



DAISHO MICROLINE HOLDINGS LIMITED

大昌微綫集團有限公司

Stock Code : 0567

ANNUAL REPORT

2015-2016



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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:

7 October 2016

Annual Results:

7 October 2016

Annual General Meeting

22 November 2016 (Tuesday)

Dividends

Interim dividend:

Nil

Proposed final dividend:

Nil

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

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 AND SENIOR MANAGEMENT

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.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

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.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Senior Management

Cheung Ling Mun, aged 63, has been the general manager of a major subsidiary of the Company in Hong Kong and the president of a major subsidiary of the Company in Mainland China since July 2015. He has been the managing director of the aforesaid major subsidiary of the Company in Mainland China since October 2015. He is a substantial shareholder of the Company holding about 25% equity interests in the Company and he is also the father of Ms. Cheung Lai Na who is an executive director of the Company.

Mr. Cheung is one of the founders of two companies engaging in oil trading or bunkering business in Hong Kong and Singapore respectively. He carried on petroleum import and export trading business in Mainland China in his middle age with customers spreading over Mainland China and various South East Asia countries.

Mak Chin To, Simon, aged 60, has been the chief operating officer of two major subsidiaries of the Company since August 2015. He graduated from the University of Manitoba in Winnipeg of Canada with a Bachelor of Economic degree. He 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. He has over 29 years of experience in sales and marketing, retail development, operation management, business development and distributor management and he had taken senior positions in various multi-national corporations and publicly listed companies. He has been conducting business in the Mainland China market since year 1992. His skill set of key performance indicator management and standard operating practice control can greatly enhance the operation of the Group.

Mr. Mak had been based in Shanghai and Taiwan for over eight years and he is well versed in multi culture. His last appointment in Taiwan was in charge of an operation of over 170 employees and three offices respectively in Taiwan, Korea and United States. Mr. Mak had served customers in 35 countries internationally.

Ng Yick Hun, aged 57, has been the assistant general manager of a subsidiary of the Company since 15 July 2016 and she is mainly responsible for the establishment along with the management of the Group's new business relating to the indent trading of petrochemical products.

After her high school study in Malaysia, Ms. Ng returned to Hong Kong to continue her education. She graduated from the University of South Queensland in Australia with a Bachelor of Business degree major in Professional Accounting and also from the University of Surrey in the United Kingdom with a Post Graduation Certificate in Business Administration.

Prior to joining the Group, Ms. Ng had been the general manager of a leading bunkering and commodity trading company in Hong Kong since the year 2007 supervising various departments to ensure the smooth operation of that company as well as the commodity trading and the China projects of that company. She also gained extensive working experience, particularly in financial management, international trade and human resources management, from the logistics industry, garment industry and import & export industry.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

The Group's revenue for the current year was approximately HK\$207 million, down 13% from last year which was mainly due to the slow-down of the global economy. Contrary to the net profit of approximately HK\$14 million for the last year, the Group's net loss for the current year was approximately HK\$61 million, mainly due to the recognition of the total insurance compensation of approximately HK\$74 million for the last 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. 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 receivables, deposits and prepayments, gain on disposal of non-current asset classified as held for sale and income tax expenses) had been excluded, the Group would have recorded a net loss of approximately HK\$29 million for the last year instead.

Contrary to the Group's gross profit margin of approximately 3.3% for the last year, the Group's gross loss margin for the current year was approximately 8.9%. The gross loss for the current year was mainly due to (i) the reduction in variable contribution resulting from the decrease in Group's revenue as mentioned above; (ii) the increase in the minimum wages level in the Mainland China by approximately 20% since May 2015 and such increase in labour cost could not be totally shared by the Group's customers at once due to the fixed selling price for certain models of printed circuit board ("PCB") during the contract period; (iii) the postponement of repair or replacement of certain production machinery until the current year causing substantial increase in repair and maintenance expenses as well as scrap cost during the current year.

The Group's gearing ratios (defined as interest-bearing borrowings divided by total equity) as at 31 March 2016 was 104% (2015: 77%). The Group's current ratio as at 31 March 2016 and 31 March 2015 was 1.35 times and 1.66 times respectively. The Group's PCB operations had a net cash outflow of approximately HK\$22 million during the current year (2015: net cash inflow of approximately HK\$10 million).

The interest rate structure, maturity profile, currency structure and underlying security of the Group's interest-bearing borrowings as at 31 March 2016 and 31 March 2015 are detailed in note 24 to the consolidated financial statements.

As at 31 March 2016, the Group's total cash and bank balances (including pledged bank deposits) were approximately HK\$318 million (2015: HK\$372 million) and the Group's total interest-bearing borrowings amounting to approximately HK\$241 million (2015: HK\$242 million). Therefore, the Group had a net cash balance of approximately HK\$77 million (2015: HK\$130 million). Besides, the total credit facilities available to the Group were approximately HK\$246 million (2015: HK\$341 million) and, therefore, the unutilised credit facilities were approximately HK\$5 million (2015: HK\$99 million). The decrease in the total credit facilities was caused by the granting of credit facilities to the Group by a bank before 31 March 2015, which were utilised after 31 March 2015 to repay the borrowings from another bank.

As at 31 March 2016, the Group's assets and liabilities were mostly denominated in either HK\$, US\$ or RMB. Because the exchange rate for US\$ against HK\$ is relatively stable in Hong Kong for the moment, the Group has not adopted any hedging tool against its assets or liabilities denominated in US\$. Because the Group's subsidiary in Mainland China had net assets as at 31 March 2016 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Contingent Liabilities

As at 31 March 2016, the Group did not have any material contingent liability (2015: Nil). The Company has provided certain banks with corporate guarantees of approximately HK\$238 million (2015: approximately HK\$314 million) to secure banking facilities granted to its subsidiaries. As at 31 March 2016, the facilities were utilised to the extent of approximately HK\$237 million (2015: approximately HK\$238 million). The decrease in the total corporate guarantees was caused by the granting of credit facilities to the Group by a bank before 31 March 2015, which required the provision of corporate guarantee by the Company and such credit facilities were utilised after 31 March 2015 to repay the borrowings from another bank, which also required the provision of corporate guarantee by the Company previously.

