DAISHO MICROLINE HOLDINGS LIMITED

大 昌 微 綫 集 團 有 限 公 司

Stock Code : 0567

ANNUAL REPORT

2016-2017

CONTENTS

CORPORATE INFORMATION AND FINANCIAL CALENDAR

Board of Directors

Executive directors

Cheung Lai Na *(Appointed as Interim Chairman on 28 December 2016)*
Cheung Lai Ming *(Appointed on 7 November 2016)*
Chan Sik Ming, Harry *(Removed on 23 December 2016)*
Au-Yeung Wai Hung *(Resigned on 28 November 2016)*

Non-executive director

Lee Man Kwong *(Appointed as independent non-executive director on 14 December 2016 and re-designated as non-executive director on 1 March 2017)*

Independent non-executive directors

Leung King Fai
Yeung Chi Shing, Bret
Chou Yuk Yan *(Appointed on 21 June 2016)*
Li Chi Kwong *(Retired on 22 November 2016)*
Chong Chi Wah *(Resigned on 1 April 2016)*

Company Secretary

Chan Tsz Hong *(Appointed on 1 March 2017)*
Ng Lai Hung *(Appointed on 12 December 2016 and resigned on 1 March 2017)*
Au-Yeung Wai Hung *(Resigned on 28 November 2016)*

Principal Bankers

Standard Chartered Bank
The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

Auditor

Mazars CPA Limited
Certified Public Accountants
42nd Floor, Central Plaza
18 Harbour Road
Wanchai, Hong Kong

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:
22 November 2016

Annual Results:
19 June 2017

Annual General Meeting

8 August 2017 (Tuesday)

Dividends

Interim dividend:	Nil
Proposed final dividend:	Nil

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Cheung Lai Na, aged 41, has been an executive director of the Company since 9 June 2015. She is now the interim chairman of the Company responsible for the overall strategic planning for Daisho Microline Holdings Limited (the "Company") and its subsidiaries (together the "Group"). Apart from being the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company, she is also a director of all 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.

Cheung Lai Ming, aged 34, has been an executive director and a member of the Nomination Committee of the Company since 7 November 2016. She had graduated with a Bachelor of Pharmacy degree in 2009 from the Monash University, Melbourne, Australia. She is the Head of Sales 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, and also the younger sister of Ms. Cheung Lai Na who is an executive director of the Company.

Non-Executive Director

Lee Man Kwong, aged 62, has been an independent non-executive director since 14 December 2016 and been re-designated as a non-executive director since 1 March 2017. He was admitted as a solicitor in Hong Kong in 1983, and is also a solicitor qualified in England and Wales and Singapore. Mr. Lee is the senior partner of Messrs. Chan, Lau & Wai, Solicitors, a Hong Kong law firm established in 1980. Mr. Lee was an executive director of CCT Fortis Holdings Limited (formerly known as China Treasure Telecom Holdings Limited, and CCT Telecom Holdings Limited) (stock code: 138) from 1996 to 1997, an independent non-executive director of Mei Ah Entertainment Group Limited (formerly known as Mei Ah International Limited) (stock code: 391) from 1993 to 2003, an independent non-executive director of Uni-Bio Science Group Limited (formerly known as New Spring Holdings Limited) (stock code: 690) from 2001 to 2005, an independent non-executive director of Asia Standard Hotel Group Limited (stock code: 292) from 2000 to 2003, the chairman and executive director of Neo Telemedia Limited (formerly known as B&S Entertainment Holdings Limited, and Big Media Group Limited) (stock code: 8167) from 2004 to 2007, and an executive director of Sau San Tong Holding Limited (stock code: 8200) from 2006 to 2007.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Independent Non-Executive Directors

Leung King Fai, aged 45, 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 a member of the Hong Kong Institute of Certified Public Accountants, CPA Australia and Chartered Institute of Management Accountants. He has over 20 years of experience in accounting, audit and finance.

Mr. Leung is currently an executive director of Kirin Group 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.

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.

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, particularly his invaluable experience in capital finance and his business acumen.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Senior Management

Cheung Ling Mun, aged 64, 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 20% equity interests in the Company and he is also the father of Ms. Cheung Lai Na and Ms. Cheung Lai Ming who are executive directors 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.

Chan Tsz Hong, aged 31, the chief financial officer and the company secretary of the Group. He is primarily responsible for all aspects of the Group's finance and accounting matters.

Mr. Chan graduated from City University of Hong Kong with a degree of Bachelor of Business Administration (Honours) in Accountancy. He is a member of the Hong Kong Institute of Certified Public Accountants and has more than 8 years of experience in auditing and financial management. Prior to joining the Company, Mr. Chan has worked in an international audit firm. He was appointed on 1 March 2017.

Hu Lei, aged 39, the chief executive officer of the major subsidiary of the Company in Mainland China. He graduated from Harbin Institute of Technology with a Bachelor of electronics and communication engineering degree in Mainland China. He is a veteran management in the electronic and technology industry, with proven track record in building business operations on both strategic and operation levels. He has over 17 years of experience in electronic products development, operation management and business development and he had taken senior positions in various State Owned Enterprises. He joined the Group in February 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

The Group has made a turnaround from a gross loss margin of approximately 8.9% in last year to a gross profit margin of approximately 0.04% in current year. The aforesaid turnaround from gross loss to gross profit was mainly due to the review and enhancement of the manufacturing process since second half of 2016, including (i) the implementation of the tight control on various manufacturing cost; (ii) the improvement in production efficiency so as to reduce in scrap rate; and (iii) the reduction in the purchase price of certain major chemical material, by sourcing different suppliers.

The Group's revenue for the current year was approximately HK$170 million, decreased by 18% from last year. The Group's net loss for the current year was approximately HK$51 million.

The Group's gearing ratio (defined as interest-bearing borrowings divided by total equity) as at 31 March 2017 was 55% *(2016: 104%)*. The Group's current ratio as at 31 March 2017 and 2016 was 1.56 times and 1.35 times respectively. The Group's operations had a net cash outflow of approximately HK$25 million during the year ended 31 March 2017 *(2016: net cash outflow of approximately HK$22 million)*.

The interest rate structure, maturity profile, currency structure and underlying security of the Group's interest-bearing borrowings as at 31 March 2017 and 2016 are detailed in note 24 to the consolidated financial statements in this report.

As at 31 March 2017, the Group's total cash and bank balances were approximately HK$198 million *(2016: HK$318 million)* and the Group's total interest-bearing borrowings amounting to approximately HK$114 million *(2016: HK$241 million)*. Therefore, the Group had a net cash balance of approximately HK$84 million *(2016: HK$77 million)*. Besides, the total credit facilities available to the Group were approximately HK$360 million *(2016: HK$246 million)* and, therefore, the unutilised credit facilities were approximately HK$246 million *(2016: HK$5 million)*. The increase in the total credit facilities was resulted from the business development to the Group by a bank before 31 March 2017.

On 20 March 2017, the Company has completed the placing of 96,000,000 new shares under general mandate (the "Placement"). The net proceeds from the Placement was approximately HK$46.6 million. The actual use of net proceeds has no significant changes to the intended use of net proceeds as disclosed in the Company's announcement dated 28 February 2017.

As at 31 March 2017, 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$.

The Group conducts the production in the PRC. The major portion of expenses, non-current assets and trade and other payables are denominated in RMB. Depreciation of RMB would be favorable to the Group operation, however, the depreciation of RMB may have an adverse impact on the Group's book value on the non-current assets.

MANAGEMENT DISCUSSION AND ANALYSIS

Contingent Liabilities

As at 31 March 2017, the Group did not have any material contingent liability *(2016: Nil)*. The Company has provided certain banks with corporate guarantees of approximately HK$210 million *(2016: approximately HK$238 million)* to secure banking facilities granted to its subsidiaries. As at 31 March 2017, the facilities were utilised to the extent of approximately HK$114 million *(2016: approximately HK$237 million)*.

Litigations

Save as disclosed outstanding litigations set out in note 32 to the consolidated financial statements, the Group is not a party to any other significant legal proceedings.

Employee Benefits

As at 31 March 2017, the Group had 468 *(2016: 557)* employees, including directors, working mainly in Mainland China. For the year ended 31 March 2017, the Group's total staff costs including directors' emoluments were approximately HK$49 million *(2016: approximately HK$54 million)*. The decrease in the staff costs during the current period was mainly due to the enhancement of manufacturing process.

Outlook

In light of the highly competitive business environment in the PCB business, 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 competitiveness. 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. While the manufacturing process has been reviewed to improve efficiency, automation, minimise labour cost and to enhance the Group's overall competitiveness in the market. In addition, in order to better deploy the Group's financial resources and minimise its exposure to foreign exchange risks, significant portion of the secured bank borrowings has been repaid.

The principal business of the Group at present mainly consists of the trading and manufacturing of PCB. In order to realise business diversification which should be in the interest of the shareholders of the Company, the Group has undertaken the business of trading of petrochemical products as well as petroleum and energy products (the "Trading") 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. Under the Trading business, the Group will source petroleum related products from a variety of suppliers for buyers or vice versa as per the specific requirements of the suppliers or the buyers (as the case may be) on a case-by-case basis.

As at the date of this report, the Group is still in the process of negotiating the trading terms with suppliers and customers of the Trading, in which, the trading terms of one of the suppliers have been agreed. A stable income source is expected to generate in the second half of 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Indication of Likely Future Development in the Business

In view of the successful of the Placement of the Company on 20 March 2017, on 26 May 2017 (after trading hours of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")) the Company has entered into the supplemental placing agreement with the placing agent (the "Supplemental Placing Agreement") to amend certain terms of the conditional placing agreement dated 28 November 2016 entered into between the Company and the placing agent in relation to the placing of the convertible bonds of the Company in the principal amount of up to HK$130 million on a best effort basis (the "2016 Placing Agreement").

