DAISHO MICROLINE HOLDINGS LIMITED

大昌微綫集團有限公司

Stock Code : 0567

Annual Report 2010

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CORPORATE INFORMATION AND FINANCIAL CALENDAR

Board of Directors

Executive directors

Chan Sik Ming, Harry *(Chairman & Chief Executive Officer)*
Motofumi Tsumura
Hiroto Sasaki
Hiroyuki Kikuchi
Au-Yeung Wai Hung

Independent non-executive directors

Kohu Kashiwagi
Chan Yuk Tong
Li Chi Kwong

Company Secretary

Au-Yeung Wai Hung

Principal Bankers

Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
DBS Bank (Hong Kong) Limited

Auditors

Ernst & Young

Legal Advisers in Hong Kong

Woo, Kwan, Lee and Lo

Legal Advisers in Bermuda

Appleby

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Head Office and Principal Place of Business

Units B12-16, 3rd Floor, Block B
Hoplite Industrial Centre
3-5 Wang Tai Road
Kowloon Bay
Hong Kong

Principal Share Registrar

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

Branch Share Registrar in Hong Kong

Tricor Tengis Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Stock Code

0567

Company Website

www.irasia.com/listco/hk/daisho

Financial Calendar

Interim Results :

14 December 2009

Annual Results :

20 July 2010

Annual General Meeting

3 September 2010 (Friday)

Dividends

Interim dividend :	Nil
Proposed final dividend :	Nil

BIOGRAPHICAL INFORMATION OF DIRECTORS

Executive Directors

Chan Sik Ming Harry, aged 56, has been an executive director of the Company since 1990. He is now the Chairman and the Chief Executive Officer of the Company responsible for the overall strategic planning for the Group. Mr. Chan graduated from the University of Hitotsubashi in Japan with a Bachelor of Arts degree in Commerce in 1978. He has over 29 years of experience in the electronics industry.

Motofumi Tsumura, aged 47, has been an executive director of the Company since October 1999. Mr. Tsumura graduated from the University of Seijo in Japan with a Business Management degree in 1985. He has over 25 years of experience in the electronics industry.

Hiroto Sasaki, aged 70, has been an executive director of the Company since October 2001. Mr. Sasaki is the Chairman of Daisho Denshi Co., Ltd., a substantial shareholder of the Company. He has over 43 years of experience in the manufacture of printed circuit boards.

Hiroyuki Kikuchi, aged 70, has been an executive director of the Company since November 2003. He has over 45 years of experience in the manufacture of printed circuit boards.

Au-Yeung Wai Hung, aged 43, has been an executive director of the Company since November 2003. He has been the Company Secretary and the Financial Controller of the Company since July 1996. Mr. Au-Yeung graduated from The Hong Kong Polytechnic in 1988 with a Professional Diploma in Accountancy. He also obtained a Bachelor of Arts degree in Accountancy from the Hong Kong Polytechnic University in 1996 and a Master of Business degree in E-Commerce from the Curtin University of Technology in Australia in 2002. He is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He has over 22 years of experience in areas related to accounting, auditing, taxation, company secretarial, financial management, personnel management and information technology management.

BIOGRAPHICAL INFORMATION OF DIRECTORS

Independent Non-Executive Directors

Kohu Kashiwagi, aged 70, has been an independent non-executive director of the Company since 1996. Mr. Kashiwagi has over 40 years of experience in the electronics industry.

Chan Yuk Tong, aged 48, has been an independent non-executive director of the Company since September 2004. He is the Chairman of the Remuneration Committee and the Audit Committee of the Company.

Mr. Chan obtained a Bachelor degree in Commerce from the University of Newcastle in Australia and a Master degree of Business Administration from the Chinese University of Hong Kong. He is a practising fellow member of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. Mr. Chan has over 20 years of experience in corporate finance, financial advisory and management, professional accounting and auditing. He is currently a shareholder and a director of a CPA firm and a financial consulting firm in Hong Kong.

Mr. Chan is also an executive director of Asia Cassava Resources Holdings Limited, a non-executive director of Vitop Bioenergy Holdings Limited and an independent non-executive director of Ausnutria Dairy Corporation Limited, BYD Electronic (International) Company Limited, Global Sweeteners Holdings Limited, Kam Hing International Holdings Limited, Sichuan Xinhua Winshare Chainstore Co., Ltd., Thunder Sky Battery Limited (formerly known as Jia Sheng Holdings Limited), all of which are listed companies in Hong Kong. He is also an independent non-executive director of Anhui Conch Cement Company Limited, which is a listed company in Hong Kong and Shanghai. Mr. Chan has been appointed as an independent non-executive director of Great Wall Motor Company Limited (Stock Code: 2333), a Hong Kong-listed company, with effect from 18 May 2010. He has been appointed as an independent non-executive director of Trauson Holdings Company Limited ("Trauson") (Stock Code: 325) with effect from 10 June 2010. The shares of Trauson have been listed on the Hong Kong Stock Exchange since 29 June 2010.

Li Chi Kwong, aged 57, has been appointed an independent non-executive director of the Company since December 2005. Dr. Li holds a Doctor of Philosophy degree from the University of Westminster in the United Kingdom and a Master of Science degree in Cybernetics from the London University in the United Kingdom. He also holds numerous professional qualifications in engineering, including Chartered Engineer, Member of the Institute of Mechanical Engineers, Fellow of the Institute of Engineering and Technology, Fellow of the Hong Kong Institute of Engineers, Senior Member of the Institute of Electrical and Electronic Engineers Inc., Fellow of the Hong Kong Association of the Advancement of Science and Technology, and he is also a Register Professional Engineer.

Dr. Li is at present an Associate Professor in the Department of Electronic and Information Engineering in the Hong Kong Polytechnic University where he has taught since January 1985. He has over 33 years of experience in the academic field relating to engineering and he has published about 150 technical papers in international journals and conferences. Dr. Li also serves in many professional and government committees.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's revenue for the current year was about HK$348 million, down 20% from last year. The Group's net loss after tax for the current year was about HK$24 million while the net loss for last year was about HKD20 million. The decrease in the Group's revenue was mainly caused by the decrease in the average selling price for the Group's printed circuit boards ("PCB"). The Group's PCB average selling price for non high density inter-connect ("HDI") PCB and HDI PCB for the current year decreased by 3% and 18% respectively as compared to the last year.

The Group's gross profit margin increased from 12% in last year to 13% in current year. Despite the decrease in the Group's PCB average selling price as mentioned above, the Group's gross profit margin for the current year increased by about 1% through the negotiation with suppliers to reduce the purchase price of almost all major raw material items and implementation of various costs savings measures during the current year.

Furthermore, the fair value gain of listed equity investments and equity contracts for the current year was about HK$26 million, due to the sharp recovery of the Hong Kong stock market since April 2009.

The carrying amount of the net assets of the Group exceeded its market capitalisation to a great extent throughout the year ended 31 March 2010. The purchase cost of major raw material items used for the manufacture of printed circuit boards and the production overheads cost such as labour cost, etc. kept on increasing throughout the year ended 31 March 2010 but the Group could not entirely shift these cost burden to the customers at ease, which in turn reduced the economic benefit generated from the Group's assets. The directors considered that the existence of the above conditions indicated that non-current assets of the Group may be impaired. In view of this, the directors estimated the recoverable amount of the cash-generating unit based on the valuation report prepared by an independent professional valuer. The directors concluded that it is appropriate to recognise an impairment losses of HK$65 million against the machinery and equipment as at 31 March 2010. The impairment loss on the Group's plant and equipment does not have any effect on the Group's cashflow.