Employee Benefits

As at 31 March 2016, the Group had 557 (2015: 605) employees, including directors, working mainly in Mainland China. For the year ended 31 March 2016, the Group's total staff costs including directors' emoluments were approximately HK\$54 million (2015: approximately HK\$49 million). The increase in the staff costs during the current year was mainly due to the increase in the minimum wages level in the Mainland China by approximately 20%.

Outlook

In light of the persistently sluggish global economy, the Group has taken various measures to confront the challenge. On one hand, the Group has taken various cost-savings and quality improvement measures so as to remain competitive. On the other hand, the Group has adopted strategic pricing policy and proactive marketing approach so as to canvass for new sales orders from both existing and potential customers. The Group has a competitive edge as gained from its past experience in the manufacturing of printed circuit boards for automobile components for which more emphasis will be put on this market in the near future.

The principal business of the Group at present consists of the manufacturing and trading of printed circuit boards only. In order to realise business diversification which should be in the interest of the shareholder of the Company, the Group has just commenced to undertake the business of indent trading of petrochemical products by itself with the help of newly recruited experts in this field so as to provide stable income source and cash inflow for the Group gradually.

The Group is well aware that its existing capital base may not be strong enough either to support the continuous investment in advanced machinery as required by its existing PCB business or to seize any golden business opportunity it comes across with promising return. Accordingly, the Group will consider to engage a financial adviser for the purpose of exploring the way and the time of broadening the capital base of the Group in due course.

REPORT OF THE DIRECTORS

The directors submit herewith their report and audited consolidated financial statements of the Group for the year ended 31 March 2016.

Principal Activities

The principal activity of the Company is investment holding. The activities of its principal 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 2016 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 (2015: 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 7 to 8 of this report.

The financial risk management of the Group are shown in note 30 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				
	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000
REVENUE	<u>206,940</u>	<u>238,559</u>	<u>244,372</u>	<u>295,930</u>	<u>362,043</u>
(LOSS) PROFIT BEFORE TAX	<u>(60,901)</u>	17,797	(37,545)	(66,218)	(94,299)
Income tax (expenses) credit	<u>–</u>	<u>(3,505)</u>	<u>–</u>	<u>(2,300)</u>	<u>2,000</u>
(LOSS) PROFIT FOR THE YEAR	<u>(60,901)</u>	<u>14,292</u>	<u>(37,545)</u>	<u>(68,518)</u>	<u>(92,299)</u>
Attributable to:					
Owners of the Company	<u>(60,901)</u>	<u>14,292</u>	<u>(37,545)</u>	<u>(68,518)</u>	<u>(92,299)</u>

REPORT OF THE DIRECTORS

Summary Financial Information (continued)

ASSETS AND LIABILITIES	As at 31 March				
	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000
TOTAL ASSETS	529,752	611,264	630,682	557,549	609,740
TOTAL LIABILITIES	<u>(299,468)</u>	<u>(298,918)</u>	<u>(323,936)</u>	<u>(221,243)</u>	<u>(207,180)</u>
	<u>230,284</u>	<u>312,346</u>	<u>306,746</u>	<u>336,306</u>	<u>402,560</u>

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 27 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 33(a) to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

REPORT OF THE DIRECTORS

Distributable Reserves

As at 31 March 2016, the Company's reserves available for cash distribution and distribution in specie were HK\$82,690,000 (2015: HK\$85,092,000). In addition, the Company's share premium account, in the amount of HK\$91,483,000 (2015: 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	29%
	– Five largest suppliers	59%
b.	Percentage of sales attributable to the:	
	– Largest customer	36%
	– Five largest customers	82%

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 who held office during the year to the date of this report were:

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)

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.

REPORT OF THE DIRECTORS

Directors (continued)

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, 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.

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 reasons 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 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.

REPORT OF THE DIRECTORS

Directors' Interests and Short Positions in Shares and Underlying Shares

As at 31 March 2016, 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 directors	Trustee	Directly beneficially owned	Beneficiary of a trust	Total number of shares held	Percentage of the Company's issued share capital
Cheung Lai Na	120,068,000 (note i)	–	–	120,068,000	25.00%
Chan Sik Ming, Harry	–	23,412,001	292,415 (note ii)	23,704,416	4.94%
Au-Yeung Wai Hung	–	1,300,000	–	1,300,000	0.27%

Notes:

- (i) Cheung Lai Na holds 120,068,000 shares of the Company in trust for Cheung Ling Mun.
- (ii) 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 2016, Earnwell (PTC) Limited held 292,415 shares representing approximately 0.06% of the issued share capital of the Company.

Save as disclosed above, as at 31 March 2016, 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.

REPORT OF THE DIRECTORS

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

As at 31 March 2016, 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
Cheung Ling Mun	Beneficially owned	120,068,000	25.00%
Daisho Denshi Co., Ltd.	Directly beneficially owned	<u>50,000,000</u>	<u>10.41%</u>

Save as disclosed above, as at 31 March 2016, 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\$25 million (2015: approximately HK\$40 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.

REPORT OF THE DIRECTORS

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.

Mazars CPA Limited, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "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. Mazars CPA Limited had issued its 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, no director is 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.

REPORT OF THE DIRECTORS

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 REPORT

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 2016, 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 2016.

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)

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.

CORPORATE GOVERNANCE REPORT

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.

CORPORATE GOVERNANCE REPORT

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 five Audit Committee meetings and one written resolution from the Audit Committee members, in which the following major responsibilities had been accomplished.

- discussed internal controls and financial reporting matters;
- reviewed the remuneration and terms of engagement of the Company's external auditors;
- reviewed the Company's compliance with the CG code under the Listing Rules.

CORPORATE GOVERNANCE REPORT

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 were one Remuneration Committee meeting and three written resolutions from the Remuneration Committee members, in which the level of remuneration for all newly appointed directors and senior management 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)

CORPORATE GOVERNANCE REPORT

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 were one Nomination Committee meeting from the Nomination Committee members, in which the nomination of candidates for the directors was reviewed and recommended to the Board.

