is no requirement for collateral. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which the customers operate also has an influence on credit risk but to a lesser extent. At the end of the reporting period, the Group had a concentration of credit risk as 35% *(2014: 17%)* and 79% *(2014: 56%)* of the Group's trade receivables was due from the Group's largest customer and the five largest customers, respectively. The Group manages the concentration of credit risk by continuously broadening the customer base of the Group.

The credit risk in bank balances and deposits is limited because the counterparties are banks with high credit ratings.

Further information in respect of the Group's exposure to credit risk arising from trade receivables is disclosed in note 18 to the consolidated financial statements.

31. Financial Risk Management (continued)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial liabilities and financial assets (e.g. trade debtors) and projected cash flows from operations.

The Group's policy is to regularly monitor its current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and cash equivalents as well as adequate banking facilities to meet its operation needs at any time.

The maturity profile of the Group's financial liabilities at the end of the reporting period based on contractual undiscounted payments is summarised below:

	Within 1 year or on demand HK$'000	**1 to 5 years HK$'000**	**Total HK$'000**
As at 31 March 2015			
Trade payables	**34,861**	**–**	**34,861**
Financial liabilities included in other payables and accruals	**6,937**	**–**	**6,937**
Interest-bearing borrowings	**241,972**	**–**	**241,972**
	283,770	**–**	**283,770**

	Within 1 year or on demand HK$'000	1 to 5 years HK$'000	Total HK$'000
As at 31 March 2014			
Trade payables	57,764	–	57,764
Financial liabilities included in other payables and accruals	5,293	–	5,293
Interest-bearing borrowings	237,629	–	237,629
	300,686	–	300,686

31. Financial Risk Management (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirement.

The Group monitors capital using a gearing ratio, which is the interest-bearing bank borrowings divided by total capital. Capital includes equity attributable to owners of the Company. The Group's policy is to maintain the gearing ratio below 100%. The gearing ratios as at the end of the reporting period were as follows:

	2015 **HK$'000**	2014 HK$'000
Interest-bearing borrowings	**241,782**	237,324
Equity attributable to owners of the Company	**312,346**	306,746
Gearing ratio	**77%**	77%

32. Fair Value Measurements

The following table presents the assets and liabilities measured at fair value or required to disclose their fair value in these financial statements on a recurring basis as at 31 March 2015 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; and

– Level 3: (lowest level): unobservable inputs for the asset or liability.

32. Fair Value Measurements (continued)

Financial assets measured at fair value

	2015			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Assets				
Financial assets at fair value through profit or loss	**5,572**	**–**	**–**	**5,572**

	2014			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Assets				
Financial assets at fair value through profit or loss	8,624	–	–	8,624

During the years ended 31 March 2015 and 2014, 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.

The description of the valuation techniques and inputs used in fair value measurement for prepaid lease payments and property, plant and equipment are set out in note 12 to the consolidated financial statements.

In the opinion of the directors, except for the available-for-sale financial assets as described in note 15 to the consolidated financial statements, no other financial assets and liabilities of the Group are carried at amount materially different from their fair values as at 31 March 2015 and 2014.

33. Commitments

(a) Capital commitments

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

	2015 HK$'000	2014 HK$'000
Contracted but not provided for net of deposits paid in respect of		
– property, plant and equipment	**612**	4,328

(b) Operating leases commitments

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases for premises, which are payable as follows:

	2015 HK$'000	2014 HK$'000
Within one year	**309**	290
In the second to fifth years inclusive	**–**	290
	309	580

Operating lease payments represent rentals payable by the Group for its office and staff's quarters. Leases are negotiated for term ranging from 1 year to 3 years.

Subsequent to the end of the reporting period, the Group has entered into a tenancy agreement for a period of 3 years for its office. The total future minimum lease payments under this non-cancellable operating lease are HK$3,960,000.

34. Statement of Financial Position of the Company

	Note	2015 HK$'000	2014 HK$'000
Non-current assets			
Interest in subsidiaries		**70,916**	70,916
Current assets			
Amount due from a subsidiary		**154,048**	154,689
Prepayments		**242**	137
Cash and cash equivalents		**38**	29
		154,328	154,855
Current liabilities			
Other payables and accruals		**645**	151
Net current assets		**153,683**	154,704
NET ASSETS		**224,599**	225,620
Capital and reserves			
Share capital		**48,024**	48,024
Reserves	34(a)	**176,575**	177,596
TOTAL EQUITY		**224,599**	225,620

Approved and authorised for issue by the Board of Directors on 7 October 2016 and signed on its behalf by

Chan Sik Ming, Harry
Director

Au-Yeung Wai Hung
Director

34. Statement of Financial Position of the Company (continued)

34(a) Movement of the reserves

	Share premium HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2013	91,483	38,295	48,085	177,863
Loss and total comprehensive loss for the year	–	–	(267)	(267)
At 31 March 2014	91,483	38,295	47,818	177,596
At 1 April 2014	**91,483**	**38,295**	**47,818**	**177,596**
Loss and total comprehensive loss for the year	**–**	**–**	**(1,021)**	**(1,021)**
At 31 March 2015	**91,483**	**38,295**	**46,797**	**176,575**

The Company's contributed surplus is derived from the difference between the combined net assets of the subsidiaries acquired and the nominal value of the Company's shares issued pursuant to the same reorganisation described in note 29(b) to the consolidated financial statements. Under the Bermuda Companies Act 1981, a company may make contribution to its shareholders out of the contributed surplus under certain circumstances.