Pursuant to the Supplemental Placing Agreement, the maximum principal amount of the convertible bonds to be placed, on a best effort basis, by the Placing Agent pursuant to the 2016 Placing Agreement has been revised from HK$130 million to HK$80 million, the conversion price of the convertible bonds has been revised from HK$0.65 per share (subject to adjustment) to HK$0.360 (subject to adjustment), the interest rate attached to the convertible bonds has been revised from 8% per annum to 6% per annum on the principal amount of the convertible bonds outstanding from time to time, and the default interest rate has been revised from 5% per annum to 6% per annum.

Details of the Supplemental Placing Agreement, conditions precedent, revised use of proceeds, change in shareholdings structure of the Company and effect of full conversion of the convertible bonds have been disclosed in the Company's announcement dated 28 May 2017.

During the year, no convertible bond was issued.

REPORT OF THE DIRECTORS

The directors submit herewith their report and the audited financial statements of the Company and its subsidiaries for the year ended 31 March 2017.

Principal Activities

The principal activity of the Company is investment holding. The activities of its principal subsidiaries consist of investment holding and the manufacturing 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 results for the year ended 31 March 2017 are set out in the consolidated statement of profit or loss on page 36 of this report.

The directors do not recommend the payment of any dividend in respect of the year *(2016: 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 page 6 of this report.

Details of the discussion of environmental policies and performance, compliance with the relevant laws and regulations and key relationships with employees, customers and suppliers are set out in the Environmental, Social and Governance Report on pages 17 to 21 of this report.

The financial risk management of the Group are shown in note 29 to the consolidated financial statements.

REPORT OF THE DIRECTORS

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				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**170,245**	206,940	238,559	244,372	295,930
(LOSS) PROFIT BEFORE TAX	**(51,009)**	(60,901)	17,797	(37,545)	(66,218)
Income tax expenses	–	–	(3,505)	–	(2,300)
(LOSS) PROFIT FOR THE YEAR	**(51,009)**	(60,901)	14,292	(37,545)	(68,518)
Attributable to:					
Owners of the Company	**(51,009)**	(60,901)	14,292	(37,545)	(68,518)

Assets and Liabilities

	As at 31 March				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**381,147**	529,752	611,264	630,682	557,549
TOTAL LIABILITIES	**(172,782)**	(299,468)	(298,918)	(323,936)	(221,243)
	208,365	230,284	312,346	306,746	336,306

Donations

During the year, the Group made no charitable and other donation *(2016: Nil)*.

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.

REPORT OF THE DIRECTORS

Share Capital

Details of the Company's authorised and issued share capital are set out in note 26 to the consolidated financial statements.

Share Options Scheme

Pursuant to the Company's special general meeting on 22 November 2016, an ordinary resolution was passed to approve and adopt the new share option scheme of the Company (the "New Share Option Scheme"). As detailed in the circular of the Company dated 4 November 2016 and announcement dated 22 November 2016, the New Share Option Scheme is further subject to approval by the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, any ordinary share of the Company which may fall to be issued pursuant to the exercise of the options. Up to the date of this report, the New Share Option Scheme is pending for approval by the Listing Committee of the Stock Exchange.

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 or 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 on page 39 of this report, respectively.

Distributable Reserves

As at 31 March 2017, the Company's reserves available for cash distribution and distribution in specie were HK$22,139,000 *(2016: HK$82,690,000)*. In addition, the Company's share premium account, in the amount of HK$128,492,000 *(2016: HK$91,483,000)*, may be distributed in the form of fully paid bonus shares.

REPORT OF THE DIRECTORS

Major Suppliers and Customers

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

a. Percentage of purchases attributable to the:

– Largest supplier	30%
– Five largest suppliers	64%

b. Percentage of sales attributable to the:

– Largest customer	42%
– Five largest customers	88%

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 and to the date of this report were:

Executive directors:

Cheung Lai Na	*(Appointed as Interim Chairman on 28 December 2016)*
Cheung Lai Ming	*(Appointed on 7 November 2016)*
Chan Sik Ming, Harry	*(Removed on 23 December 2016)*
Au-Yeung Wai Hung	*(Resigned on 28 November 2016)*

Non-executive director:

Lee Man Kwong	*(Appointed as independent non-executive director on 14 December 2016 and re-designated as non-executive director on 1 March 2017)*

Independent non-executive directors:

Leung King Fai	
Yeung Chi Shing, Bret	
Chou Yuk Yan	*(Appointed on 21 June 2016)*
Li Chi Kwong	*(Retired on 22 November 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 Interim 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 Interim Chairman of the Company, Ms. Cheung Lai Na, has agreed to retire at least once every three years.

In accordance with Bye-Law 102 of the Company's Bye-Laws, Ms. Cheung Lai Na, Ms. Cheung Lai Ming, Mr. Lee Man Kwong, 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, Mr. Yeung Chi Shing, Bret 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. Leung King Fai, Mr. Yeung Chi Shing, Bret, 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.

For the reasons of resignation of Chong Chi Wah and Au-Yeung Wai Hung and removal of Chan Sik Ming, Harry, which have been disclosed in the Company's announcements dated 2 April 2016, 28 November 2016 and 23 December 2016 respectively.

Directors' Biographies

Biographical details of the directors of the Company are set out on pages 3 to 4 of this 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.

Litigations

Save as disclosed outstanding litigations set out in note 32 to the consolidated financial statements, the Group is not a party to any other significant legal proceedings.

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 2017, the interests and short positions of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in ordinary shares of the Company:

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

Note: Cheung Lai Na holds 120,068,000 shares of the Company in trust for Cheung Ling Mun.

Save as disclosed above, as at 31 March 2017, none of the directors had registered an interest or short position in the shares and underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Directors' Rights to Acquire Shares or Debentures

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

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

As at 31 March 2017, 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	20.84%
Daisho Denshi Co., Ltd.	Directly beneficially owned	50,000,000	8.68%

REPORT OF THE DIRECTORS

Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares (continued)

Save as disclosed above, as at 31 March 2017, 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 period from 1 April 2016 to 20 March 2017, the Group had continuing connected transactions for the sale of printed circuit boards amounting to approximately HK$29 million *(Year ended 31 March 2016: approximately HK$25 million)* with Daisho Denshi (H.K.) Limited, a subsidiary of Daisho Denshi Co., Ltd. Daisho Denshi Co., Ltd. was a substantial shareholder of the Company holding 10.41% equity interests of the Company prior to 20 March 2017. Upon the completion of the Placement on 20 March 2017, Daisho Denshi Co., Ltd no longer act as a substantial shareholder of the Company.

Pursuant to the Company's special general meeting on 24 March 2016, 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$39 million for each the financial years ended 31 March 2017, 2018 and 2019, respectively.

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 has issued a limited assurance report containing an unqualified 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.

REPORT OF THE DIRECTORS

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.

Directors' 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.

Corporate Governance

The Company's corporate governance practices are set out in the Corporate Governance Report on pages 22 to 30 of this report.

Auditors

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. Mazars CPA Limited will retire and a resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Cheung Lai Na
Interim Chairman

Hong Kong
19 June 2017

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group is pleased to present its first annual Environmental, Social and Governance Report ("ESG Report") with a focus on the factory located in Huizhou, PRC, for the manufacturing of PCB. The ESG Report for the year ended 31 March 2017 was prepared in accordance with Appendix 27 of the Listing Rules.

This ESG Report describes the Group's environmental, social and governance management approach, strategy, priorities and objectives. It explains how the Group complies with the "comply or explain" provisions of the ESG Reporting Guide. This ESG Report covers the Group's governance on the Environmental and Social aspect. The corporate governance aspect is addressed in more detailed in the Corporate Governance Report.

SUSTAINABILITY MISSION AND VISION

The Group has leveraged its strong financial advantage to enhance technology development, investing in new equipment and talent development so as to establish high quality performance to strengthen the overall market competitiveness. The Group's operation philosophy is to maintain a fair competition, team spirit, high innovation and maintain detail manufacturing process as well as manage upstream and downstream suppliers to provide high precision PCB products to the customers.

ENVIRONMENTAL

As the process of the manufacturing PCB usually creates pollutants, a well-established environmental management system (the "EMS"), which is certified with international standard ISO14001 is a crucial tool to aid managing the Group's environmental issues – not only to ensure compliance with related laws and regulations, but also to help implementing and maintaining our environmental policy. Through the EMS, the Group also strives for a continuous improvement in the environmental performance. An environmental department was set up to constantly evaluate the environmental risks in operation and review the progress of the environmental targets and plans.

To fulfill the Group's environmental stewardship, the environmental approach has been categorised into three main directions: resource wastage control, direct environmental impact mitigation, and sustainability of raw materials.

1. Resource wastage control

To minimise the wastage of resources, the Group has focused on increasing production and resource usage efficiency and implementing the concept of reduce, reuse and recycle for the resources involved in our operation.

Efficient energy and water use in production

Energy and water are the resources that rely on in the operation of manufacturing facility. To increase the efficiency of their use and look for rooms of improvement, key performance indicators (the "KPIs") are set for the energy and water consumption in the production processes, and continuously monitor if the energy and water use can achieve the standards on a monthly basis. To reduce water usage in our manufacturing process, a recycled water system has been set up for equipment cleaning and ingredient mixing. In addition, the Group is in the process of replacing old equipments with more efficient models to reduce our electricity consumption in the coming year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL (continued)

1. Resource wastage control (continued)

Reduce, Reuse & Recycle

The Group also emphasises on implementing of the policy of reduce, reuse and recycle in the waste management of the production as well as in the office.