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

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

CORPORATE GOVERNANCE REPORT

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

During the year, there were nine Board meetings, five Audit Committee meetings, one Remuneration Committee meeting, one Nomination Committee meeting and one General meeting held.

The names and individual attendance of each director at each Board meeting and Board Committee 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 Remuneration Committee Meeting	Attendance/ Number of Nomination Committee Meeting	Attendance/ Number of General Meeting
Chan Sik Ming, Harry	9/9	N/A	1/1	1/1	1/1
Au-Yeung Wai Hung	9/9	N/A	1/1	N/A	1/1
Cheung Lai Na	8/8	N/A	N/A	N/A	1/1
Li Chi Kwong	8/9	4/5	1/1	1/1	1/1
Yeung Chi Shing, Bret	9/9	4/5	1/1	1/1	1/1
Leung King Fai	8/8	4/4	N/A	N/A	0/1
Chong Chi Wah	9/9	5/5	1/1	1/1	0/1

CORPORATE GOVERNANCE REPORT

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	
	2016	2015
	HK\$'000	HK\$'000
Audit services		
– Crowe Horwath	N/A	1,102
– Mazars	930	1,050
Non-audit services		
– Crowe Horwath	N/A	11
– Mazars (Note)	104	32

Note:

Non-audit services provided by Mazars CPA Limited during the year included agreed-upon procedures report on the Group's interim report for the period ended 30 September 2015 and professional services in relation to the taxation services.

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 2016.

In June 2016, the Board had engaged a reputable internal control advisor (the "Advisor") to perform a review of the Group's internal controls (the "Internal Controls Review"). The scope of work of the Advisor was to conduct a gap analysis of the Company's internal controls system to identify potential areas of improvement, and to perform a high-level internal controls review of certain business processes to identify potential internal controls design gaps, and to recommend practical actions to be taken.

The report of the Internal Controls Review (the "Review Report") containing the observations, recommendations and corresponding management responses was issued to the Company on 1 September 2016. The Company accepts most of the Advisor's recommendations in the Review Report, which would be implemented in a timely manner. The Company believes that after the implementation of such recommendations, the Group would be able to further enhance its internal controls system.

CORPORATE GOVERNANCE REPORT

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 25 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 2016.

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 82, which comprise the consolidated statement of financial position as at 31 March 2016, 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 audit opinion.

INDEPENDENT AUDITOR'S REPORT

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2016, 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.

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 2016

	Notes	2016 HK\$'000	2015 HK\$'000
Revenue	5	206,940	238,559
Cost of sales		(225,379)	(230,805)
Gross (loss) profit		(18,439)	7,754
Other income	7	12,702	15,873
Selling and distribution expenses		(8,422)	(8,270)
Administrative expenses		(40,194)	(38,527)
Other operating expenses		(1,080)	(1,887)
Fair value (losses) gains on financial assets at fair value through profit or loss, net		(1,506)	790
Insurance compensation		–	73,561
Gain on disposal of non-current asset classified as held for sale		–	4,102
Impairment loss on property, plant and equipment	12	–	(6,540)
Impairment loss on available-for-sale financial assets	15	–	(10,000)
Impairment loss on other receivables, deposits and prepayments	19(c)	–	(14,083)
(Loss) Profit from operations		(56,939)	22,773
Finance costs	8	(3,962)	(4,976)
(Loss) Profit before taxation	8	(60,901)	17,797
Income tax expenses	9	–	(3,505)
(Loss) Profit for the year		(60,901)	14,292
(Loss) Profit attributable to:			
Owners of the Company		(60,901)	14,292
(Loss) Earnings per share	11		
– Basic and diluted		HK(12.68) cents	HK2.98 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2016

	2016 HK\$'000	2015 HK\$'000
(Loss) Profit for the year	(60,901)	14,292
Other comprehensive loss:		
<i>Items that are or may be reclassified subsequently to profit or loss:</i>		
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	(21,161)	(5,449)
	<u>(21,161)</u>	<u>(5,449)</u>
Other comprehensive loss for the year	<u>(21,161)</u>	<u>(8,692)</u>
Total comprehensive (loss) income for the year	<u>(82,062)</u>	<u>5,600</u>
Total comprehensive (loss) income attributable to:		
Owners of the Company	<u>(82,062)</u>	<u>5,600</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	Notes	2016 HK\$'000	2015 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	98,957	91,444
Prepaid lease payments	13	13,005	13,956
Deposits paid for acquisition of property, plant and equipment		3,621	989
Available-for-sale financial assets	15	9,281	9,281
		<u>124,864</u>	<u>115,670</u>
CURRENT ASSETS			
Financial assets at fair value through profit or loss	16	4,066	5,572
Inventories	17	22,880	29,418
Trade receivables	18	19,327	32,069
Other receivables, deposits and prepayments	19	40,713	56,962
Pledged bank deposits	20	243,703	280,490
Cash and cash equivalents	21	74,199	91,083
		<u>404,888</u>	<u>495,594</u>
CURRENT LIABILITIES			
Trade payables	22	32,410	34,861
Other payables and accruals	23	26,509	20,062
Interest-bearing borrowings	24	240,549	241,782
Provision	25	–	2,213
		<u>299,468</u>	<u>298,918</u>
NET CURRENT ASSETS		<u>105,420</u>	196,676
NET ASSETS		<u>230,284</u>	<u>312,346</u>
CAPITAL AND RESERVES			
Share capital	27	48,024	48,024
Reserves	28	182,260	264,322
TOTAL EQUITY		<u>230,284</u>	<u>312,346</u>