Financial Review

The Group's gearing ratios (defined as net debt divided by capital plus net debt) at 31 March 2010 was 3.6% (*31 March 2009: not applicable*). The Group's current ratios at 31 March 2010 and 31 March 2009 were 1.94 times and 2.18 times respectively. The Group's PCB operations generated net cash inflow of about HK$6 million during the current year.

As at 31 March 2010, the Group's interest-bearing bank and other borrowings amounting to HK$90,228,000 (*31 March 2009: HK$52,993,000*) out of which HK$88,230,000 (*31 March 2009: HK$29,406,000*) were repayable within the next 12 months. These borrowings were all denominated in either Hong Kong dollars or United States dollars and subjected to floating interest rates. Except for the bank borrowings as at 31 March 2010 amounting to HK$77,081,000 (*31 March 2009: HK$3,615,000*) which were originally repayable within 3 months, the remaining amount of these borrowings were originally repayable monthly over 3 years. The Group has not adopted any interest rate hedging tool for these borrowings. As at 31 March 2009, certain machinery and equipment of the Group with an aggregate net book value of HK$38,572,000 (*2010: Nil*) were pledged to secure these borrowings.

As at 31 March 2010, the total banking facilities available to the Group were approximately HK$250 million, of which HK$90 million were utilised, and the cash and cash equivalents were HK$111 million. Accordingly, the Group is capable of financing its operation by its own internal resources and available banking facilities.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review *(continued)*

As at 31 March 2010, 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$. However, the Group made use of foreign exchange forward contracts during the current year to mitigate the effect on the increase of operating expenses to be paid in RMB due to the expected appreciation of RMB.

Employee Benefits

As at 31 March 2010, the Group had 1,190 (*31 March 2009: 1,179*) employees, including directors, working mainly in Mainland China. For the year ended 31 March 2010, the Group's total staff costs including directors' remuneration were HK$43,526,000 (*2009: HK$47,726,000*).

According to the Group's staff remuneration policy, the remuneration of an employee and the Company's director is determined by the Board and the Company's Remuneration Committee respectively from time to time with reference to his performance and duties, the performance and profitability of his employer and the prevailing market conditions.

The Company operates a share option scheme (the "Scheme") for the purpose of encouraging the eligible participants to perform their best in achieving the goals of the Company and at the same time allowing the eligible participants to enjoy the results of the Company attained through their effort and contribution. Eligible participants of the Scheme include (i) any full-time employees of the Company or any of its subsidiaries or associated companies; (ii) any directors (whether executive directors, non-executive directors or independent non-executive directors) of the Company or any of its subsidiaries or associated companies; and (iii) any consultants, technical, financial, legal or other professional advisers engaged by the Company or any of its subsidiaries or associated companies, provided that the Company's board of directors or a duly authorised committee may have absolute discretion to determine whether one falls within the categories. The Scheme became effective on 28 August 2003 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

Outlook

The telecommunication service providers in the Mainland China have begun to provide the third generation ("3G") telecommunication services in the number of cities. Although the 3G telecommunication services may take some time to become popular, it is generally expected that more 3G mobile phones will be launched soon in the Mainland China and the demand for HDI PCB will be stimulated accordingly. The Group will benefit because it has strong track record of selling HDI PCB to not only world-renowned telecommunication products customers but also Mainland China ODM of mobile phone.

The product applications of HDI PCB are not merely restricted to mobile phone. Through the strategic alliance with Daisho Denshi Co., Ltd. (one of the top manufacturers of highly delicate PCB in Japan and one of the Company's substantial shareholders), more Japanese customers requiring quality and highly delicate PCB will be introduced to the Group.

Although the global economy is expected to rebound in 2010, the Group is still aware that the operating environment of the Group is challenging in the coming year due to the keen competition in the PCB industry. However, the Group will continue to implement cost savings measures and improve the production efficiency in order to maintain its competitive advantage. Although the road ahead may be full of challenges, the Group as equipped with healthy financial position and ample experience in the manufacture of highly delicate PCB is ready to confront these challenges.

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2010.

Principal Activities

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

Results and Dividends

The Group's loss for the year ended 31 March 2010 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 23 to 90.

The directors do not recommend the payment of any dividend in respect of the year.

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 financial statements, is set out below.

RESULTS	Year ended 31 March				
	2010	2009	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	**348,192**	435,247	630,837	750,449	623,238
PROFIT/(LOSS) BEFORE TAX	**(35,159)**	(28,073)	91,540	163,354	130,175
Income tax credit/(expense)	**10,895**	8,009	(23,949)	(20,742)	(21,121)
PROFIT/(LOSS) FOR THE YEAR	**(24,264)**	(20,064)	67,591	142,612	109,054
Attributable to:					
Owners of the Company	**(24,264)**	(20,064)	67,591	142,612	109,054

Summary Financial Information *(continued)*

ASSETS AND LIABILITIES

	As at 31 March				
	2010	2009	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TOTAL ASSETS	**600,326**	574,756	653,606	563,338	502,942
TOTAL LIABILITIES	**(171,105)**	(126,727)	(197,359)	(189,750)	(265,601)
	429,221	448,029	456,247	373,588	237,341

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 financial statements.

Share Capital and Share Options

There were no movements in either the Company's authorised or issued share capital and share options during the year. Details of the Company's authorised and issued share capital and share options during the year are set out in notes 26 and 27 to the financial statements.

Pre-emptive Rights

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

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 28(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

REPORT OF THE DIRECTORS

Distributable Reserves

At 31 March 2010, the Company's reserves available for cash distribution and distribution in specie were HK$87,123,000 (2009: HK$87,225,000). In addition, the Company's share premium account, in the amount of HK$91,483,000 (2009: HK$91,483,000), may be distributed in the form of fully paid bonus shares.

Major Suppliers and Customers

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

a. Percentage of purchases attributable to the:

–	Largest supplier	21%
–	Five largest suppliers	58%

b. Percentage of sales attributable to the:

–	Largest customer	15%
–	Five largest customers	46%

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

Directors

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

Executive directors:

Chan Sik Ming, Harry *(Chairman & Chief Executive Officer)*
Motofumi Tsumura
Hiroto Sasaki
Hiroyuki Kikuchi
Au-Yeung Wai Hung

Independent non-executive directors:

Kohu Kashiwagi
Chan Yuk Tong
Li Chi Kwong

Directors *(continued)*

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

In accordance with bye-law 99(A) of the Company's bye-laws, Mr. Motofumi Tsumura, Mr. Hiroto Sasaki and Mr. Kohu Kashiwagi will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from Mr. Kohu Kashiwagi, Mr. Chan Yuk Tong and Dr. Li Chi Kwong and considers them to be independent.

Directors' Biographies

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

Directors' Service Contracts

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

Directors' Remuneration

Directors' remuneration is determined by the Company's Remuneration Committee with reference to the directors' duties, responsibilities and performance and the results of the Group.

According to the service contract entered into between Mr. Chan Sik Ming, Harry ("Mr. Chan") and the Company, Mr. Chan is entitled to a fixed amount of monthly salary which will increase at an annual rate of 10% on the first day of April each year along with his employer's contribution to provident fund equivalent to 5% of his monthly salary. With effect from 1 April 2010, the monthly salary for Mr. Chan increased to HK$461,953.