In the waste management of the production, the Group strives to recycle waste to the greatest extent. To achieve this, the Group continuously identifies the production wastage that can be recycled and by now, the Group recycles various types of wastes, including paper, metal, personal protective equipment and valuable chemicals. These recyclable wastes are well-recorded for analysis of our environmental performance and are handled by third-party recycling companies.

Apart from the production line, the Group also strives to advocate the reduce, reuse and recycle for paper, electricity and water in the offices located in the PRC and Hong Kong. An office guideline has set up that includes switching off lights and electronic equipment when not in use, turning off water tape when not in use, control of the paper usage and collecting one-sided printed paper for reprinting and recycling of waste plastic stationery.

2. Direct environmental impact mitigation

The Group is devoted to mitigating the pollutions that can potentially occur in the operation. Our focus, particularly, is on the potential pollutions resulting from the manufacturing of PCB.

Air emission

The Group strictly controls the air pollutants emitting from the factory production. Driven by this commitment, the purification towers installed for the absorption of pollutants such as volatile organic compounds and acidic/alkaline mist before the exhausted air is emitted to the atmosphere. The air quality is also monitored regularly by an independent third party to ensure strict compliance with the national regulations.

Hazardous waste and wastewater

To proper handle hazardous waste from the production, a well-established procedures, which is complied with QC080000, a certification about quality assessment specification introduced and implemented by the International Electrotechnical Commission (IEC) and provides a framework for the management of hazardous substance control, to prevent the occurrence of the adverse impact to the environment have been developed. Under the procedures on hazardous waste management, the waste is sorted and stored properly, and is handled only by qualified third-party.

For wastewater management, the effluents are properly treated through the industrial and domestic wastewater treatment facilities. Constant monitoring on the quality of effluents is also conducted by qualified third-party to ensure in compliance with the related regulatory standards.

Emergency plan

In order to effectively cope with environmental emergencies, an environmental emergency plan was developed for the workers to follow in case of emergencies. This includes precautionary measures and emergency responses for the identified workplace environmental hazard sources, which consists of both man-made and natural categorised situations such as fire and leakage of hazardous chemicals and liquids. Training also provided to ensure all workers clearly understand the best response to crisis with minimal impacts to the environment and people.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL (continued)

3. Sustainability of raw materials

In order to add green values on the Group's products, the Group pays close attention to the materials use in the products. Knowing that halogens can contribute to ozone depletion and the greenhouse effect, the Group opt for halogens free raw materials and so at the end of the product lifecycles, they do not contribute to these environmental issues.

SOCIAL

Employment, Labor Practice and Standards

The Group committees to provide a rewarding work environment that encourages collaboration and offers the employees opportunities to learn, grow and succeed at work and in life. The Group also committees to provide a safe and respectful working environment for our people by fully complying with relevant Hong Kong and PRC laws. Guidelines on human rights and labor standards, including working hours, wages, holidays, anti-discrimination, as well as prevention of child and forced labor, are set out to ensure ethical and sustainable business operations. This commitment is incorporated into our Human Resources Policy Manual and Employee Handbook. The Group regularly reviews employee handbook which outlines the Group's key messages, policies, procedures, occupational health, and safety and communication feedback channel.

The Group also support the employees to achieve a balance between work and personal life through our caring practices and programmes. To promote family-friendly employment practices, the Group offers family leaves benefit such as marriage and maternity leaves for our employees to spend time with their families. Employees can enjoy a wide range of recreational facilities such as library and basketball court in the factory. Various activities such as Chinese New Year dinner and Annual Lucky Draw Carnival were also organized over the year. On some traditional special occasions, festival food will be distributed to employees such as mooncakes and rice dumplings, presenting the Group appreciation for their dedication and hard work.

Employee Health and Safety

The Group regularly reviews the employees' health and safety procedure to safeguard employees' well-being. Annual free health check is provided to all workers who work in the manufacturing production line. Biennially health check is provided to all office staff. Every three year the Company will contract a professional organization to assess the professional health and safety work environment of the manufacturing process.

Development and Training

Comprehensive training are also provided to employees to ensure workers to deliver high quality products to our customers that include ISO 9001, ISO14001, TS16949 and QC80000. Young talents from college are recruited to undergo management trainee program to enhance constant supply of management staff for future business growth.

To enhance production quality, specified orientation and internal training have also provided according to their respective position within the manufacturing process. Weekly and monthly departmental trainings will be conducted to ensure workers and staff are up to date on the standard operating procedures.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SOCIAL (continued)

Operating Practices

Supply Chain Management

In our PCB manufacturing process, various raw materials are used such as laminates, solder masks and copper foil. It is very important to manage our supply chain as it directly influences the quality of our products and customer satisfaction. Therefore, our procurement procedure is developed to ensure stable quality and supply.

New suppliers are selected through a comprehensive assessment procedure and are subject to on-site audit. Only qualified suppliers are selected into the "Qualified Vendor List". For existing suppliers, regular performance assessment is conducted on four major areas: product quality, service performance, process monitoring and environmental performance. Suppliers who do not meet our requirements are required to formulate the Eight Disciplines Corrective Action Report for improvement.

We also evaluate the raw materials in advance to guarantee the product quality. Unless other requests specified by the customers, we have standard procedures on approving the raw material use. In addition to material quality testing, we include the consideration of material safety and its impacts to the environment. For all new laminates, Production Part Approval Process Report is needed to ensure its product quality and hence, reducing the risk of unexpected failure due to defects in design and manufacture.

Product Responsibility and Quality

Our quality policy is to provide the most satisfying products and services to the customers. To maintain high quality standards, our responsibility begins from the procurement process to quality assurance. The quality management system was established in accordance with the international quality management system ("QMS") ISO 9001:2008 and ISO/TS16949:2009 – apart from complying with relevant laws and regulations and satisfying customer's needs, we strive for continual improvement and defect prevention.

SAFEGUARDING OUR BUSINESS

In order to protect the Group's reputation and assets, the Group has zero tolerance against corruption and strive to safeguard confidential information and is in compliance with relevant laws and regulations.

Anti-corruption

The Group commits to manage all business without undue influence and regards honesty, integrity, and fairness as our core value. All directors and employees are required to strictly follow the stipulated Code of Conduct to prevent potential bribery, extortion, fraud and money laundering. The Group's Code of Conduct states clearly that:

– All directors and employees should avoid conflicts of personal interest and their professional duties.
– A situation in which employees exercise authority, influence decisions and actions or gain access to company assets and information through their employment in the Group to achieve private and personal gain is strictly prohibited.
– Employees is required to declare any conflict of interest by completing the required form as instructed by the Group's Human Resources Department.
– Neither directors nor employees shall obtain or provide benefits to customers, contractors, suppliers, or people with business relationship with the Group.
– Accepting voluntary gifts must be declared and have undergone the approval process as administered by the Group's Human Resources Department.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SAFEGUARDING OUR BUSINESS (continued)

Privacy and confidentiality

Maintaining confidentiality at our workplace is important as it protects the interests of the Group. The Group has Information and Data Confidentiality Regulation in place, covering the responsibility and obligation for all departments and managers at all levels, to protect employee data, business assets and customer information. All new employees must sign the confidentiality agreement. Employees are not allowed to disclose confidential information upon starting employment until they leave the Group. Violation of the regulation will be subject to disciplinary action up to and including dismissal.

COMMUNITY INVESTMENT

As a socially responsible enterprise, the Group is committed to contributing to the community where we operate. This year, by collaborating with local community organisations such as Hong Kong Federation of Dongguan Associations, we have shown our support and care through donations to improve the lives of people in less privileged communities.

FUTURE DIRECTIONS FROM THE GROUP

The Group will continue to source energy-saving equipment and to use non-hazard materials for manufacturing. We also recognise the trend of automation so as to increase manufacturing efficiency and decrease our manufacturing cost.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

In order to identify the most significant aspects for the Group to report on for this ESG report, key stakeholders including shareholders, directors and employees have been involved in numerous sessions to discuss and to review areas of attention which will enhance the business meet its potential growth and be prepared for future challenge.

STAKEHOLDER'S FEEDBACK

The Group welcomes stakeholders' feedback on our environmental, social, governance approach and performance. Please give your suggestion or share your view with us via info@daisho-microline.com.

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 2017, 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 2017.

The Company has also adopted a code for dealing in the Company's securities by relevant employees, who are likely to be in possession of unpublished inside information in relation to the securities of the Group, on no less exacting terms than the Model Code.

Board of Directors

Board composition and practice

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

Executive directors:

Cheung Lai Na	*(Appointed as Interim Chairman on 28 December 2016)*
Cheung Lai Ming	*(Appointed on 7 November 2016)*
Chan Sik Ming, Harry	*(Removed on 23 December 2016)*
Au-Yeung Wai Hung	*(Resigned on 28 November 2016)*

Non-executive director:

Lee Man Kwong	*(Appointed as independent non-executive director on 14 December 2016 and re-designated as non-executive director on 1 March 2017)*

Independent non-executive directors:

Leung King Fai	
Yeung Chi Shing, Bret	
Chou Yuk Yan	*(Appointed on 21 June 2016)*
Li Chi Kwong	*(Retired on 22 November 2016)*
Chong Chi Wah	*(Resigned on 1 April 2016)*

The biographical details of the Board members are set out on pages 3 and 4 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.

Litigations

Save as disclosed outstanding litigations set out in note 32 to the consolidated financial statements, the Group is not a party to any other significant legal proceedings.

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.

Prior to 23 December 2016, the Company did not have a separate Chairman and CEO, and Mr. Chan Sik Ming, Harry held 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.

CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive Officer (continued)

With effect from 23 December 2016, Mr. Chan Sik Ming, Harry, was removed as an executive director of the Company pursuant to Bye-Law 97(A)(vi) of the New Bye-Laws of the Company. Since no CEO has been appointed after the removal of Mr. Chan Sik Ming, Harry, the roles of the chairman and CEO are not separated and performed by two different individuals. As there is no CEO appointed, the daily operations of the Group are delegated to the executive directors and the senior management. The Board is of the view that the current management structure can effectively facilitate the Company's operation and business development.

Non-Executive Directors

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

Prior to 22 November 2016, Dr. Li Chi Kwong ("Dr. Li") does not have a specific term of appointment, but are subject to retirement by rotation and re-election in accordance with the relevant provisions of the Company's bye-laws.

With effect from 22 November 2016, Dr. Li has retired as an independent non-executive director of the Company and the Code Provision A.4.1 was no longer deviated after 22 November 2016.

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 under the Company's former name of Juko Laboratories Holdings Limited when the Company was first established, 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 Interim Chairman of the Company, Ms. Cheung Lai Na has agreed to retire at least once every three years.

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	*(Appointed as Chairman on 2 April 2016)*
Yeung Chi Shing, Bret	
Chou Yuk Yan	*(Appointed as member on 21 June 2016)*
Li Chi Kwong	*(Retired as member on 22 November 2016)*
Chong Chi Wah	*(Resigned as Chairman and member on 1 April 2016)*

CORPORATE GOVERNANCE REPORT

Board Committees (continued)

Audit Committee (continued)

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

During the year, there were two Audit Committee meetings and one written resolution from the Audit Committee members. The attendance details of each member are set out on page 27 of this report. The major work performed by the Audit Committee during the year included the following:

– Reviewed interim and annual financial statements;

– Reviewed continuing connected transactions;

– Reviewed internal audit reports on the internal controls, risk management 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.

Remuneration Committee

The Remuneration Committee was established on 22 December 2005 and comprises four members as at 31 March 2017, the majority of whom are independent non-executive directors and its members are:

Independent non-executive directors	
Leung King Fai	*(Appointed as Chairman on 12 December 2016)*
Yeung Chi Shing, Bret	
Chou Yuk Yan	*(Appointed as member on 21 June 2016)*
Li Chi Kwong	*(Appointed as Chairman on 2 April 2016 and retired on 22 November 2016)*
Chong Chi Wah	*(Resigned as Chairman and member on 1 April 2016)*
Executive directors	
Cheung Lai Na	
Chan Sik Ming, Harry	*(Removed as member on 23 December 2016)*
Au-Yeung Wai Hung	*(Resigned as member on 28 November 2016)*

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.

CORPORATE GOVERNANCE REPORT

Board Committees (continued)

Remuneration Committee (continued)

During the year, there were one Remuneration Committee meeting and five 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 five members as at 31 March 2017, the majority of whom are independent non-executive directors and its members are:

Executive directors

Cheung Lai Na	*(Appointed as Chairman on 28 December 2016 and as member on 9 June 2015)*
Cheung Lai Ming	*(Appointed as member on 7 November 2016)*
Chan Sik Ming, Harry	*(Removed as Chairman on 23 December 2016)*

Independent non-executive directors

Leung King Fai	*(Appointed as member on 9 June 2015)*
Yeung Chi Shing, Bret	
Chou Yuk Yan	*(Appointed as member on 21 June 2016)*
Li Chi Kwong	*(Retired as member on 22 November 2016)*
Chong Chi Wah	*(Resigned as member on 1 April 2016)*

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 and five written resolutions 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.

The Company recognises and embraces the benefits of having a diverse Board, and sees increasing diversity at Board level as an essential element in maintaining a competitive advantage. All appointments of the members of the Board are made on merit, in the context of the skills and experience the Board as a whole requires to be effective. In designing the Board composition, the Company is committed to equality of opportunity in all aspects and does not discriminate on the grounds, including but not limited to, ethnicity, gender, age, cultural and religious background.

The Nomination Committee discussed and agreed the measurable objectives for achieving diversity on the Board and recommended them to the Board for adoption. During the year, the Committee reviewed the existing composition of the Board and received and accepted the progress report from the management in relation to identified business skills and experience required and their ranking and the action plan for recruiting new Board member.

CORPORATE GOVERNANCE REPORT

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

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

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
Cheung Lai Na	9/9	N/A	1/1	1/1	2/2
Cheung Lai Ming	8/9	N/A	N/A	0/1	2/2
Chan Sik Ming, Harry (Note (a))	6/9	N/A	1/1	1/1	2/2
Au-Yeung Wai Hung (Note (b))	3/9	N/A	N/A	N/A	2/2
Lee Man Kwong (Note (c))	4/9	N/A	N/A	N/A	N/A
Leung King Fai	8/9	2/2	1/1	1/1	2/2
Yeung Chi Shing, Bret	8/9	2/2	1/1	1/1	2/2
Chou Yuk Yan (Note (d))	9/9	2/2	1/1	1/1	2/2
Li Chi Kwong (Note (e))	2/9	2/2	N/A	1/1	2/2
Chong Chi Wah (Note (f))	N/A	N/A	N/A	N/A	N/A

Note:

a) Mr. Chan Sik Ming, Harry was removed as an executive director of the Company and ceased to be the chairman, chief executive officer, a member of the Remuneration Committee and the chairman of the Nomination Committee of the Company on 23 December 2016.

b) Mr. Au-Yeung Wai Hung resigned as an executive director and a member of the Remuneration Committee of the Company on 28 November 2016.

c) Mr. Lee Man Kwong was appointed as an independent non-executive director of the Company on 14 December 2016 and was re-designated as a non-executive director of the Company with effect from 1 March 2017.

d) Mr. Chou Yuk Yan was appointed as an independent non-executive director, a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company on 21 June 2016.

e) Dr. Li Chi Kwong retired as an independent non-executive director, a member of the Audit Committee and the Nomination Committee and the chairman of the Remuneration Committee of the Company on 22 November 2016.

f) Mr. Chong Chi Wah resigned as an independent non-executive director, the chairman of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee of the Company on 1 April 2016.

The interim chairman acknowledged the significance of promoting a culture of openness and debate among the Board members. To facilitate the effective contribution of independent non-executive directors, the interim chairman held a meeting with independent non-executive directors without the other executive director present in January 2017.

CORPORATE GOVERNANCE REPORT

Auditor's Remuneration

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

	Group	
	2017	2016
	HK$'000	HK$'000
Audit service	**890**	930
Non-audit service (Note)	**73**	104

Note:

Non-audit services during the year included agreed-upon procedures report on the Group's interim report for the period ended 30 September 2016.

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

Risk management and Internal Controls

The Board is responsible for ensuring that appropriate and effective risk management and internal control systems are established and maintained.

Through the Audit Committee, the Board is responsible for continuous review of the effectiveness of the Group's risk management and internal control systems which include financial, operational, compliance and risk management controls.

During the year, the Board had engaged reputable internal control advisors (the "Advisors") to perform a review of the Group's internal controls (the "Internal Controls Review") and assist the Company to perform a Group's risk assessment (the "risk assessment"). The scope of work of the Advisors 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 reports of the Internal Controls Review (the "Review Reports") containing the risk analysis, observations, recommendations and corresponding management responses was issued.

The Company accepts most of the Advisors' recommendations in the Review Reports and the Company believes that after the implementation of such recommendations, the Group would be able to further enhance its internal controls system and its risk assessment process. As at the date of this Annual Report, the implementation is in progress and expected the major recommendations would be fully implemented in the second half of 2017.

CORPORATE GOVERNANCE REPORT

Risk management and Internal Controls (continued)

The Audit Committee, supported by the Review Reports from the Advisors, reviews the adequacy of resources, qualifications, experiences and training requirements of staff responsible for financial, operational and compliance processes and for the year under review, the Board considers that the risk management and internal control systems of the Group are adequate and effective and the Company has compiled with the risk management and internal control code provisions set out in the CG Code.

With respect to the monitoring and disclosure of insider information, the Group has established a corporate disclosure policy, which applies to all employees and management of the Group and the Company's Directors, setting out the framework for the release and control of inside information to ensure that the Company is able to meet with the statutory and regulatory requirements from time to time.

Corporate Disclosure Policy

The Company is committed to promoting consistent disclosure practices aiming at timely, accurate, complete, and broadly disseminated disclosure of inside information about the Group to the public in compliance with the continuous disclosure obligations under the Listing Rules and the SFO. The Board has established a corporate disclosure policy that applies to all employees and management of the Group and the Company's Directors, setting out the framework for the release and control of inside information to ensure that the Company is able to meet with the statutory and regulatory requirements from time to time.

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 33 to 35 of this report.

CORPORATE GOVERNANCE REPORT

Company Secretary

Mr. Chan Tsz Hong ("Mr. Chan"), the company secretary of the Company, is employed on a full time basis and has taken no less than 15 hours of the relevant professional training during the year ended 31 March 2017. Our Company Secretary coordinates and supplies of information to the Directors. Our Company Secretary ensures that board procedures and all applicable rules and regulations are followed for all board meetings. The biographical details of Mr. Chan are set out under the section headed "Biography of Directors and Senior Management" on page 5 of this report.