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 2016

	Reserves						Total HK\$'000
	Share capital HK\$'000 (Note 27)	Share premium HK\$'000 (Note 28(a))	Contributed surplus HK\$'000 (Note 28(b))	Exchange translation reserve HK\$'000 (Note 28(c))	Retained profits HK\$'000	Sub-total HK\$'000	
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							
<i>Reclassification adjustment for exchange difference realised upon the disposal of non-current asset classified as held for sale</i>	-	-	-	(3,243)	-	(3,243)	(3,243)
<i>Exchange difference on translation of functional currency to presentation currency</i>	-	-	-	(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
At 1 April 2015	48,024	91,483	9,379	126,902	36,558	264,322	312,346
Loss for the year	-	-	-	-	(60,901)	(60,901)	(60,901)
Other comprehensive loss							
<i>Exchange difference on translation of functional currency to presentation currency</i>	-	-	-	(21,161)	-	(21,161)	(21,161)
Total comprehensive loss for the year	-	-	-	(21,161)	(60,901)	(82,062)	(82,062)
At 31 March 2016	48,024	91,483	9,379	105,741	(24,343)	182,260	230,284

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2016

	2016 HK\$'000	2015 HK\$'000
OPERATING ACTIVITIES		
(Loss) Profit before taxation	(60,901)	17,797
Adjustments for:		
Interest income	(7,599)	(10,887)
Dividend income from listed equity investments	(321)	(326)
(Gain) Loss on disposal of property, plant and equipment	(321)	748
Fair value losses (gains) on financial assets at fair value through profit or loss, net	1,506	(790)
Depreciation	14,402	13,501
Impairment loss on trade receivables, net	20	–
Amortisation of prepaid lease payments	315	322
Provision for tax payable and tax penalty	–	286
Reversal of write down of inventories	(1,110)	(1,125)
Write down of inventories	6	–
Write-back of trade payables	–	(1,155)
Impairment loss on property, plant and equipment	–	6,540
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	3,962	4,976
Gain on disposal of non-current asset classified as held for sale	–	(4,102)
Operating cash flow before changes in working capital	(50,041)	37,256
Changes in working capital:		
Financial assets at fair value through profit or loss	–	3,847
Inventories	6,223	(1,978)
Trade receivables	12,776	3,754
Other receivables, deposits and prepayments	5,969	(17,093)
Trade payables	(1,075)	(21,347)
Other payables and accruals	6,850	8,316
Provision	(2,213)	(2,499)
Cash (used in) generated from operations	(21,511)	10,256
Interest received	14,335	7,361
Income tax paid	–	(3,296)
Net cash (used in) generated from operating activities	(7,176)	14,321

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2016

	Note	2016 HK\$'000	2015 HK\$'000
INVESTING ACTIVITIES			
Dividend income from listed equity investments		321	326
Payment for purchase of property, plant and equipment		(29,625)	(34,127)
Proceeds from disposal of property, plant and equipment		683	123
Proceeds from disposal of non-current asset classified as held for sale		–	55,493
Decrease (Increase) in pledged bank deposits		23,833	(13,668)
Net cash (used in) generated from investing activities		(4,788)	8,147
FINANCING ACTIVITIES			
New bank loans raised		69,181	80,000
Repayment of bank loans		(70,500)	(75,500)
Interest paid		(3,962)	(4,976)
Net cash used in financing activities		(5,281)	(476)
Net (decrease) increase in cash and cash equivalents		(17,245)	21,992
Cash and cash equivalents at beginning of year		91,083	70,786
Effect of foreign exchange rate changes, net		361	(1,695)
Cash and cash equivalents at end of year, represented by bank balances and cash	21	74,199	91,083

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

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 is located at 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 2015 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

2. Significant Accounting Policies (continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

2. Significant Accounting Policies (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

2. Significant Accounting Policies (continued)

Foreign currency translation (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

2. Significant Accounting Policies (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

2. Significant Accounting Policies (continued)

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, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

2. Significant Accounting Policies (continued)

Employee benefits (continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

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).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

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

^[1] Effective for annual periods beginning on or after 1 January 2016

^[2] Effective for annual periods beginning on or after 1 January 2017

^[3] Effective for annual periods beginning on or after 1 January 2018

^[4] Effective for annual periods beginning on or after 1 January 2019

^[5] 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

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 current year.

Amendments to HKAS 19 (2011): Employee Benefits: Defined Benefit Plans – Employee Contributions

The narrow-scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. These amendments do not have an impact on the consolidated financial statements.

Annual Improvements Project: 2010-2012 Cycle

The amendments relevant to the Group include the followings.

(1) *HKFRS 8 Operating Segments*

HKFRS 8 is updated as follows:

- a) Judgements made by management in aggregating two or more operating segments exhibiting similar long-term financial performance and economic characteristics are required to be disclosed. This includes a brief description of the operating segments that have been aggregated and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics.
- b) It is clarified that the reconciliation of the total reportable segments' assets to the entity's assets is only required to be disclosed if the segment assets are regularly reported to the chief operating decision maker.

The application of these amendments does not have an impact on the consolidated financial statements.

(2) *HKFRS 13 Fair Value Measurement*

The basis for conclusions is amended to clarify that the issuance of HKFRS 13 and the consequential amendments to HKFRS 9 and HKAS 39 did not remove the entity's ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, when the effect of not discounting is immaterial. The application of the amendments does not have an impact on the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

3. Adoption of New/Revised HKFRSs (continued)

Annual Improvements Project: 2010-2012 Cycle (continued)

(3) *HKAS 24 Related Party Disclosures*

HKAS 24 is amended to clarify that an entity, or any member of a group of which it is a part, providing key management personnel services (the “management entity”) to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. The reporting entity shall disclose the amounts incurred for key management personnel services that are provided by the management entity. However, the compensation paid or payable by the management entity to its employees or directors is not required to be disclosed. The application of these amendments does not have an impact on the consolidated financial statements.

Annual Improvements Project – 2011-2013 Cycle

The amendments relevant to the Group include the following.

HKFRS 13 Fair Value Measurement

These amendments clarify that all contracts within the scope of HKAS 39 or HKFRS 9 are included in the scope of the exception as set out in HKFRS 13 for measuring the fair value of a group of financial assets and financial liabilities on a net basis, even if those contracts do not meet the definitions of financial assets or financial liabilities in HKAS 32. The application of these amendments does not have an 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

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 26 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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

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.