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

At 31 March 2010, 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 of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in ordinary shares of the Company:

Name of director	Directly beneficially owned	Beneficiary of a trust	Total number of shares held	Percentage of the Company's issued share capital
Chan Sik Ming, Harry	39,680,000	103,921,417 *(note)*	143,601,417	29.90
Hiroto Sasaki	2,950,000	–	2,950,000	0.61
Au-Yeung Wai Hung	1,300,000	–	1,300,000	0.27

Note: Chan Sik Ming, Harry, and his family are the objects of a discretionary trust which has appointed Earnwell (PTC) Limited as its trustee. At the statement of financial position date, Earnwell (PTC) Limited held 103,921,417 shares representing approximately 21.64% of the issued share capital of the Company.

Save as disclosed above, as at 31 March 2010, 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

Save as disclosed in the share option scheme disclosures in note 27 to the financial statements, 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 director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

REPORT OF THE DIRECTORS

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

At 31 March 2010, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Earnwell (PTC) Limited	Trustee	103,921,417	21.64%
Daisho Denshi Co., Ltd.	Directly beneficially owned	50,000,000	10.41%

Save as disclosed above, as at 31 March 2010, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Continuing Connected Transactions

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

During the year, the Group had continuing connected transactions with Daisho Denshi (H.K.) Limited, a subsidiary of Daisho Denshi Co., Ltd., a substantial shareholder of the Company who has significant influence over the Group, for the sale of printed circuit boards amounting to approximately HK$51 million (*2009: approximately HK$67 million*) which are conducted in the ordinary and usual course of the Group's business.

Pursuant to the Company's special general meeting on 16 March 2007, 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$132 million, HK$158 million and HK$190 million for the financial years ended 31 March 2008, 2009 and 2010, respectively.

Continuing Connected Transactions *(continued)*

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

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

(ii) on normal commercial terms;

(iii) in accordance with the terms of the relevant agreements governing these sales transactions on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole; and

(iv) with an aggregate annual value of these sales transactions not exceeding HK$190 million for the year ended 31 March 2010.

In the opinion of the directors of the Company, the continuing connected transactions during the year ended 31 March 2010 have been entered into in the manner stated above.

The auditors of the Company have reviewed, on a sample test basis, and confirmed that the continuing connected transactions with the Daisho Denshi Group during the year:

(i) have been approved by the board of directors of the Company;

(ii) have been entered into in accordance with the relevant agreements governing the transactions; and

(iii) have not exceeded the annual cap of HK$190 million for the year ended 31 March 2010.

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.

Remuneration Committee

The Company's Remuneration Committee was established in December 2005 to formulate and implement the remuneration policy relating to directors and employees of the Group.

The Remuneration Committee comprises three independent non-executive directors and two executive directors of the Company, namely, Mr. Chan Yuk Tong, Mr. Kohu Kashiwagi, Dr. Li Chi Kwong, Mr. Chan Sik Ming, Harry and Mr. Au-Yeung Wai Hung.

Director's Interest in a Competing Business

During the year and up to the date of this report, the following 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, as set out below:

Mr. Hiroto Sasaki is also the chairman of Daisho Denshi Co., Ltd., which is also involved in the manufacture and trading of printed circuit boards.

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

Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Chan Sik Ming, Harry
Chairman

Hong Kong
20 July 2010

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 Listing Rules of the Stock Exchange.

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 2010 and up to the date of publication of the annual report, except for certain deviations from the Code Provisions in respect of Code Provisions A.2.1, A.4.1and 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 2010.

Board of Directors

Board composition and practice

As at the date of this annual report, the Board of the Company comprises five executive directors and three independent non-executive directors, which includes:

Executive directors:
Chan Sik Ming, Harry *(Chairman & Chief Executive Officer)*
Motofumi Tsumura
Hiroto Sasaki
Hiroyuki Kikuchi
Au-Yeung Wai Hung

Independent non-executive directors:
Kohu Kashiwagi
Chan Yuk Tong
Li Chi Kwong

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

Board of Directors *(continued)*

Board composition and practice (continued)

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.

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.

Chairman and Chief Executive Officer

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

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

Non-Executive Directors

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

The independent non-executive directors of the Company do 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.

Re-election of Directors

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

According to the Company's private act known as "The Juko Laboratories Holdings Limited Company Act 1990" which is an Act of the Company's former name of Juko Laboratories Holdings Limited when it 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 Chairman of the Company, Mr. Chan Sik Ming, Harry has agreed to retire on a voluntary basis at least once every three years. He will also retire and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

Board Committees

Remuneration Committee

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

Independent non-executive directors:
Chan Yuk Tong *(Chairman of Remuneration Committee)*
Kohu Kashiwagi
Li Chi Kwong

Executive directors:
Chan Sik Ming, Harry
Au-Yeung Wai Hung

The Remuneration Committee is responsible for formulating formal and transparent remuneration policies, and for approving the remuneration packages of directors. 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.

Board Committees *(continued)*

Remuneration Committee *(continued)*

For the year ended 31 March 2010, no Remuneration Committee meeting was held but there was a written resolution from the members of the Remuneration Committee to ratify the remuneration of an executive director for the year ended 31 March 2010. In developing remuneration policies and making recommendation as to the remuneration of the directors, the Remuneration Committee takes into account the performance of the Group as well as those individual directors.

Audit Committee

The Audit Committee of the Company was established in 1999 and comprises the three 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:
Chan Yuk Tong *(Chairman of Audit Committee)*
Kohu Kashiwagi
Li Chi Kwong

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 Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the audited consolidated financial statements of the Group for the year ended 31 March 2010 and agreed with all the accounting treatments which have been adopted therein.

Ernst & Young is the Company's external auditors. The Audit Committee is responsible for considering the appointment, remuneration and terms of engagement of the external auditors.

Board Committees *(continued)*

Audit Committee *(continued)*

During the year ended 31 March 2010, the services and associated remuneration provided by Ernst & Young to the Group were as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Audit services	**728**	670
Other services	**92**	59

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

The Audit Committee has recommended to the Board of Directors that Ernst & Young be nominated for re-appointment as auditors of the Company at the forthcoming annual general meeting of the Company.

Directors' Attendance at Board, Audit Committee and Remuneration Committee Meetings

There were four board meetings, two audit committee meetings and no remuneration committee meeting held during the year ended 31 March 2010.

The names and individual attendance of each director at each board, audit committee and remuneration committee meetings are set out below:

Name of director	**Attendance/ Number of Board Meeting**	**Attendance/ Number of Audit Committee Meeting**	**Attendance/ Number of Remuneration Committee Meeting**
Chan Sik Ming, Harry *(Chairman & CEO)*	4/4	N/A	0/0
Motofumi Tsumura	0/4	N/A	N/A
Hiroto Sasaki	4/4	N/A	N/A
Hiroyuki Kikuchi	2/4	N/A	N/A
Au-Yeung Wai Hung	4/4	N/A	0/0
Kohu Kashiwagi	0/4	0/2	0/0
Chan Yuk Tong	4/4	2/2	0/0
Li Chi Kwong	4/4	2/2	0/0

Internal Controls

The board of directors hold full responsibility for the system of internal control of the Group and continuously reviews its effectiveness. The internal audit division performs investigation of the effectiveness of material processes and controls on a risk-based approach in accordance with the provisions on internal controls as set forth in the CG Code. The findings are reported to the Audit Committee. The Board of Directors, through the Audit Committee, has reviewed the effectiveness of the system of internal control for the year ended 31 March 2010.

Nomination of Directors

Currently, the Company does not have a Nomination Committee. The Board identifies individuals who are suitably qualified to become board members when necessary. The Board will give due consideration to the suitability of a candidate for directorship after taking into account such attributes as working experience, professional qualification and other relevant factors including the standards as set forth in Rules 3.08 and 3.09 of the Listing Rules. A candidate who is to be appointed as an independent non-executive director should also meet the independence criteria set out in Rules 3.13 of the Listing Rules.