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
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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)

Opinion

We have audited the consolidated financial statements of Daisho Microline Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 36 to 90, which comprise the consolidated statement of financial position as at 31 March 2017, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2017, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *"Auditor's Responsibilities for the Audit of the Consolidated Financial Statements"* section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of non-financial assets	
As at 31 March 2017, the Group has property, plant and equipment of approximately HK$87,994,000 and prepaid lease payments of approximately HK$12,029,000. For the purpose of assessing impairment, these non-current assets, being the printed circuit board manufacturing facility, were identified as the cash generating unit (the "PCB CGU"), and the Group engaged an independent professional valuer to provide assistance in assessing the recoverable amount of the PCB CGU. The Group has estimated the recoverable amount of the PCB CGU based on the fair value less costs of disposal. We have identified the impairment assessment of the PCB CGU as a key audit matter because of its significance to the consolidated financial statements and also the inherent judgement involved in determining key assumptions such as future sales volume growth, gross profit margins, operating costs, discount rates and terminal values. Related disclosures are included in notes 4(i) and 12(b) to the consolidated financial statements.	Our procedures, among others, included: a) Assessing the appropriateness of using fair value less costs of disposal in estimating the recoverable amount of the PCB CGU; b) Assessing the methodologies used by the independent professional valuer to estimate the recoverable amount; c) Evaluating the competence, capabilities and objectivity of the independent professional valuer; d) Challenging the reasonableness of key assumptions based on our knowledge of the industry and market; e) Checking the accuracy and relevance of the input data provided by management to the independent professional valuer; and f) Verifying the mathematical accuracy of the cash flow model.

INDEPENDENT AUDITOR'S REPORT

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the 2016-2017 annual report of the Company but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law and regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 19 June 2017

The engagement director on the audit resulting in this independent auditor's report is:
Chan Chi Wai
Practising Certificate number: P05708

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2017

	Note	2017 HK$'000	2016 HK$'000
Revenue	5	**170,245**	206,940
Cost of sales		**(170,172)**	(225,379)
Gross profit (loss)		**73**	(18,439)
Other income	7	**7,949**	12,702
Selling and distribution expenses		**(7,874)**	(8,422)
Administrative expenses		**(45,490)**	(40,194)
Other operating expenses		**(2,939)**	(1,080)
Fair value gains (losses) on financial assets at fair value through profit or loss, net		**356**	(1,506)
Loss from operations		**(47,925)**	(56,939)
Finance costs	8	**(3,084)**	(3,962)
Loss before taxation	8	**(51,009)**	(60,901)
Income tax expense	9	**–**	–
Loss for the year		**(51,009)**	(60,901)
Loss attributable to:			
Owners of the Company		**(51,009)**	(60,901)
Loss per share	11		
Basic and diluted		**HK(10.55) cents**	HK(12.68) cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2017

	2017 HK$'000	2016 HK$'000
Loss for the year	**(51,009)**	(60,901)
Other comprehensive loss:		
Item that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of functional currency to presentation currency	**(17,519)**	(21,161)
Other comprehensive loss for the year	**(17,519)**	(21,161)
Total comprehensive loss for the year	**(68,528)**	(82,062)
Total comprehensive loss attributable to:		
Owners of the Company	**(68,528)**	(82,062)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	Note	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment	12	**87,994**	98,957
Prepaid lease payments	13	**12,029**	13,005
Deposits paid for acquisition of property, plant and equipment		**2,005**	3,621
Available-for-sale financial assets	15	**9,281**	9,281
		111,309	124,864
Current assets			
Financial assets at fair value through profit or loss	16	**1,615**	4,066
Inventories	17	**26,082**	22,880
Trade receivables	18	**29,259**	19,327
Other receivables, deposits and prepayments	19	**14,486**	40,713
Pledged bank deposits	20	**123,943**	243,703
Cash and cash equivalents	21	**74,453**	74,199
		269,838	404,888
Current liabilities			
Trade payables	22	**34,391**	32,410
Other payables and accruals	23	**24,049**	26,509
Interest-bearing borrowings	24	**114,342**	240,549
		172,782	299,468
Net current assets		**97,056**	105,420
NET ASSETS		**208,365**	230,284
Capital and reserves			
Share capital	26	**57,624**	48,024
Reserves	27	**150,741**	182,260
TOTAL EQUITY		**208,365**	230,284

The consolidated financial statements on pages 36 to 90 were approved and authorised for issue by the Board of Directors on 19 June 2017 and signed on its behalf by

Cheung Lai Na
Director

Cheung Lai Ming
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2017

		Reserves					
	Share capital HK$'000 (Note 26)	Share premium HK$'000 (Note 27(a))	Contributed surplus HK$'000 (Note 27(b))	Exchange translation reserve HK$'000 (Note 27(c))	Retained profits (Accumulated losses) HK$'000	Sub-total HK$'000	Total HK$'000
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							
Exchange difference on translation of functional currency to presentation currency	–	–	–	(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
At 1 April 2016	48,024	91,483	9,379	105,741	(24,343)	182,260	230,284
Loss for the year	–	–	–	–	(51,009)	(51,009)	(51,009)
Other comprehensive loss							
Exchange difference on translation of functional currency to presentation currency	–	–	–	(17,519)	–	(17,519)	(17,519)
Total comprehensive loss for the year	–	–	–	(17,519)	(51,009)	(68,528)	(68,528)
Transaction with owners							
Contributions and distributions							
Issue of shares upon placing of shares (Note 26(b))	9,600	37,009	–	–	–	37,009	46,609
At 31 March 2017	**57,624**	**128,492**	**9,379**	**88,222**	**(75,352)**	**150,741**	**208,365**

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2017

	2017	2016
	HK$'000	HK$'000
OPERATING ACTIVITIES		
Loss before taxation	**(51,009)**	(60,901)
Adjustments for:		
Interest income	**(3,808)**	(7,599)
Dividend income from listed equity investments	**(220)**	(321)
Loss (Gain) on disposal of property, plant and equipment	**285**	(321)
Fair value (gains) losses on financial assets at fair value through profit or loss, net	**(356)**	1,506
Depreciation	**12,582**	14,402
(Reversal of) Allowance for impairment loss on trade receivables	**(14)**	20
Amortisation of prepaid lease payments	**296**	315
Reversal of write down of inventories	**(41)**	(1,110)
Write down of inventories	**–**	6
Finance costs	**3,084**	3,962
Operating cash flows before changes in working capital	**(39,201)**	(50,041)
Changes in working capital:		
Financial assets at fair value through profit or loss	**2,807**	–
Inventories	**(4,505)**	6,223
Trade receivables	**(9,797)**	12,776
Other receivables, deposits and prepayments	**19,696**	5,969
Trade payables	**4,274**	(1,075)
Other payables and accruals	**1,536**	6,850
Provision	**–**	(2,213)
Cash used in operations	**(25,190)**	(21,511)
Interest received	**6,787**	14,335
Net cash used in operating activities	**(18,403)**	(7,176)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2017

	Note	2017 HK$'000	2016 HK$'000
INVESTING ACTIVITIES			
Dividend income from listed equity investments		**220**	321
Payment for purchase of property, plant and equipment		**(9,137)**	(29,625)
Proceeds from disposal of property, plant and equipment		**48**	683
Decrease in pledged bank deposits		**106,917**	23,833
Net cash from (used in) investing activities		**98,048**	(4,788)
FINANCING ACTIVITIES			
New bank loans raised		**9,000**	69,181
Repayment of bank loans		**(135,207)**	(70,500)
Interest paid		**(3,084)**	(3,962)
Proceeds from issue of shares upon placing of shares, net of issue costs		**46,609**	–
Net cash used in financing activities		**(82,682)**	(5,281)
Net decrease in cash and cash equivalents		**(3,037)**	(17,245)
Cash and cash equivalents at beginning of year		**74,199**	91,083
Effect of foreign exchange rate changes, net		**3,291**	361
Cash and cash equivalents at end of year, represented by bank balances and cash	21	**74,453**	74,199

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2017

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.

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 (the "Listing Rules").

All amounts have been rounded to the nearest thousand, unless otherwise indicated.

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2016 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
Year ended 31 March 2017

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 interest in subsidiary is stated at cost less impairment loss. The carrying amount of the interest is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

2. Significant Accounting Policies (continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2017

2. Significant Accounting Policies (continued)

Financial instruments

Recognition and derecognition

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

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

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

Classification and measurement

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

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

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

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

(2) Loans and receivables

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

2. Significant Accounting Policies (continued)

Financial instruments (continued)

Classification and measurement (continued)

(3) Available-for-sale financial assets

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

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

(4) Financial liabilities

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

Impairment of financial assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2017

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 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.

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

Year ended 31 March 2017

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

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
Year ended 31 March 2017

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 and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2017

2. Significant Accounting Policies (continued)

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.

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.

2. Significant Accounting Policies (continued)

Related parties (continued)

(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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2017

2. Significant Accounting Policies (continued)

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated 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.

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 7	*Disclosure Initiative* [1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses* [1]
Annual Improvements to HKFRSs	*2014–2016 Cycle* [2]
Amendments to HKAS 40	*Transfers of Investment Property* [3]
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions* [3]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts* [3]
HKFRS 9 (2014)	*Financial Instruments* [3]
HKFRS 15	*Revenue from Contracts with Customers* [3]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration* [3]
HKFRS 16	*Leases* [4]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [5]

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

[2] Effective for annual periods beginning on or after 1 January 2017 or 2018 where applicable

[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, but are not yet in a position to reasonably estimate their impact on the consolidated financial statements.

3. Adoption of New/Revised HKFRSs

In the current year, the Group has applied, for the first time, the following new/revised HKFRSs that are relevant to the Group:

Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKASs 16 and 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Annual Improvements to HKFRSs	*2012–2014 Cycle*

Amendments to HKAS 1: *Disclosure Initiative*

The amendments include changes in the following five areas: (1) materiality; (2) disaggregation and subtotals; (3) structure of notes; (4) disclosure of accounting policies; (5) presentation of items of other comprehensive income arising from investments accounted for using equity method. It is considered that these amendments are clarifying amendments that do not directly affect an entity's accounting policies or accounting estimates.

The adoption of the amendments did not have any significant impact on the consolidated financial statements.