	2016 HK\$'000	2015 HK\$'000
Sales of printed circuit boards	<u>206,940</u>	<u>238,559</u>

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 2016 and 2015 is as follows:

Geographical information

(a) Revenue from external customers

	2016 HK\$'000	2015 HK\$'000
North America	74,794	61,680
The PRC	50,001	66,501
Hong Kong	39,375	46,900
Japan	25,071	39,750
Europe	16,110	19,975
Other countries	<u>1,589</u>	<u>3,753</u>
	<u>206,940</u>	<u>238,559</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

6. Segment Information (continued)

Geographical information (continued)

(b) Non-current assets

	2016 HK\$'000	2015 HK\$'000
Hong Kong	496	241
The PRC	115,087	106,148
	<u>115,583</u>	<u>106,389</u>

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

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 2016 and 2015 is as follows:

	2016 HK\$'000	2015 HK\$'000
Customer A	73,944	53,231
Customer B	37,248	47,805
Customer C	24,947	39,631
Customer D	<u>23,910</u>	<u>27,821</u>

Revenue of approximately HK\$24,947,000 (2015: HK\$39,631,000) 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

7. Other Income

	2016 HK\$'000	2015 HK\$'000
Bank and other interest income	7,599	10,887
Dividend income from listed equity investments	321	326
Exchange gain, net	300	–
Gain on disposal of scrap materials	3,974	2,976
Gain on disposal of property, plant and equipment	321	–
Write-back of trade payables	–	1,155
Others	187	529
	<u>12,702</u>	<u>15,873</u>

8. (Loss) Profit Before Taxation

This is stated after (crediting) charging:

	2016 HK\$'000	2015 HK\$'000
Finance costs		
Interest on bank borrowings	<u>3,962</u>	<u>4,976</u>
Staff costs (excluding directors' emoluments in note 10)		
Salaries and other benefits	40,224	36,634
Contribution to defined contribution plans	<u>4,646</u>	<u>3,651</u>
	<u>44,870</u>	<u>40,285</u>
Other items		
Auditor's remuneration		
– Current year	930	2,067
– Under-provision for prior year	–	85
Amortisation of prepaid lease payments	315	322
Cost of inventories (Note (i))	226,483	231,930
Depreciation	14,402	13,501
Exchange (gain) loss, net	(300)	315
(Gain) Loss on disposal of property, plant and equipment	(321)	748
Impairment loss on trade receivables	20	–
Operating lease charges for premises	304	305
Reversal of write down of inventories	(1,110)	(1,125)
Write down of inventories	<u>6</u>	<u>–</u>

Note:

- (i) Cost of inventories includes HK\$43,282,000 (2015: HK\$40,688,000) relating to staff costs and depreciation, which are included in the respective total amounts disclosed separately above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

9. Income Tax Expenses

PRC Enterprise Income Tax has not been provided as the Group has no assessable profits arising in the PRC for the year (2015: PRC Enterprise Income Tax has been provided based on the Group's estimated assessable profits arising in the PRC).

Hong Kong Profits Tax has not been provided as the Group has no assessable profits arising in Hong Kong for the year (2015: 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.

	2016 HK\$'000	2015 HK\$'000
Current tax		
PRC Enterprise Income Tax:		
Current year	–	3,294
Hong Kong Profits Tax:		
Under-provision in prior years	–	211
	<u>–</u>	<u>3,505</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

9. Income Tax Expenses (continued)

Reconciliation of tax expense

	2016 HK\$'000	2015 HK\$'000
(Loss) Profit before taxation	<u>(60,901)</u>	<u>17,797</u>
Notional tax on (loss) profit before tax, calculated at the rates applicable to (loss) profit in the relevant tax jurisdiction	(12,645)	6,980
Non-deductible expenses	1,250	3,216
Tax exempted revenue	(53)	(767)
Unrecognised temporary differences	(1,776)	2,610
Unrecognised tax losses	13,241	4,526
Utilisation of previously unrecognised tax losses	(34)	(13,474)
Under-provision in prior years	–	211
Others	<u>17</u>	<u>203</u>
Income tax expenses	<u>–</u>	<u>3,505</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

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 2016

	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
Cheung Lai Na (Note (c))	487	–	24	511
Independent non-executive directors:				
Chong Chi Wah (Note (e))	240	–	–	240
Leung King Fai (Note (d))	195	–	–	195
Li Chi Kwong	240	–	–	240
Yeung Chi Shing, Bret	240	–	–	240
	<u>1,402</u>	<u>7,190</u>	<u>379</u>	<u>8,971</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

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

10(a) Directors' emoluments (continued)

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 (b))	–	–	–	–
Shozo Sugaya (Note (b))	–	–	–	–
Independent non-executive directors:				
Chong Chi Wah (Note (e))	230	–	–	230
Li Chi Kwong	230	–	–	230
Yeung Chi Shing, Bret	230	–	–	230
	690	7,190	355	8,235

Notes:

- a) Being the Chairman and Chief Executive Office of the Group.
- b) On 31 December 2014, Mr. Yoshio Handa and Mr. Shozo Sugaya resigned as executive directors of the Company.
- c) On 9 June 2015, Ms. Cheung Lai Na was appointed as an executive director 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 1 April 2016, Mr. Chong Chi Wah resigned as an independent non-executive director of the Company.
- f) 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 2016 and 2015, 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 2016 and 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

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 three (2015: two) directors whose emoluments are reflected in the analysis presented above and two (2015: three) non-director individuals whose emoluments are disclosed as follows:

	2016 HK\$'000	2015 HK\$'000
Salaries and other benefits	1,638	1,425
Retirement scheme contributions	<u>71</u>	<u>66</u>
	<u><u>1,709</u></u>	<u><u>1,491</u></u>

The emoluments fell within the following band:

	Number of individuals	
	2016	2015
Nil and up to HK\$1,000,000	1	3
HK\$1,000,001 to HK\$1,500,000	<u>1</u>	<u>–</u>

For the years ended 31 March 2016 and 2015, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