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 21 to 22 of this annual report.

INDEPENDENT AUDITORS' REPORT

Ernst & Young
18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

安永會計師事務所
香港中環金融街8號
國際金融中心2期18樓

To the shareholders of Daisho Microline Holdings Limited

(Incorporated in Bermuda with limited liability)

We have audited the financial statements of Daisho Microline Holdings Limited set out on pages 23 to 90, which comprise the consolidated and company statement of financial positions as at 31 March 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

ERNST & YOUNG
安永

To the shareholders of Daisho Microline Holdings Limited
(Incorporated in Bermuda with limited liability)

Auditors' responsibility *(continued)*

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2010 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

Hong Kong
20 July 2010

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
REVENUE	4	**348,192**	435,247
Cost of sales		**(302,074)**	(383,250)
Gross profit		**46,118**	51,997
Other income and gains	4	**7,956**	7,636
Selling and distribution costs		**(16,504)**	(30,334)
Administrative expenses		**(30,277)**	(30,579)
Other expenses		**(1,614)**	(2,003)
Impairment of items of property, plant and equipment	12	**(65,000)**	–
Fair value gains/(losses), net on:			
Other financial assets at fair value through profit or loss		**14,246**	(19,678)
Derivative financial instruments		**12,012**	(2,901)
Finance costs	8	**(2,096)**	(2,211)
LOSS BEFORE TAX	6	**(35,159)**	(28,073)
Income tax credit	9	**10,895**	8,009
LOSS FOR THE YEAR		**(24,264)**	(20,064)
Attributable to owners of the Company	10	**(24,264)**	(20,064)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	11		
Basic		**HK(5.05) cents**	HK(4.18) cents
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2010

	2010	2009
	HK$'000	*HK$'000*
LOSS FOR THE YEAR	**(24,264)**	(20,064)
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operation	**5,456**	11,846
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**5,456**	11,846
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	**(18,808)**	(8,218)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**249,796**	351,341
Prepaid land lease payments	13	**14,168**	4,403
Deposits paid for acquisition of items of property, plant and equipment		**2,806**	5,379
Deferred tax assets	25	**5,800**	–
Total non-current assets		**272,570**	361,123
CURRENT ASSETS			
Inventories	15	**30,176**	26,124
Trade debtors	16	**71,384**	33,143
Other financial assets at fair value through profit or loss	18	**59,328**	24,242
Derivative financial instruments	22	**3,415**	572
Sundry debtors, prepayments and deposits	17	**8,791**	7,464
Tax recoverable		**67**	67
Restricted bank balance	19	**–**	4,746
Pledged time deposits	19	**43,221**	–
Cash and cash equivalents	19	**111,374**	117,275
Total current assets		**327,756**	213,633
CURRENT LIABILITIES			
Trade creditors	20	**50,525**	34,316
Other creditors and accruals	21	**29,853**	23,366
Derivative financial instruments	22	**299**	10,757
Interest-bearing bank and other borrowings	23	**88,230**	29,406
Total current liabilities		**168,907**	97,845
NET CURRENT ASSETS		**158,849**	115,788

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**431,419**	476,911
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	23	**1,998**	23,587
Deferred tax liabilities	25	**200**	5,295
Total non-current liabilities		**2,198**	28,882
Net assets		**429,221**	448,029
EQUITY			
Equity attributable to owners of the Company			
Issued share capital	26	**48,024**	48,024
Reserves	28(a)	**381,197**	400,005
Total equity		**429,221**	448,029

Chan Sik Ming, Harry
Director

Au-Yeung Wai Hung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2010

	Issued share capital	Share premium account	Contributed surplus	Exchange equalisation reserve	Retained profits	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2008	48,024	91,483	9,379	59,101	248,260	456,247
Total comprehensive income/(loss) for the year	–	–	–	11,846	(20,064)	(8,218)
At 31 March 2009 and 1 April 2009	48,024	91,483*	9,379*	70,947*	228,196*	448,029
Total comprehensive income/(loss) for the year	–	–	–	5,456	(24,264)	(18,808)
At 31 March 2010	**48,024**	**91,483***	**9,379***	**76,403***	**203,932***	**429,221**

* These reserve accounts comprise the consolidated reserves of HK$381,197,000 *(2009: HK$400,005,000)* in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(35,159)**	(28,073)
Adjustments for:			
Bank interest income	4	**(1,172)**	(1,305)
Investment income	4	**(426)**	(752)
Dividend income from listed equity investments	4	**(2,329)**	(408)
Loss/(gain) on disposal of items of property, plant and equipment, net	6	**(74)**	136
Fair value losses/(gains), net on:			
Other financial assets at fair value through profit or loss		**(14,246)**	19,678
Derivative financial instruments – transactions not qualifying as hedges		**(12,012)**	2,901
Depreciation	6	**46,954**	46,505
Impairment/(reversal of impairment) of trade debtors, net	6	**880**	(1,200)
Provision/(reversal of provision) against obsolete inventories	6	**(4,567)**	3,475
Recognition of prepaid land lease payments	13	**241**	138
Impairment of items of property, plant and equipment		**65,000**	–
Finance costs	8	**2,096**	2,211
		45,186	43,306
Decrease in inventories		**630**	23,059
Decrease/(increase) in trade debtors		**(39,080)**	35,855
Increase in other financial assets at fair value through profit or loss		**(20,840)**	(12,808)
Increase in derivative financial instruments, net		**(1,289)**	(35,936)
Decrease/(increase) in sundry debtors, prepayments and deposits		**(1,144)**	4,331
Increase/(decrease) in trade creditors		**16,107**	(42,340)
Increase/(decrease) in other creditors and accruals		**4,804**	(7,460)
Cash generated from operations		**4,374**	8,007
Interest received		**1,172**	1,305
Interest element on finance lease and hire purchase rental payments		**(5)**	(618)
Hong Kong profits tax refunded, net		**–**	3,807
Net cash flows from operating activities		**5,541**	12,501

CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

Year ended 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income		**426**	752
Dividend income from listed equity investments		**2,329**	408
Acquisition of items of property, plant and equipment		**(1,949)**	(9,251)
Deposits paid for acquisition of items of property, plant and equipment		**–**	(5,379)
Addition of prepaid land lease payments		**(10,147)**	–
Proceeds from disposal of items of property, plant and equipment		**810**	1,810
Proceeds from disposal of an available-for-sale investment		**–**	16,644
Increase in pledged time deposits	19	**(43,221)**	–
Net cash flows from/(used in) investing activities		**(51,752)**	4,984
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease/(increase) in restricted bank balance	19	**4,746**	(4,746)
Increase/(decrease) in trust receipt loans		**(3,615)**	2,547
Capital element of finance lease and hire purchase rental payments		**(4,200)**	(26,072)
New bank loans		**70,224**	64,281
Repayment of bank loans		**(25,174)**	(19,103)
Interest paid		**(2,080)**	(1,576)
Net cash flows from financing activities		**39,901**	15,331
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(6,310)**	32,816
Cash and cash equivalents at beginning of year		**117,275**	82,646
Effect of foreign exchange rate changes, net		**409**	1,813
CASH AND CASH EQUIVALENTS AT END OF YEAR		**111,374**	117,275
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	19	**111,374**	109,446
Non-pledged time deposits with original maturity of less than three months when acquired	19	**–**	7,829
Cash and cash equivalents		**111,374**	117,275

STATEMENT OF FINANCIAL POSITION

31 March 2010

	Notes	2010 *HK$'000*	2009 *HK$'000*
NON-CURRENT ASSETS			
Interests in subsidiaries	*14*	**70,916**	70,916
CURRENT ASSETS			
Due from a subsidiary	*14*	**155,633**	155,724
Prepayments	*17*	**203**	211
Cash and cash equivalents	*19*	**30**	30
Total current assets		**155,866**	155,965
CURRENT LIABILITIES			
Other creditors and accruals	*21*	**152**	149
NET CURRENT ASSETS		**155,714**	155,816
Net assets		**226,630**	226,732
EQUITY			
Issued share capital	*26*	**48,024**	48,024
Reserves	*28(b)*	**178,606**	178,708
Total equity		**226,630**	226,732

Chan Sik Ming, Harry
Director

Au-Yeung Wai Hung
Director

NOTES TO FINANCIAL STATEMENTS

31 March 2010

1. Corporate Information

Daisho Microline Holdings Limited is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries consist of investment holding and the manufacture and trading of printed circuit boards.