Amendments to HKASs 16 and 38: *Clarification of Acceptable Methods of Depreciation and Amortisation*

HKAS 16 and HKAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The amendments to HKAS 16 clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

The amendments to HKAS 38 clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

The adoption of the amendments did not have any significant impact on the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2017

3. Adoption of New/Revised HKFRSs (continued)

Annual Improvements Project – 2012-2014 Cycle

The amendments relevant to the Group include the followings:

HKFRS 7 Financial Instruments: *Disclosures*

a) *Servicing contracts*

These amendments clarify what kind of servicing contracts may constitute continuing involvements for the purposes of applying the disclosure requirements for transferred financial assets that are derecognised in their entirety.

b) *Applicability of the Amendments to HKFRS 7 concerning Offsetting to Condensed Interim Financial Statements*

These amendments also clarify that the additional disclosure required by the amendments to HKFRS 7 concerning offsetting is not specifically required for all interim periods.

The adoption of the amendments did not have any significant impact on the consolidated financial statements.

4. Critical Accounting Estimates and Judgements

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

Key sources of estimation uncertainty

(i) *Impairment of non-financial assets*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2017

4. Critical Accounting Estimates and Judgements (continued)

Key sources of estimation uncertainty (continued)

(ii) 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 25 to the consolidated financial statement.

(iii) 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.

(iv) 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.

(v) 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
Year ended 31 March 2017

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.

	2017 HK$'000	2016 HK$'000
Sales of printed circuit boards	**170,245**	206,940

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 and revenue 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 2017 and 2016 is as follows:

Geographical Information

(a) Revenue from external customers

	2017 HK$'000	2016 HK$'000
North America	**77,067**	74,794
Japan	**30,457**	25,071
The PRC	**24,923**	50,001
Hong Kong	**22,826**	39,375
Europe	**13,455**	16,110
Other countries	**1,517**	1,589
	170,245	206,940

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2017

6. Segment Information (continued)

Geographical Information (continued)

(b) Non-current assets

	2017 HK$'000	2016 HK$'000
Hong Kong	**1,334**	496
The PRC	**100,694**	115,087
	102,028	115,583

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 2017 and 2016 is as follows:

	2017 HK$'000	2016 HK$'000
Customer A	**71,874**	73,944
Customer B (Note (a))	**30,435**	24,947
Customer C	**19,438**	37,248
Customer D (Note (b))	**18,377**	N/A
Customer E (Note (b))	**N/A**	23,910

Notes:

a) Revenue of approximately HK$30,435,000 *(2016: HK$24,947,000)* was derived from sales of printed circuit boards to Customer B, a subsidiary of Daisho Denshi Co., Ltd ("Daisho Denshi"). Prior to the completion of placing of new shares of the Company on 20 March 2017, Daisho Denshi had approximately 10.41% equity interests in the Company and therefore was a substantial shareholder of the Company. Upon completion of placing of new shares of the Company on 20 March 2017 (Note 26(b)), Daisho Denshi's interest in the Company's equity decreased from approximately 10.41% to 8.68%. In addition, the Group also had approximately 7.46% equity interests in Daisho Denshi at the end of the reporting period (Note 15).

b) Sales to Customer D and Customer E were less than 10% of the Group's revenue for the years ended 31 March 2016 and 2017 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2017

7. Other Income

	2017 HK$'000	2016 HK$'000
Bank and other interest income	**3,808**	7,599
Dividend income from listed equity investments	**220**	321
Exchange gain, net	**–**	300
Gain on disposal of scrap materials	**3,189**	3,974
Gain on disposal of property, plant and equipment	**–**	321
Reversal of impairment loss on trade receivables	**14**	–
Others	**718**	187
	7,949	12,702

8. Loss Before Taxation

This is stated after charging (crediting):

	2017 HK$'000	2016 HK$'000
Finance costs		
Interest on bank borrowings	**3,084**	3,962
Staff costs (excluding directors' emoluments in note 10)		
Salaries and other benefits	**37,036**	40,224
Contribution to defined contribution plans	**4,312**	4,646
Contractual termination benefits	**120**	–
	41,468	44,870
Other items		
Auditor's remuneration	**890**	930
Amortisation of prepaid lease payments	**296**	315
Cost of inventories (Note (i))	**170,213**	226,483
Depreciation	**12,582**	14,402
Exchange loss (gain), net	**1,998**	(300)
Loss (Gain) on disposal of property, plant and equipment	**285**	(321)
(Reversal of) Allowance for impairment loss on trade receivables	**(14)**	20
Operating lease charges for premises	**1,167**	304
Reversal of write down of inventories	**(41)**	(1,110)
Write down of inventories	**–**	6

Note:

(i) Cost of inventories excludes write down of inventories and related reversal but includes HK$37,724,000 *(2016: HK$43,282,000)* relating to staff costs and depreciation, which are included in the respective total amounts disclosed separately above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2017

9. Income Tax Expense

PRC Enterprise Income Tax has not been provided as the Group's entities have no assessable profits arising in the PRC for the year *(2016: Nil)*.

Hong Kong Profits Tax has not been provided as the Group's entities have no assessable profits arising in Hong Kong for the year *(2016: 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.

Reconciliation of income tax expense

	2017 **HK$'000**	2016 HK$'000
Loss before taxation	**(51,009)**	(60,901)
Notional tax on loss before tax, calculated at the rates applicable to loss in the relevant tax jurisdiction	**(9,901)**	(12,645)
Non-deductible expenses	**1,067**	1,250
Tax exempted revenue	**(68)**	(53)
Unrecognised temporary differences	**(2,970)**	(1,776)
Unrecognised tax losses	**12,118**	13,241
Utilisation of previously unrecognised tax losses	**(290)**	(34)
Others	**44**	17
Income tax expense	**–**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2017

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 2017

	Directors' fees HK$'000	Salaries, allowance and benefits-in-kind HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors:				
Cheung Lai Na (Note (a))	600	–	30	630
Cheung Lai Ming (Note (b))	–	240	12	252
Chan Sik Ming, Harry (Note (c))	–	4,442	222	4,664
Au-Yeung Wai Hung (Note (d))	–	795	18	813
Non-executive director:				
Lee Man Kwong (Note (e))	72	–	–	72
Independent non-executive directors:				
Leung King Fai (Note (f))	240	–	–	240
Yeung Chi Shing, Bret	240	–	–	240
Chou Yuk Yan (Note (g))	153	–	–	153
Li Chi Kwong (Note (h))	155	–	–	155
Chong Chi Wah (Note (i))	–	–	–	–
	1,460	5,477	282	7,219

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2017

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

10(a) Directors' emoluments (continued)

For the year ended 31 March 2016

	Directors' fees HK$'000	Salaries, allowance and benefits-in-kind HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors:				
Cheung Lai Na (Note (a))	487	–	24	511
Chan Sik Ming, Harry (Note (c))	–	6,098	305	6,403
Au-Yeung Wai Hung (Note (d))	–	1,092	50	1,142
Independent non-executive directors:				
Leung King Fai (Note (f))	195	–	–	195
Yeung Chi Shing, Bret	240	–	–	240
Li Chi Kwong (Note (h))	240	–	–	240
Chong Chi Wah (Note (i))	240	–	–	240
	1,402	7,190	379	8,971

Notes:

a) Ms. Cheung Lai Na was appointed as an executive director of the Company on 9 June 2015 and as the Interim Chairman of the Company with effect from 28 December 2016.

b) On 7 November 2016, Ms. Cheung Lai Ming was appointed as an executive director of the Company.

c) On 23 December 2016, Mr. Chan Sik Ming, Harry ("Mr. Harry Chan") was removed as an executive director of the Company and ceased to be the Chairman and Chief Executive Officer of the Company.

d) On 28 November 2016, Mr. Au-Yeung Wai Hung resigned as an executive director of the Company.

e) On 14 December 2016, Mr. Lee Man Kwong was appointed as an independent non-executive director of the Company and was re-designated as a non-executive director of the Company with effect from 1 March 2017.

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

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

h) On 22 November 2016, Dr. Li Chi Kwong retired as an independent non-executive director of the Company.

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

For the years ended 31 March 2017 and 2016, 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 2017 and 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2017

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

10(b) Emoluments of five highest paid individuals

The five highest paid individuals of the Group for the year included two *(2016: three)* directors whose emoluments are reflected in the analysis presented above and three *(2016: two)* non-director individuals whose emoluments are disclosed as follows:

	2017 HK$'000	2016 HK$'000
Salaries and other benefits	3,293	1,638
Retirement scheme contributions	142	71
Contractual termination benefits	120	–
	3,555	1,709

The emoluments fell within the following band:

	Number of individuals	
	2017	2016
Up to HK$1,000,000	1	1
HK$1,000,001 to HK$1,500,000	1	1
HK$1,500,001 to HK$2,000,000	1	–

For the year ended 31 March 2017, a payment for loss of office amounting to HK$120,000 *(2016: Nil)* was paid to one of the highest paid individuals by a subsidiary of the Company.