11. (Loss) Earnings Per Share

(a) Basic (loss) earnings per share

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

	2016	2015
(Loss) Profit attributable to owners of the Company (HK\$'000)	<u>(60,901)</u>	<u>14,292</u>
Weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share	<u>480,243,785</u>	<u>480,243,785</u>
Basic (loss) earnings per share (HK cents)	<u>(12.68)</u>	<u>2.98</u>

(b) Diluted (loss) earnings per share

There were no dilutive potential ordinary shares in issue during both years. The diluted (loss) earnings per share is the same as the basic (loss) earnings per share during the years ended 31 March 2016 and 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

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 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	<u>30,223</u>	<u>3,535</u>	<u>57,243</u>	<u>85</u>	<u>76</u>	<u>282</u>	<u>91,444</u>
Reconciliation of carrying amount – year ended 31 March 2016							
At beginning of the reporting period	30,223	3,535	57,243	85	76	282	91,444
Additions	-	-	26,152	1	786	54	26,993
Disposals	-	(36)	(224)	(34)	(69)	(31)	(394)
Depreciation	(1,047)	(596)	(12,580)	(18)	(33)	(128)	(14,402)
Exchange realignment	(1,366)	(147)	(3,166)	-	1	(6)	(4,684)
At end of the reporting period	<u>27,810</u>	<u>2,756</u>	<u>67,425</u>	<u>34</u>	<u>761</u>	<u>171</u>	<u>98,957</u>
At 31 March 2015							
Cost	54,403	30,600	628,189	8,281	1,977	3,484	726,934
Accumulated depreciation and impairment losses	<u>(24,180)</u>	<u>(27,065)</u>	<u>(570,946)</u>	<u>(8,196)</u>	<u>(1,901)</u>	<u>(3,202)</u>	<u>(635,490)</u>
Net carrying amount	<u>30,223</u>	<u>3,535</u>	<u>57,243</u>	<u>85</u>	<u>76</u>	<u>282</u>	<u>91,444</u>
At 31 March 2016							
Cost	51,890	14,064	510,123	2,545	1,362	2,175	582,159
Accumulated depreciation and impairment losses	<u>(24,080)</u>	<u>(11,308)</u>	<u>(442,698)</u>	<u>(2,511)</u>	<u>(601)</u>	<u>(2,004)</u>	<u>(483,202)</u>
Net carrying amount	<u>27,810</u>	<u>2,756</u>	<u>67,425</u>	<u>34</u>	<u>761</u>	<u>171</u>	<u>98,957</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

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\$3,891,000 as at 31 March 2016 (2015: HK\$4,210,000) was frozen by a court in the PRC to provide security for the property preservation. 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 2016, 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 2016 of approximately HK\$112,704,000 (2015: approximately HK\$105,722,000) 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 2016 and 2015 are as follow:

Sales volume growth rate: 3% (2015: 7%)

Gross profit margin rate: 15% (2015: 14%)

Discount rate: 15% (2015: 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 of HK\$6,540,000 against the machinery and equipment was recognised during the year ended 31 March 2015. No additional impairment loss was recognised during the year ended 31 March 2016.

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 2016 and 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

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.

	2016 HK\$'000	2015 HK\$'000
At beginning of the reporting period	14,278	14,737
Amortisation	(315)	(322)
Exchange realignment	(651)	(137)
	<u>13,312</u>	<u>14,278</u>
At the end of the reporting period	<u>13,312</u>	<u>14,278</u>
Current portion included in prepayments	307	322
Non-current portion	<u>13,005</u>	<u>13,956</u>
	<u>13,312</u>	<u>14,278</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

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		Issued/registered and fully paid-up capital	Principal activities	Legal form of corporate existence
			Directly	Indirectly			
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
華鋒微線電子(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

15. Available-for-Sale Financial Assets

	2016 HK\$'000	2015 HK\$'000
Unlisted equity investment, at costs	19,281	19,281
Impairment losses	<u>(10,000)</u>	<u>(10,000)</u>
	<u>9,281</u>	<u>9,281</u>

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. This 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.

16. Financial Assets at Fair Value through Profit or Loss

	2016 HK\$'000	2015 HK\$'000
Equity securities, listed in Hong Kong	<u>4,066</u>	<u>5,572</u>

The above investments as at 31 March 2016 and 2015 were classified as held for trading.

As at 31 March 2016 and 2015, all of the above equity securities have been pledged to secure certain bank borrowings of the Group (Note 24).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

17. Inventories

	2016 HK\$'000	2015 HK\$'000
Raw materials	7,366	10,076
Work in progress	9,296	14,949
Finished goods	6,218	4,393
	<u>22,880</u>	<u>29,418</u>

18. Trade Receivables

	2016 HK\$'000	2015 HK\$'000
Trade receivables		
From third parties	16,074	26,904
From a related party	3,483	5,385
	<u>19,557</u>	<u>32,289</u>
Allowance for doubtful debts	18(a) <u>(230)</u>	<u>(220)</u>
	<u>19,327</u>	<u>32,069</u>

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(a) Allowance for doubtful debts

	2016 HK\$'000	2015 HK\$'000
At beginning of the reporting period	220	1,683
Impairment loss recognised	20	–
Amount written off	–	(1,465)
Exchange realignment	(10)	2
	<u>230</u>	<u>220</u>
At end of the reporting period	<u>230</u>	<u>220</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

18. Trade Receivables (continued)

18(a) Allowance for doubtful debts (continued)

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:

	2016 HK\$'000	2015 HK\$'000
Less than 1 month	14,522	17,985
1 to 2 months	2,694	10,598
2 to 3 months	1,960	3,418
Over 3 months	381	288
	<u>19,557</u>	<u>32,289</u>

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

	2016 HK\$'000	2015 HK\$'000
Not past due	18,153	28,887
Less than 1 month past due	1,020	3,024
1 to 2 months past due	154	91
2 to 3 months past due	–	67
	<u>19,327</u>	<u>32,069</u>