2.1 Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for other financial assets at fair value through profit or loss and derivative financial instruments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2010. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

2.2 Changes in Accounting Policy and Disclosures

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKFRS 8 Amendments*	Amendments to HKFRS 8 *Operating Segments: Disclosures – Information about segment assets* (early adopted)
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 18 Amendments*	Amendments to Appendix to HKAS 18 *Revenue – Determining whether an entity is acting as a principal or as an agent*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition* and *Measurement – Embedded Derivatives*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK(IFRIC)-Int 18	*Transfers of Assets from Customers* (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)**	Amendments to a number of HKFRSs

* Included in *Improvements to HKFRSs 2009* (as issued in May 2009).

** The Group adopted all the improvements to HKFRSs issued in October 2008 except for the amendments to HKFRS 5 *Non-current assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*, which is effective for annual periods beginning on or after 1 July 2009.

2.2 Changes in Accounting Policy and Disclosures *(continued)*

Other than as further explained below regarding the impact of the HKFRS 7 Amendments, HKFRS 8 and HKAS 1 (Revised), the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*

The HKFRS 7 Amendments require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by sources of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance is now required for level 3 fair value measurements, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in note 34 to the financial statements while the revised liquidity risk disclosures are presented in note 35 to the financial statements.

(b) HKFRS 8 *Operating Segments*

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the operating segments determined in accordance with HKFRS 8 are the same as the business segments previously identified under HKAS 14. These revised disclosures, including the related revised comparative information, are shown in note 5 to the financial statements.

The Group has early adopted in these financial statements the Amendments to HKFRS 8 issued in *Improvements to HKFRSs 2009* which clarifies that segment assets need only to be reported when those assets are included in measures that are used by the chief operating decision maker.

2.2 Changes in Accounting Policy and Disclosures *(continued)*

The principal effects of adopting these new and revised HKFRSs are as follows: *(continued)*

(c) HKAS 1 (Revised) *Presentation of Financial Statements*

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

2.3 Issued but not yet Effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards* [1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters* [2]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* [4]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions* [2]
HKFRS 3 (Revised)	*Business Combinations* [1]
HKFRS 9	*Financial Instruments* [6]
HKAS 24 (Revised)	*Related Party Disclosures* [5]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [1]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* [3]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* [1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [5]
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners* [1]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [4]

2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards *(continued)*

Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary* [1]
HK Interpretation 4 (Revised in December 2009)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* [2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

[1] Effective for annual periods beginning on or after 1 July 2009

[2] Effective for annual periods beginning on or after 1 January 2010

[3] Effective for annual periods beginning on or after 1 February 2010

[4] Effective for annual periods beginning on or after 1 July 2010

[5] Effective for annual periods beginning on or after 1 January 2011

[6] Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 Summary of Significant Accounting Policies

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

2.4 Summary of Significant Accounting Policies *(continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group;

(e) the party is a close member of the family of any individual referred to in (a) or (d) above;

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e) above; or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

2.4 Summary of Significant Accounting Policies *(continued)*

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any 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. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings held under medium term leases	Over the lease terms
Leasehold improvements	Over the lease terms
Machinery and equipment	10%
Furniture and fixtures	20%
Motor vehicles	20%
Computers	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 Summary of Significant Accounting Policies *(continued)*

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the relevant lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include trade debtors, other financial assets at fair value through profit or loss, derivative financial instruments, sundry debtors and deposits, restricted bank balance, pledged time deposits and cash and cash equivalents.

2.4 Summary of Significant Accounting Policies *(continued)*

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the income statement. The loss arising from impairment is recognised in the income statement in other operating expenses.

2.4 Summary of Significant Accounting Policies *(continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement;
- and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.4 Summary of Significant Accounting Policies *(continued)*

Impairment of financial assets (continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade creditors, other creditors, derivative financial instruments and interest-bearing bank and other borrowings.

2.4 Summary of Significant Accounting Policies *(continued)*

Financial liabilities *(continued)*

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

Loans and borrowings

After initial recognition, interest-bearing bank borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the income statement.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4 Summary of Significant Accounting Policies *(continued)*

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group invests in certain derivative financial instruments, such as forward currency contracts, currency and equity options and equity contracts, for trading purposes. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, except the restricted bank balance as detailed in note 19 to the financial statements, cash and cash equivalents comprise cash on hand and at banks, including time deposits, which are not restricted as to use.

2.4 Summary of Significant Accounting Policies *(continued)*

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in the "Finance costs" in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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 for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 Summary of Significant Accounting Policies *(continued)*

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient future taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 Summary of Significant Accounting Policies *(continued)*

Revenue recognition

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

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) interest and investment income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial assets;

(c) dividend income, when the shareholders' right to receive payment has been established; and

(d) securities transactions, on a trade date basis.

Employee benefits

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value using an option pricing model at the date at which they are granted, unless the directors consider such cost of equity-settled transactions to be insignificant to the results of the Group.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

2.4 Summary of Significant Accounting Policies *(continued)*

Employee benefits *(continued)*

Share-based payment transactions *(continued)*

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification, that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

The dilutive effect of outstanding options for the prior year is reflected as additional share dilution in the computation of earnings per share for that year.

The Group has adopted the transitional provisions of HKFRS 2 in respect of equity-settled awards and has applied HKFRS 2 only to equity-settled awards granted after 7 November 2002 that had not vested by 1 January 2005 and to those granted on or after 1 January 2005.

Pension schemes and other retirement benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The Group also operates another defined contribution retirement benefit scheme (the "ORSO Scheme") for those employees who are eligible to participate in this scheme. The ORSO Scheme operates in a similar way to the MPF Scheme, except that when an employee leaves the ORSO Scheme before his/her interest in the Group's employer contributions vests fully, the ongoing contributions payable by the Group are reduced by the relevant amount of the forfeited employer contributions.

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiary is required to contribute a certain percentage of the employees' salaries to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

2.4 Summary of Significant Accounting Policies *(continued)*

Borrowing costs

Borrowing costs are recognised as expenses in the income statement in the period in which they are incurred.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

The functional currency of an overseas subsidiary is a currency other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of this entity are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and its income statement is translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in a separate component of equity (the exchange equalisation reserve). On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows, the cash flows of the overseas subsidiary are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the overseas subsidiary which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

3. Significant Accounting Judgements and Estimates *(continued)*

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Impairment of assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by the management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

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. Property, plant and equipment are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. As at 31 March 2010, a provision for impairment of the property, plant and equipment amounting to HK$65,000,000 (*2009: Nil*) was recognised.