For the years ended 31 March 2017 and 2016, no emoluments were paid by the Group to the highest paid individuals as an inducement to join or upon joining the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2017

11. Loss Per Share

(a) Basic loss per share

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

	2017	2016
Loss attributable to owners of the Company (HK$'000)	**(51,009)**	(60,901)
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**483,391,326**	480,243,785
Basic loss per share (HK cents)	**(10.55)**	(12.68)

(b) Diluted loss per share

There were no potential dilutive ordinary shares in issue during both years. The diluted loss per share is the same as the basic loss per share during the years ended 31 March 2017 and 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2017

12. Property, Plant and Equipment

	Buildings	Leasehold improvements	Machinery and equipment	Furniture and fixtures	Motor vehicles	Computers	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(Note (a))						
Reconciliation of carrying amount – year ended 31 March 2016							
At the 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 the end of the reporting period	27,810	2,756	67,425	34	761	171	98,957
Reconciliation of carrying amount – year ended 31 March 2017							
At the beginning of the reporting period	**27,810**	**2,756**	**67,425**	**34**	**761**	**171**	**98,957**
Additions	**–**	**–**	**5,434**	**370**	**980**	**184**	**6,968**
Disposals	**–**	**–**	**(314)**	**–**	**(9)**	**–**	**(323)**
Depreciation	**(934)**	**(549)**	**(10,595)**	**(95)**	**(253)**	**(156)**	**(12,582)**
Exchange realignment	**(1,495)**	**(139)**	**(3,371)**	**–**	**(18)**	**(3)**	**(5,026)**
At the end of the reporting period	**25,381**	**2,068**	**58,579**	**309**	**1,461**	**196**	**87,994**
At 31 March 2016							
Cost	51,890	14,064	510,123	2,545	1,362	2,175	582,159
Accumulated depreciation and impairment losses	(24,080)	(11,308)	(442,698)	(2,511)	(601)	(2,004)	(483,202)
Net carrying amount	27,810	2,756	67,425	34	761	171	98,957
At 31 March 2017							
Cost	**49,157**	**13,328**	**398,526**	**2,798**	**1,736**	**2,290**	**467,835**
Accumulated depreciation and impairment losses	**(23,776)**	**(11,260)**	**(339,947)**	**(2,489)**	**(275)**	**(2,094)**	**(379,841)**
Net carrying amount	**25,381**	**2,068**	**58,579**	**309**	**1,461**	**196**	**87,994**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2017

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$3,567,000 as at 31 March 2017 *(2016: HK$3,891,000)* 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 continuous operating losses over past years, 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") with carrying values in aggregate amount of approximately HK$100,023,000 *(2016: approximately HK$111,962,000)*.

The estimates of the recoverable amount of the PCB CGU as at 31 March 2017 were determined based on the fair value less costs of disposal which was calculated 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 2017 and 2016 are as follow:

Sales volume growth rate: 5% *(2016: 3%)*
Gross profit margin rate: 15% *(2016: 15%)*
Discount rate: 16% *(2016: 15%)*

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

No additional impairment loss was recognised during the years ended 31 March 2017 and 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 2017 and 2016.

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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.

	2017 HK$'000	2016 HK$'000
At the beginning of the reporting period	13,312	14,278
Amortisation	(296)	(315)
Exchange realignment	(697)	(651)
At the end of the reporting period	12,319	13,312
Current portion included in prepayments	290	307
Non-current portion	12,029	13,005
	12,319	13,312

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 indirectly held by the Company	Issued/registered and fully paid-up capital	Principal activities	Legal form of corporate existence
Daisho Microline Limited	Ordinary	Hong Kong	100%	HK$2	Trading of printed circuit boards	Private limited liability company
Daisho Microline Investment Limited	Ordinary	Hong Kong	100%	HK$100,000	Investment holding	Private limited liability company
華鋒微綫電子(惠州)工業有限公司 ("Huafeng Microline (Huizhou) Circuits Limited")* ("Huafeng")	Registered	The PRC	100%	US$62,000,000	Manufacture of printed circuit boards	Wholly foreign-owned enterprise

* English name is for identification purpose only.

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

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

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15. Available-for-Sale Financial Assets

	2017	2016
	HK$'000	HK$'000
Unlisted equity investment, at costs	**19,281**	19,281
Impairment losses	**(10,000)**	(10,000)
	9,281	9,281

The above unlisted equity investment which is designated as available-for-sale financial assets represents 7.46% equity interests in Daisho Denshi, a substantial shareholder of the Company prior to the completion of the placing of new shares of the Company on 20 March 2017 which was incorporated in Japan. 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

	2017	2016
	HK$'000	HK$'000
Equity securities, listed in Hong Kong	**1,615**	4,066

The above investments as at 31 March 2017 and 2016 were classified as held for trading.

As at 31 March 2016, all of the above equity securities were pledged to secure certain bank borrowings of the Group (Note 24) and these pledged securities were released in May 2016 upon settlement of certain bank borrowings of the Group. As at 31 March 2017, the Group had no pledged equity securities.

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17. Inventories

	2017 HK$'000	2016 HK$'000
Raw materials	**12,711**	7,366
Work in progress	**10,577**	9,296
Finished goods	**2,794**	6,218
	26,082	22,880

18. Trade Receivables

	Note	2017 HK$'000	2016 HK$'000
Trade receivables			
From third parties		**29,458**	16,074
From a related party		**–**	3,483
		29,458	19,557
Allowance for doubtful debts	18(a)	**(199)**	(230)
		29,259	19,327

The amount due from a related party, which is a subsidiary of Daisho Denshi, was granted with a credit period of 45 days. As at 31 March 2017, the balance of approximately HK$6,676,000 has been classified as due from third parties upon completion of placing of new shares of the Company on 20 March 2017. At the end of the reporting period, no provision had been made for non-repayment of the amount due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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18. Trade Receivables (continued)

18(a) Allowance for doubtful debts

	2017 HK$'000	2016 HK$'000
At the beginning of the reporting period	**230**	220
Impairment loss recognised	**–**	20
Amount recovered	**(14)**	–
Amounts written off as uncollectible	**(6)**	–
Exchange realignment	**(11)**	(10)
At the end of the reporting period	**199**	230

The Group's business with its trade debtors is 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:

	2017 HK$'000	2016 HK$'000
Less than 1 month	**19,827**	14,522
1 to 2 months	**8,850**	2,694
2 to 3 months	**455**	1,960
Over 3 months	**326**	381
	29,458	19,557

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18. Trade Receivables (continued)

18(a) Allowance for doubtful debts (continued)

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

	2017 HK$'000	2016 HK$'000
Not past due	28,775	18,153
Less than 1 month past due	438	1,020
1 to 2 months past due	–	154
2 to 3 months past due	16	–
Over 3 months past due	30	–
	29,259	19,327

The trade receivables that are past due but not impaired related to a number of independent customers that have a good track record with the Group. The Group has not recognised impairment on these balances as there has not been a significant change in credit quality and the directors believe that the amounts are recoverable. The Group does not hold any collateral over these balances.

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

19. Other Receivables, Deposits and Prepayments

	Note	2017 HK$'000	2016 HK$'000
Deposits and other receivables	19(a)	**18,048**	40,020
Less: impairment losses	19(c)	**(12,725)**	(13,432)
		5,323	26,588
Prepayments	19(b)	**3,176**	6,035
Bank interest receivables on time deposits		**970**	3,949
Value-added tax recoverable		**5,017**	4,141
		9,163	14,125
		14,486	40,713

19(a) Deposits and other receivables

Included in deposits and other receivables as at 31 March 2016 was a loan receivable balance of RMB850,000 (equivalent to approximately HK$1,013,000) (net of impairment allowance) due from a chamber of commerce in Huizhou (the "Chamber"). Through the undertaking of legal proceedings, the Group received an amount of RMB850,000 (equivalent to approximately HK$1,013,000) through a court as a result of realisation of the frozen bank accounts of the Chamber in August 2016.

Included in deposits and other receivables as at 31 March 2016 was a residual balance amounting to RMB6,310,000 (equivalent to approximately HK$7,520,000) of deposits 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. The residual balance of RMB6,310,000 was refunded to Huafeng upon the completion of the clearance of the bonded materials imported by Huafeng by the PRC Customs (the "Completion of the Clearance") in November 2016. A letter of guarantee for payment of customs duty deposit (the "Guarantee") was issued by an independent non-financial institution to the PRC Customs as beneficiary to the extent of RMB3,260,000 (equivalent to approximately HK$3,680,000) upon promotion to higher grade of administrative category subsequent to the Completion of the Clearance. As at 31 March 2017, none of the Guarantee was utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2017

19. Other Receivables, Deposits and Prepayments (continued)

19(b) Prepayments

Included in prepayments as at 31 March 2016 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:

	2017 HK$'000	2016 HK$'000
At the beginning of the reporting period	13,432	14,083
Exchange realignment	(707)	(651)
At the end of the reporting period	**12,725**	13,432

20. Pledged Bank Deposits

The bank deposits amounting to approximately HK$123,943,000 *(2016: HK$243,703,000)* 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 pledged bank deposits earn interests at prevailing short-term deposit rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2017

21. Cash And Cash Equivalents

	2017 HK$'000	2016 HK$'000
Cash and cash equivalents in the consolidated statement of financial position and the consolidated statement of cash flows	**74,453**	74,199

Bank balances in total of approximately HK$74,387,000 *(2016: HK$74,135,000)* carry interest at floating rates based on daily bank deposit rates.

As at 31 March 2017, the balances that were placed with banks in the PRC amounted to approximately HK$23,046,000 *(2016: HK$59,307,000)*. Remittance of funds out of the PRC is subject to the exchange controls imposed by the PRC government.

22. Trade Payables

	2017 HK$'000	2016 HK$'000
Trade payables to third parties	**34,391**	32,410

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:

	2017 HK$'000	2016 HK$'000
Less than 1 month	**12,530**	9,218
1 to 2 months	**5,673**	4,455
2 to 3 months	**4,824**	7,019
Over 3 months	**11,364**	11,718
	34,391	32,410

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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23. Other Payables and Accruals

	2017	2016
	HK$'000	HK$'000
Salaries and welfare payables	**2,638**	3,100
Deposits received from customers	**746**	2,519
Payables for purchase of property, plant and equipment	**2,158**	6,274
Accrual for utilities expenses	**3,210**	3,072
Others	**15,297**	11,544
	24,049	26,509

24. Interest-Bearing Borrowings

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

	2017		2016	
	Effective interest rate (%)	**HK$'000**	Effective interest rate (%)	HK$'000
Secured	**HIBOR + 1.2% to**		HIBOR + 1.2% to	
Bank loans	**LIBOR + 1.5%**	**114,342**	LIBOR + 1.5%	240,549

As at 31 March 2017, all bank loans of HK$114,342,000 are secured by the Group's pledged bank deposits amounting to HK$123,943,000 (Note 20).