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

19. Other Receivables, Deposits and Prepayments

	Notes	2016 HK\$'000	2015 HK\$'000
Deposits and other receivables	19(a)	40,020	51,611
Less: impairment losses	19(c)	(13,432)	(14,083)
		<u>26,588</u>	<u>37,528</u>
Prepayments	19(b)	6,035	4,130
Bank interest receivables on time deposits		3,949	10,685
Value-added tax recoverable		4,141	4,619
		<u>14,125</u>	<u>19,434</u>
		<u><u>40,713</u></u>	<u><u>56,962</u></u>

19(a) Deposits and other receivables

Included in deposits and other receivables as at 31 March 2015 was a loan receivable balance of RMB5 million (equivalent to approximately HK\$6,247,000) due from a chamber of commerce in Huizhou (the "Chamber"). Owing to the prolonged outstanding of the loan receivable, the Group had lodged legal proceedings to recover the loan receivable by freezing certain assets of the Chamber and the guarantor of the loan agreement. The directors of the Company assessed the recoverability of the outstanding balance of the loan receivable, taken into account the receipt of aggregate amounts of RMB820,000 (equivalent to approximately HK\$977,000) in May and July 2015 and an amount of RMB850,000 (equivalent to approximately HK\$1,013,000) through the court as a result of realisation of the frozen bank accounts of the Chamber in August 2016, an impairment loss of RMB3.3 million (equivalent to approximately HK\$4,160,000) was recognised in the consolidated statement of profit or loss during the year ended 31 March 2015. As at 31 March 2016, the carrying amount of the loan receivable after impairment loss amounted to HK\$1,013,000.

Included in deposits and other receivables as at 31 March 2015 was deposits in total amounts of RMB21,894,000 (equivalent to approximately HK\$27,356,000) paid to PRC Customs, which mainly represented the amounts in aggregate of RMB20,117,000 (equivalent to approximately HK\$25,134,000) paid to the 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. Deposits in relation to the security deposit of RMB14,807,000 (equivalent to approximately HK\$18,500,000) were refunded to Huafeng in June 2015. As at 31 March 2016, the carrying amount of the deposits to PRC Customs amounted to RMB6,310,000 (equivalent to approximately HK\$7,520,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

19. Other Receivables, Deposits and Prepayments (continued)

19(b) Prepayments

Included in prepayments as at 31 March 2016 and 2015 was a payment for renovation amounting to RMB2 million (equivalent to approximately HK\$2,522,000). Owing to the prolonged outstanding of the prepayments, the Group lodged legal proceedings to recover the prepayment during the year ended 31 March 2016. In April 2016, the Group withdrew the legal proceedings as a result of settlement agreement between Huafeng and the construction company and the receipts of aggregate amounts of RMB2 million.

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:

	2016 HK\$'000	2015 HK\$'000
At beginning of the reporting period	<u>14,083</u>	–
Impairment loss recognised in respect of:		
– Prepayment to a sewage treatment company	–	7,424
– Loan to the holding company of a sewage treatment company	–	2,499
– Loan receivable from a chamber of commerce in Huizhou	–	4,160
	<u>14,083</u>	14,083
Exchange realignment	<u>(651)</u>	–
At end of the reporting period	<u><u>13,432</u></u>	<u><u>14,083</u></u>

20. Pledged Bank Deposits

The bank deposits amounting to approximately HK\$243,703,000 (2015: HK\$280,490,000) 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% (2015: 1.75% to 3.75%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

21. Cash and Cash Equivalents

	2016 HK\$'000	2015 HK\$'000
Cash and cash equivalents in the consolidated statement of financial position and the consolidated statement of cash flows	<u>74,199</u>	<u>91,083</u>

Bank balances in total of HK\$74,135,000 (2015: HK\$91,016,000) carry interest at market rates ranging from 0.35% to 1% (2015: 0.52% to 1.31%) per annum.

As at 31 March 2016, the balances that were placed with banks in the PRC amounted to HK\$59,307,000 (2015: HK\$67,244,000). Remittance of funds out of the PRC is subject to the exchange controls imposed by the PRC government.

22. Trade Payables

	2016 HK\$'000	2015 HK\$'000
Trade payables to third parties	<u>32,410</u>	<u>34,861</u>

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:

	2016 HK\$'000	2015 HK\$'000
Less than 1 month	9,218	10,658
1 to 2 months	4,455	5,890
2 to 3 months	7,019	9,138
Over 3 months	<u>11,718</u>	<u>9,175</u>
	<u>32,410</u>	<u>34,861</u>

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For the year ended 31 March 2016

23. Other Payables and Accruals

	2016 HK\$'000	2015 HK\$'000
Other payables	19,219	13,125
Accruals	7,290	6,937
	<u>26,509</u>	<u>20,062</u>

24. Interest-Bearing Borrowings

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

	2016		2015	
	Effective interest rate (%)	HK\$'000	Effective interest rate (%)	HK\$'000
Bank loans				
– secured	HIBOR+1.2% to LIBOR+1.5%	240,549	HIBOR+1.1% to HIBOR+1.5%	171,782
– secured	N/A	–	2.3%	70,000
		<u>240,549</u>		<u>241,782</u>

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\$243,703,000 (2015: HK\$280,490,000) (Note 20) and all of the Group's Hong Kong listed equity investments amounting to HK\$4,066,000 (2015: HK\$5,572,000) (Note 16).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

25. Provision

Provision for tax payable and tax penalty

	2016 HK\$'000	2015 HK\$'000
At beginning of the reporting period	2,213	4,468
Additional provision made	–	286
Amount paid	(2,213)	(2,499)
Exchange realignment	–	(42)
	<u>–</u>	<u>(42)</u>
At end of the reporting period	<u>–</u>	<u>2,213</u>

Provision for tax payable in respect of tax evasion of customs duty and import value-added tax in total of RMB1,771,000 (equivalent to approximately HK\$2,213,000) was made as at 31 March 2015. The final assessment of the tax evasion in total of RMB1,771,000 (equivalent to approximately HK\$2,213,000) was issued in April 2015. The tax payable was settled in May 2015.