3. Significant Accounting Judgements and Estimates *(continued)*

Estimation uncertainty (continued)

Deferred tax assets

Deferred tax assets are recognised for all 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. The carrying value of deferred tax assets relating to recognised tax losses at 31 March 2010 was HK$5,800,000 (*2009: Nil*). Further details are contained in note 25 to the financial statements.

Impairment of trade debtors

The Group makes impairment provision for trade debtors based on an assessment of the recoverability of trade debtors. Impairment provision made to trade debtors 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 of trade debtors is different from the original estimates, such difference will impact the carrying value of trade debtors and the impairment provision in the periods in which such estimate has been changed. The aggregate carrying amount of the Group's trade debtors as at 31 March 2010 was HK$71,384,000 (*2009: HK$33,143,000*).

Depreciation

The Group depreciates the property, plant and equipment on the straight-line basis over the respective estimated useful lives as set out in note 2.4 to the 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. The net book value of the Group's property, plant and equipment as at 31 March 2010 was HK$249,796,000 (*2009: HK$351,341,000*).

Allowances for inventories

The Group's management reviews the inventory ageing analysis periodically, and makes allowance on an annual basis for 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 makes allowance for 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 invoice prices and current market conditions. The aggregate carrying amount of the Group's inventories as at 31 March 2010 was HK$30,176,000 (*2009: HK$26,124,000*).

4. Revenue, Other Income and Gains

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts during the year.

An analysis of revenue, other income and gains is as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Revenue:		
Sale of printed circuit boards	**348,192**	435,247
Other income and gains:		
Bank interest income	**1,172**	1,305
Investment income	**426**	752
Dividend income from listed equity investments	**2,329**	408
Gain on disposal of items of property, plant and equipment	**74**	–
Gain on disposal of scrap materials	**2,831**	5,137
Others	**1,124**	34
	7,956	7,636

5. Operating Segment Information

For management purposes, 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 decisions about resources allocation and performance assessment.

Geographical information

(a) Revenue from external customers

	2010	2009
	HK$'000	*HK$'000*
Mainland China	**217,080**	264,247
Hong Kong (place of domicile)	**54,316**	86,666
Japan	**50,692**	67,151
Europe	**10,218**	5,741
Other countries	**15,886**	11,442
	348,192	435,247

The revenue information above is based on the location of the customers.

(b) Non-current assets

	2010	2009
	HK$'000	*HK$'000*
Hong Kong (place of domicile)	**977**	1,112
Mainland China*	**265,793**	360,011
	266,770	361,123

The non-current asset information above is based on the location of assets and excludes financial instruments and deferred tax assets.

* An impairment loss of HK$65 million was recognised on machinery and equipment located in Mainland China during the year, further details are set out in note 12 to the financial statements.

Information about a major customer

Revenue of approximately HK$50,659,000 (*2009: HK$67,126,000*) was derived from sales of printed circuit boards to a subsidiary of Daisho Denshi Co., Ltd., a substantial shareholder of the Company who has significant influence over the Group.

6. Loss Before Tax

The Group's loss before tax is arrived at after charging/(crediting):

	Group	
	2010	2009
	HK$'000	*HK$'000*
Auditors' remuneration	**728**	670
Cost of inventories sold*	**306,641**	379,775
Provision/(reversal of provision) against obsolete inventories*	**(4,567)**	3,475
Employee benefits expense** (excluding directors' remuneration *(note 7)*):		
Wages, salaries and allowances	**35,005**	38,802
Pension scheme contributions#	**1,666**	2,324
	36,671	41,126
Depreciation** *(note 12)*	**46,954**	46,505
Minimum lease payments under operating leases for land and buildings	**727**	715
Impairment/(reversal of impairment) of trade debtors, net *(note 16)*	**880**	(1,200)
Foreign exchange differences, net	**432**	2,843
Loss/(gain) on disposal of items of property, plant and equipment, net	**(74)**	136

At 31 March 2010, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years *(2009: Nil)*.

* These items are included in "Cost of sales" on the face of the consolidated income statement.

** "Cost of sales" presented on the face of the consolidated income statement includes direct staff costs of HK$27,758,000 (*2009: HK$31,543,000*) and the depreciation of items of property, plant and equipment of HK$41,936,000 (*2009: HK$41,194,000*) attributable to the manufacturing activities, which are also included in the respective total amounts disclosed above for each of these types of expenses.

7. Remuneration of Directors and the Five Highest Paid Employees

Directors' remuneration

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Fees	**256**	296
Other emoluments:		
Salaries and allowances	**6,312**	6,032
Pension scheme contributions	**287**	272
	6,599	6,304
	6,855	6,600

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2010	2009
	HK$'000	*HK$'000*
Kohu Kashiwagi	**20**	20
Chan Yuk Tong	**108**	108
Li Chi Kwong	**108**	108
	236	236

There were no other emoluments payable to the independent non-executive directors during the year (*2009: Nil*).

7. Remuneration of Directors and the Five Highest Paid Employees *(continued)*

Directors' remuneration *(continued)*

(b) Executive directors

	Fees	Salaries and allowances	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2010				
Chan Sik Ming, Harry	**–**	**5,370**	**252**	**5,622**
Motofumi Tsumura	**20**	**–**	**–**	**20**
Hiroto Sasaki*	**–**	**–**	**–**	**–**
Hiroyuki Kikuchi	**–**	**413**	**–**	**413**
Au-Yeung Wai Hung	**–**	**529**	**35**	**564**
	20	**6,312**	**287**	**6,619**
2009				
Chan Sik Ming, Harry	–	4,728	229	4,957
Motofumi Tsumura	60	–	–	60
Hiroto Sasaki*	–	–	–	–
Hiroyuki Kikuchi	–	450	–	450
Au-Yeung Wai Hung	–	854	43	897
	60	6,032	272	6,364

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (*2009: Nil*).

* Hiroto Sasaki has not entered into any service agreement with the Group and he is not entitled to any salaries and allowances.

7. Remuneration of Directors and the Five Highest Paid Employees *(continued)*

Remuneration of the five highest paid employees

The five highest paid employees during the year included two (*2009: two*) directors, details of whose remuneration are set out above. Details of the remuneration of the remaining three (*2009: three*) non-director, highest paid employees for the year are as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Salaries and allowances	**1,731**	1,821
Pension scheme contributions	**80**	84
	1,811	1,905

The remuneration of the non-director, highest paid employees fell within the band of Nil to HK$1,000,000.

8. Finance Costs

	Group	
	2010	2009
	HK$'000	*HK$'000*
Interest on:		
Bank loans wholly repayable within five years	**2,080**	1,576
Finance lease and hire purchase contract payables	**16**	635
Total interest expense on financial liabilities not at fair value through profit or loss	**2,096**	2,211

9. Income Tax

No provision for Hong Kong profits tax has been made as the Group has available tax losses brought forward from prior years to offset the assessable profits generated during the year. In last year, Hong Kong profits tax was provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong. No provision for PRC profits tax has been made as the Group did not generate any assessable profits arising in Mainland China during the year (*2009: Nil*).