As at 31 March 2016, bank loans of HK$237,049,000 were secured by the Group's bank deposits amounting to HK$243,703,000 (Note 20) and bank loans of HK$3,500,000 were secured by the Group's Hong Kong listed equity investments amounting to HK$4,066,000 (Note 16).

All bank loans are repayable within one year as at 31 March 2017 and 2016.

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Year ended 31 March 2017

25. Deferred Taxation

Unrecognised deferred tax assets arising from

	2017	2016
	HK$'000	HK$'000
Deductible temporary differences	**34,407**	47,000
Tax losses arising in Hong Kong	**139,806**	120,038
Tax losses arising in the PRC	**65,299**	39,185
	239,512	206,223

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.

26. Share Capital

		2017		2016	
	Note	**No. of shares**	**HK$'000**	No. of shares	HK$'000
Authorised:					
At the beginning of the reporting period		**600,000,000**	**60,000**	600,000,000	60,000
Increase	26(a)	**1,400,000,000**	**140,000**	–	–
At the end of the reporting period		**2,000,000,000**	**200,000**	600,000,000	60,000
Issued and fully paid:					
At the beginning of the reporting period		**480,243,785**	**48,024**	480,243,785	48,024
Shares issued upon placing	26(b)	**96,000,000**	**9,600**	–	–
At the end of the reporting period		**576,243,785**	**57,624**	480,243,785	48,024

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2017

26. Share Capital (continued)

26(a) Pursuant to an ordinary resolution passed in the annual general meeting of the Company held on 22 November 2016, the authorised share capital of the Company was increased from HK$60,000,000 to HK$200,000,000, by creation of additional 1,400,000,000 ordinary shares of HK$0.1 each.

26(b) On 20 March 2017, the Company issued 96,000,000 placing shares (the "Placing Shares") by way of placing (the "Placing"), at a placing price of HK$0.50 per Placing Share. The difference of HK$37,009,000 between the net proceeds from the Placing after deducting related expenses of approximately HK$46,609,000 and the nominal value of share capital of the Company issued of HK$9,600,000 was recognised in share premium reserve. The Placing Shares rank pari passu with all existing shares in all respects.

26(c) Pursuant to the Company's special general meeting on 22 November 2016, an ordinary resolution was passed to approve and adopt the new share option scheme of the Company (the "New Share Option Scheme"). As detailed in the circular of the Company dated 4 November 2016 and announcement dated 22 November 2016, the New Share Option Scheme is further subject to approval by the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, any ordinary share of the Company which may fall to be issued pursuant to the exercise of the options. Up to the date of this report, the New Share Option Scheme is pending for approval by the Listing Committee of the Stock Exchange.

27. 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
Year ended 31 March 2017

28. 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

	2017	2016
	HK$'000	HK$'000
Sales of printed circuit boards to a related party	**29,044**	24,947

Printed circuit boards were sold to a subsidiary of Daisho Denshi. Those 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:

	2017	2016
	HK$'000	HK$'000
Salaries and other emoluments	**9,302**	9,877
Retirement scheme contributions	**384**	434
Contractual termination benefits	**120**	–
	9,806	10,311

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.

29. 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 2017				
Assets				
Available-for-sale financial assets	–	9,281	–	9,281
Financial assets at fair value through profit or loss	–	–	1,615	1,615
Trade receivables	29,259	–	–	29,259
Financial assets included in other receivables, deposits and prepayments	6,293	–	–	6,293
Pledged bank deposits	123,943	–	–	123,943
Cash and cash equivalents	74,453	–	–	74,453
Total	233,948	9,281	1,615	244,844

	Financial liabilities at amortised cost HK$'000
As at 31 March 2017	
Liabilities	
Trade payables	34,391
Financial liabilities included in other payables and accruals	7,698
Interest-bearing borrowings	114,342
Total	156,431

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29. 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 2016				
Assets				
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	
Trade payables	32,410
Financial liabilities included in other payables and accruals	7,290
Interest-bearing borrowings	240,549
Total	280,249

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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29. 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$1,143,000 *(2016: HK$2,405,000)* 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 2016.

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 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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Year ended 31 March 2017

29. 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 2017			
If HK$ weakens against RMB	**1.0**	**280**	**–**
If HK$ strengthens against RMB	**(5.0)**	**(1,401)**	**–**

	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	1.0	270	–
If HK$ strengthens against RMB	(10.0)	(2,704)	–

* 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$1,615,000 *(2016: HK$4,066,000)*. For the Group's equity securities investments that are publicly traded, the fair value is determined with reference to quoted market prices.

29. 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% *(2016: 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 decreased/increased accumulated losses by HK$81,000 *(2016: HK$203,000)* 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 2016.

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 trade 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 40% *(2016: 31%)* and 92% *(2016: 84%)* 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.

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Year ended 31 March 2017

29. 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 2017			
Trade payables	**34,391**	**–**	**34,391**
Financial liabilities included in other payables and accruals	**7,698**	**–**	**7,698**
Interest-bearing borrowings	**114,478**	**–**	**114,478**
	156,567	**–**	**156,567**

	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	240,763	–	240,763
	280,463	–	280,463

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29. 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:

	2017	2016
	HK$'000	HK$'000
Interest-bearing borrowings	**114,342**	240,549
Equity attributable to owners of the Company	**208,365**	230,284
Gearing ratio	**55%**	104%

30. 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 2017 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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30. Fair Value Measurements (continued)

Financial assets measured at fair value

	2017			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Assets				
Financial assets at fair value through profit or loss	**1,615**	**–**	**–**	**1,615**

	2016			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Assets				
Financial assets at fair value through profit or loss	4,066	–	–	4,066

During the years ended 31 March 2017 and 2016, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

In the opinion of the directors, 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 2017 and 2016.

31. Commitments

(a) Capital commitments

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

	2017	2016
	HK$'000	HK$'000
Contracted but not provided for net of deposits paid in respect of – property, plant and equipment	**1,081**	1,815

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31. Commitments (continued)

(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:

	2017 HK$'000	2016 HK$'000
Within one year	**1,491**	181
In the second to fifth years inclusive	**1,883**	483
	3,374	664

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.

32. Litigation

In January 2017, Mr. Harry Chan, a former executive director, Chief Executive Officer and Chairman of the Company who was removed from his duties effective from 23 December 2016, filed a claim for a total sum of approximately HK$4.3 million in respect of wages in lieu of notice, annual leave pay, rest day pay and long service payment (the "Claims") in the Labour Tribunal against the Company (the "Labour Tribunal Claim No. LBTC248/2017"). After a preliminary hearing, the Labour Tribunal transferred the Labour Tribunal Claim No. LBTC248/2017 to the High Court of the Hong Kong Special Administrative Region (the "High Court") in May 2017 (the "High Court Action No. 1082/2017"). A directions hearing will be held on 21 June 2017.

The directors of the Company consider that the claim from Mr. Harry Chan is without merit and have been advised by the Group's lawyers that the Group is not likely that the High Court would find the Company liable for the High Court Action No. 1082/2017. The directors of the Company are of the opinion that it is not probable that an outflow of economic benefits will be required and therefore no provision for the Claims is considered necessary.

On 24 May 2017, the Company and Huafeng as first and second plaintiffs filed a statement of claim to the High Court against Mr. Harry Chan for his breaches (i) under the terms of his service agreement; and/or (ii) of his fiduciary and statutory duties to both the Company and Huafeng as an executive director (the "High Court Action No. 818/2017"). The ultimate liability or amount is to be assessed. The directors of the Company are of the opinion that the High Court Action No. 1082/2017 is likely to be consolidated with the High Court Action No. 818/2017, and it is also possible that any damages (or part thereof) may be set off against any amounts which may be awarded in Mr. Harry Chan's favour (if any) in the High Court Action No. 1082/2017.

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

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33. Statement of Financial Position of the Company

	Note	2017 HK$'000	2016 HK$'000
Non-current assets			
Interest in subsidiaries		**14,716**	70,916
Current assets			
Amount due from subsidiaries		**195,624**	151,508
Prepayments		**350**	344
Cash and cash equivalents		**83**	112
		196,057	151,964
Current liabilities			
Other payables and accruals		**2,518**	683
Net current assets		**193,539**	151,281
NET ASSETS		**208,255**	222,197
Capital and reserves			
Share capital	26	**57,624**	48,024
Reserves	33(a)	**150,631**	174,173
TOTAL EQUITY		**208,255**	222,197

This statement of financial position was approved and authorised for issue by the Board of Directors on 19 June 2017 and signed on its behalf by

Cheung Lai Na *Director*	**Cheung Lai Ming** *Director*

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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 (Accumulated losses) HK$'000	Total HK$'000
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	91,483	38,295	44,395	174,173
At 1 April 2016	91,483	38,295	44,395	174,173
Loss and total comprehensive loss for the year	–	–	(60,551)	(60,551)
Transaction with owners				
Contributions and distributions				
Issue of shares upon placing of shares (Note 26)	37,009	–	–	37,009
At 31 March 2017	128,492	38,295	(16,156)	150,631

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 27(b) to the consolidated financial statements. Under the Bermuda Companies Act 1981, a company may make distributions to its shareholders out of the contributed surplus under certain circumstances.