26. Deferred Taxation

	2016 HK\$'000	2015 HK\$'000
Unrecognised deferred tax assets arising from		
– Deductible temporary differences	47,000	50,893
– Tax losses arising in Hong Kong	120,038	94,411
– Tax losses arising in the PRC	39,185	4,316
	<u>206,223</u>	<u>149,620</u>

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.

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For the year ended 31 March 2016

27. Share Capital

	2016		2015	
	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	<u>600,000,000</u>	<u>60,000</u>	<u>600,000,000</u>	<u>60,000</u>
Issued and fully paid:				
At beginning and at end of the reporting period	<u>480,243,785</u>	<u>48,024</u>	<u>480,243,785</u>	<u>48,024</u>

28. 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 premiums 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

29. Significant Related Party Transactions

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

(a) Related party transactions

	2016 HK\$'000	2015 HK\$'000
Sales of printed circuit boards to a related party	<u>24,947</u>	<u>39,631</u>

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 and certain of the highest paid employees as disclosed in note 10 to the consolidated financial statements, is as follows:

	2016 HK\$'000	2015 HK\$'000
Salaries and other emoluments	9,877	7,880
Retirement scheme contributions	<u>434</u>	<u>355</u>
	<u>10,311</u>	<u>8,235</u>

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

30. 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 2016				
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	–	–	4,066	4,066
Trade receivables	19,327	–	–	19,327
Financial assets included in other receivables, deposits and prepayments	30,537	–	–	30,537
Pledged bank deposits	243,703	–	–	243,703
Cash and cash equivalents	74,199	–	–	74,199
Total	367,766	9,281	4,066	381,113

Financial
liabilities at
amortised cost
HK\$'000

As at 31 March 2016

Liabilities as per consolidated statement of financial position

Trade payables	32,410
Financial liabilities included in other payables and accruals	7,290
Interest-bearing borrowings	240,549
Total	280,249

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For the year ended 31 March 2016

30. 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 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

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.

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For the year ended 31 March 2016

30. 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 24 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 loss before tax would increase/decrease by HK\$2,405,000 (2015: profit before tax would decrease/increase HK\$1,718,000) 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 2015.

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 (loss) profit 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.

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For the year ended 31 March 2016

30. Financial Risk Management (continued)

Foreign currency risk (continued)

	Increase (Decrease) in exchange rates %	Increase (Decrease) in loss before tax HK\$'000	Increase (Decrease) in equity* HK\$'000
As at 31 March 2016			
If HK\$ weakens against RMB	1	270	–
If HK\$ strengthens against RMB	<u>(10.0)</u>	<u>(2,704)</u>	<u>–</u>
	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	<u>(1.0)</u>	<u>372</u>	<u>–</u>

* 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\$4,066,000 (2015: HK\$5,572,000). For the Group's equity securities investments that are publicly traded, the fair value is determined with reference to quoted market prices.

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For the year ended 31 March 2016

30. 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% (2015: 5%) in the relevant stock market index as applicable, with all other variables held constant, would have decreased/increased the Group's loss for the year and increased/decreased retained profits by HK\$203,000 (2015: increased/decreased the Group's profit for the year and increased/decreased retained profits by HK\$279,000) 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 2015.

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 31% (2015: 35%) and 84% (2015: 79%) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

30. 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 2016			
Trade payables	32,410	–	32,410
Financial liabilities included in other payables and accruals	7,290	–	7,290
Interest-bearing borrowings	<u>240,763</u>	–	<u>240,763</u>
	<u>280,463</u>	–	<u>280,463</u>
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	<u>241,972</u>	–	<u>241,972</u>
	<u>283,770</u>	–	<u>283,770</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

30. 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:

	2016 HK\$'000	2015 HK\$'000
Interest-bearing borrowings	<u>240,549</u>	<u>241,782</u>
Equity attributable to owners of the Company	<u>230,284</u>	<u>312,346</u>
Gearing ratio	<u>104%</u>	<u>77%</u>

31. 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 2016 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.

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31. Fair Value Measurements (continued)

Financial assets measured at fair value

	2016			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Assets				
Financial assets at fair value through profit or loss	<u>4,066</u>	<u>–</u>	<u>–</u>	<u>4,066</u>
	2015			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Assets				
Financial assets at fair value through profit or loss	<u>5,572</u>	<u>–</u>	<u>–</u>	<u>5,572</u>

During the years ended 31 March 2016 and 2015, 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 2016 and 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

32. Commitments

(a) Capital commitments

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

	2016 HK\$'000	2015 HK\$'000
Contracted but not provided for net of deposits paid in respect of		
– property, plant and equipment	<u>1,815</u>	<u>612</u>

(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:

	2016 HK\$'000	2015 HK\$'000
Within one year	181	309
In the second to fifth years inclusive	<u>483</u>	<u>–</u>
	<u>664</u>	<u>309</u>

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

33. Statement of Financial Position of the Company

	Note	2016 HK\$'000	2015 HK\$'000
Non-current assets			
Interest in subsidiaries		<u>70,916</u>	<u>70,916</u>
Current assets			
Amount due from a subsidiary		151,508	154,048
Prepayments		344	242
Cash and cash equivalents		<u>112</u>	<u>38</u>
		<u>151,964</u>	<u>154,328</u>
Current liabilities			
Other payables and accruals		<u>683</u>	<u>645</u>
Net current assets		<u>151,281</u>	<u>153,683</u>
NET ASSETS		<u><u>222,197</u></u>	<u><u>224,599</u></u>
Capital and reserves			
Share capital		48,024	48,024
Reserves	33(a)	<u>174,173</u>	<u>176,575</u>
TOTAL EQUITY		<u><u>222,197</u></u>	<u><u>224,599</u></u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

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

33(a) Movement of the reserves

	Share premium HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
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	<u>91,483</u>	<u>38,295</u>	<u>46,797</u>	<u>176,575</u>
At 1 April 2015	91,483	38,295	46,797	176,575
Loss and total comprehensive loss for the year	—	—	(2,402)	(2,402)
At 31 March 2016	<u>91,483</u>	<u>38,295</u>	<u>44,395</u>	<u>174,173</u>

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 28 (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.