	2010	2009
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong		
Charge for the year	–	1,600
Overprovision in prior years	–	(5,825)
Deferred *(note 25)*	**(10,895)**	(3,784)
Total tax credit for the year	**(10,895)**	(8,009)

A reconciliation of the tax credit applicable to loss before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax credit at the effective tax rate, and a reconciliation of the applicable rate (i.e. the statutory tax rate) to the effective tax rate, are as follows:

Group

	2010		2009	
	HK$'000	***%***	*HK$'000*	*%*
Loss before tax	**(35,159)**		(28,073)	
Tax at the statutory tax rate	**(5,801)**	**16.5**	(4,632)	16.5
Higher tax rates for subsidiary in the PRC	**(4,513)**	**12.8**	(1,920)	6.8
Income not subject to tax	**(388)**	**1.1**	(98)	0.4
Expenses not deductible for tax	**13**	**–**	1,749	(6.2)
Adjustments in respect of current tax of previous periods	**–**	**–**	(5,825)	20.8
Tax losses not recognised	**1,138**	**(3.2)**	1,727	(6.2)
Tax losses utilised from previous periods	**(4,141)**	**11.8**	(168)	0.6
Others	**2,797**	**(8.0)**	1,158	(4.2)
Tax credit at the Group's effective rate	**(10,895)**	**31.0**	(8,009)	28.5

10. Loss Attributable to Owners of the Company

The consolidated loss attributable to owners of the Company for the year ended 31 March 2010 includes a loss of HK$102,000 (*2009: HK$86,000*) which has been dealt with in the financial statements of the Company (note 28(b)).

11. Loss Per Share Attributable to Ordinary Equity Holders of The Company

The calculation of basic loss per share is based on the loss for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the year.

The diluted loss per share for the years ended 31 March 2009 and 2010 have not been presented as the conversion of the outstanding share options would have an anti-dilutive effect on the basic loss per share for the year.

The calculations of basic and diluted loss per share are based on:

	2010	2009
	HK$'000	*HK$'000*
Loss		
Loss attributable to ordinary equity holders of the Company, used in the basic loss per share calculation	**(24,264)**	(20,064)

	Number of shares	
	2010	2009
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**480,243,785**	480,243,785
Effect of dilution – weighted average number of ordinary shares:		
Share options	**–**	–
	480,243,785	480,243,785

12. Property, Plant and Equipment

Group

	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*
31 March 2010							
At 31 March 2009 and at 1 April 2009:							
Cost	49,383	25,557	661,629	7,960	2,515	2,692	749,736
Accumulated depreciation	(15,671)	(17,614)	(353,732)	(7,126)	(2,069)	(2,183)	(398,395)
Net carrying amount	33,712	7,943	307,897	834	446	509	351,341
At 1 April 2009, net of accumulated depreciation	33,712	7,943	307,897	834	446	509	351,341
Additions	–	–	6,016	–	141	14	6,171
Depreciation provided during the year	(1,163)	(2,385)	(42,549)	(422)	(227)	(208)	(46,954)
Impairment	–	–	(65,000)	–	–	–	(65,000)
Disposals	–	–	(454)	–	–	–	(454)
Exchange realignment	97	19	4,573	2	–	1	4,692
At 31 March 2010, net of accumulated depreciation and impairment	32,646	5,577	210,483	414	360	316	249,796
At 31 March 2010:							
Cost	49,527	25,631	662,746	7,981	2,660	2,708	751,253
Accumulated depreciation and impairment	(16,881)	(20,054)	(452,263)	(7,567)	(2,300)	(2,392)	(501,457)
Net carrying amount	32,646	5,577	210,483	414	360	316	249,796

12. Property, Plant and Equipment *(continued)*

Group

	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*
31 March 2009							
At 1 April 2008:							
Cost	48,316	25,009	641,621	7,822	2,484	2,544	727,796
Accumulated depreciation	(14,196)	(14,806)	(307,070)	(6,627)	(1,657)	(1,933)	(346,289)
Net carrying amount	34,120	10,203	334,551	1,195	827	611	381,507
At 1 April 2008, net of accumulated depreciation	34,120	10,203	334,551	1,195	827	611	381,507
Additions	–	–	10,655	42	–	134	10,831
Depreciation provided during the year	(1,159)	(2,478)	(41,813)	(424)	(391)	(240)	(46,505)
Disposals	–	–	(1,946)	–	–	–	(1,946)
Exchange realignment	751	218	6,450	21	10	4	7,454
At 31 March 2009, net of accumulated depreciation	33,712	7,943	307,897	834	446	509	351,341
At 31 March 2009:							
Cost	49,383	25,557	661,629	7,960	2,515	2,692	749,736
Accumulated depreciation	(15,671)	(17,614)	(353,732)	(7,126)	(2,069)	(2,183)	(398,395)
Net carrying amount	33,712	7,943	307,897	834	446	509	351,341

The buildings of the Group are situated in Mainland China and are held under medium term leases.

12. Property, Plant and Equipment *(continued)*

As at 31 March 2009, the aggregate net book value of the Group's property, plant and equipment held under finance leases and hire purchase contracts included in the total amount of machinery and equipment amounted to HK$38,572,000.

The carrying amount of the net assets of the Group exceeded its market capitalisation to a great extend throughout the year ended 31 March 2010. The purchase cost of major raw material items used for the manufacture of printed circuit boards and the production overheads cost such as labour cost, etc. kept on increasing throughout the year ended 31 March 2010 but the Group could not entirely shift these cost burden to the customers at ease, which in turn reduced the economic benefits generated from the Group's assets.

The directors considered that the existence of the above conditions indicated that non-current assets of the Group may be impaired. In view of this, the directors estimated the recoverable amount of the cash-generating units by comparing the higher of the fair value less costs to sell 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 PCB manufacturing facility, which composed of land use rights and buildings, leasehold improvement, machinery and equipment, furniture and fixtures, computers and software.

The estimation of the recoverable amount of the cash-generating unit were determined based on a value in use calculation using cash flow projections based on the five-year financial forecast approved by the directors. Cash flows beyond the five-year period had been extrapolated through to the end of the fiscal year in March 2020 to cover the remaining useful lives of the related non-current assets.

Key assumptions used for the value in use calculation:
Sales volume growth rate: 5% - 38%
Gross profit margin rate: 1% - 13%
Discount rate: 13.5%

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

The directors concluded that it is appropriate to recognise an impairment losses of HK$65 million against the machinery and equipment as at 31 March 2010.

13. Prepaid Land Lease Payments

	Group	
	2010	2009
	HK$'000	*HK$'000*
Carrying amount at 1 April	**4,542**	4,579
Exchange realignment	**13**	101
Addition during the year	**10,147**	–
Recognised during the year	**(241)**	(138)
Carrying amount at 31 March	**14,461**	4,542
Current portion included in sundry debtors, prepayments and deposits	**(293)**	(139)
Non-current portion	**14,168**	4,403

The leasehold land of the Group is held under a medium term lease and is situated in Mainland China.

14. Interests in Subsidiaries

	Company	
	2010	2009
	HK$'000	*HK$'000*
Unlisted investments, at cost	**70,916**	70,916
Due from a subsidiary	**155,633**	155,724
	226,549	226,640

The amount due from a subsidiary of HK$155,633,000 (*2009: HK$155,724,000*) included in the Company's current assets is unsecured, interest-free and has no fixed terms of repayment.

14. Interests in Subsidiaries *(continued)*

Particulars of the principal subsidiaries are as follows:

Name	Nominal value of issued ordinary share/ registered capital	Class of shares in issue	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Incorporated and operating in Hong Kong					
Daisho Microline Limited	2 shares of HK$1.00 each	Ordinary	–	100%	Trading of printed circuit boards
Daisho Microline Investment Limited	100,000 shares of HK$1.00 each	Ordinary	–	100%	Investment holding
Incorporated in the British Virgin Islands and operating in Hong Kong					
Frequent Luck Limited	1 share of US$1.00	Ordinary	100%	–	Investment holding
Registered in the PRC and operating in Mainland China					
Huafeng Microline (Huizhou) Circuits Limited#	US$62,000,000	*	–	100%	Manufacture of printed circuit boards

* This subsidiary has registered instead of issued share capital. It is registered as a wholly-foreign-owned enterprise under the PRC law.

\# Not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year 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, result in particulars of excessive length.

15. Inventories

	Group	
	2010	2009
	HK$'000	*HK$'000*
Raw materials	**12,324**	11,304
Work in progress	**14,868**	9,515
Finished goods	**2,984**	5,305
	30,176	26,124

16. Trade Debtors

	Group	
	2010	2009
	HK$'000	*HK$'000*
Trade debtors	**74,064**	34,943
Impairment	**(2,680)**	(1,800)
	71,384	33,143

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of two months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding debtors to minimise credit risk. Overdue balances are reviewed regularly by senior management. At the end of the reporting period, the Group had certain concentration of credit risk, further details are set out in note 35 to the financial statements. Trade debtors are non-interest-bearing.

16. Trade Debtors *(continued)*

An aged analysis of the trade debtors as at the end of the reporting period, based on the payment due date, is as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Current to 1 month	**68,068**	28,888
1 to 2 months	**1,572**	2,416
2 to 3 months	**674**	322
Over 3 months	**3,750**	3,317
	74,064	34,943

The movements in the provision for impairment of trade debtors are as follows:

		Group	
		2010	2009
	Note	***HK$'000***	*HK$'000*
At 1 April		**1,800**	3,000
Impairment loss recognised	6	**880**	320
Reversal of impairment loss	6	**–**	(1,520)
At 31 March		**2,680**	1,800

The individually impaired trade debtors with an aggregate carrying amount of HK$2,680,000 (*2009: HK$1,800,000*) relates to customers that were in default of payments and the amounts are not expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

16. Trade Debtors *(continued)*

The aged analysis of the trade debtors that are not considered to be impaired is as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Neither past due nor impaired	**51,751**	26,606
Less than 1 month past due	**16,317**	2,282
1 to 2 months past due	**1,572**	2,416
2 to 3 months past due	**674**	322
Over 3 months past due	**1,070**	1,517
	71,384	33,143

Debtors that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Debtors that were past due but not impaired relate to a number of customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

Included in the Group's trade debtors are a receivable of HK$8,905,000 (*2009: HK$4,159,000*) due from a related party, which is a subsidiary of a substantial shareholder of the Company, arising from the trading of printed circuit boards, which is repayable in accordance with the credit terms granted to the related party.

17. Sundry Debtors, Prepayments and Deposits

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Prepayments	**1,044**	2,720	**203**	211
Deposits and sundry debtors	**7,747**	4,744	**–**	–
	8,791	7,464	**203**	211

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

18. Other Financial Assets at Fair Value Through Profit or Loss

	Group	
	2010	2009
	HK$'000	*HK$'000*
Hong Kong listed equity investments, at market value	**51,292**	18,352
Unlisted debt security, at fair value	**8,036**	5,890
	59,328	24,242

The above investments as at 31 March 2009 and 2010 were classified as held for trading.

At 31 March 2010, all of the Hong Kong listed equity investments and unlisted debt security amounting to HK$51,292,000 (*2009: Nil*) and HK$8,036,000 *(2009:Nil)*, respectively, were pledged to secure certain of the Group's bank loans (note 23).

19. Cash and Cash Equivalents

		Group		Company	
		2010	2009	**2010**	2009
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances		**111,374**	114,192	**30**	30
Time deposits		**43,221**	7,829	**–**	–
		154,595	122,021	**30**	30
Less: Restricted bank balance		**–**	(4,746)	**–**	–
Time deposits pledged for short term bank loans	*23*	**(43,221)**	–	**–**	–
Cash and cash equivalents		**111,374**	117,275	**30**	30

In last year, one of the Company's subsidiaries in the PRC was a plaintiff in a lawsuit and had applied an application to freeze certain bank accounts of a defendant. As a result of the application, a bank balance of HK$4,746,000 of that subsidiary was frozen by the court in the PRC and was not available for general use by the Group until 19 August 2009. The bank balance of HK$4,746,000 was released on 19 August 2009.

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$140,992,000 (*2009: HK$83,914,000*). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

20. Trade Creditors

An aged analysis of the trade creditors as at the end of the reporting period, based on the payment due date, is as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Current to 1 month	**45,218**	30,979
1 to 2 months	**3,521**	1,748
2 to 3 months	**231**	271
Over 3 months	**1,555**	1,318
	50,525	34,316

The trade creditors are non-interest-bearing and are normally settled on 90-day terms.

21. Other Creditors and Accruals

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Other creditors	**24,717**	21,108	**8**	6
Accruals	**5,136**	2,258	**144**	143
	29,853	23,366	**152**	149

Other creditors are non-interest-bearing and have an average term of three months.

22. Derivative Financial Instruments

	2010		2009	
	Assets	Liabilities	Assets	Liabilities
Group	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Forward currency contracts	479	299	–	–
Equity contracts	2,936	–	572	10,737
Options	–	–	–	20
	3,415	299	572	10,757

The carrying amounts of forward currency contracts, equity contracts and options are the same as their fair values. The above transactions involving derivative financial instruments are with creditworthy financial institutions.

23. Interest-bearing Bank and Other Borrowings

	2010			2009		
Group	Effective interest rate *(%)*	Maturity	*HK$'000*	Effective interest rate *(%)*	Maturity	*HK$'000*
Current						
Finance lease and hire purchase contract payables *(note 24)*			–	PRIME – 1.75% to HIBOR + 2.5%	2009	4,200
Trust receipt loans			–	HIBOR + 2%	2009	3,615
Bank loans – unsecured	HIBOR + 2% to HIBOR + 3.21%	2011	21,600	HIBOR + 1.75% to HIBOR + 2%	2011	21,591
Bank loans – secured	HIBOR + 1% to HIBOR+2.54%	2010	66,630			–
			88,230			29,406
Non-current						
Bank loans – unsecured	HIBOR+2% to HIBOR+3.21%	2011	1,998	HIBOR + 1.75% to HIBOR + 2%	2011	23,587
			1,998			23,587
			90,228			52,993

23. Interest-bearing Bank and Other Borrowings *(continued)*

	Group	
	2010	2009
	HK$'000	*HK$'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**88,230**	25,206
In the second year	**1,998**	21,591
In the third to fifth years, inclusive	**–**	1,996
	90,228	48,793
Finance lease and hire purchase contract payables repayable:		
Within one year	**–**	4,200
Total	**90,228**	52,993

At the end of the reporting period, except for certain bank loans denominated in United States dollars equivalent to HK$32,556,000 (*2009: HK$10,639,000*), all the bank loans and finance lease and hire purchase contract payables were denominated in Hong Kong dollars.

Certain of the Group's bank loans are secured by the pledge of the Group's time deposits, the Hong Kong listed equity investments and unlisted debt security amounting to HK$43,221,000 (*2009: Nil*), HK$51,292,000 (*2009: Nil*) and HK$ 8,036,000 (*2009: Nil*) , respectively.

Other interest rate information:

	Group			
	2010		2009	
	Fixed rate	**Floating rate**	Fixed rate	Floating rate
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Finance lease and hire purchase contract payables	**–**	**–**	–	4,200
Bank loans – unsecured	**–**	**23,598**	–	48,793
Bank loan – secured	**–**	**66,630**	–	–

23. Interest-bearing Bank and Other Borrowings *(continued)*

The carrying amounts of the Group's current borrowings approximate to their fair values. The carrying amounts and the fair values of the Group's non-current borrowings are as follows:

	Group			
	Carrying amounts		**Fair values**	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank loans – unsecured	**1,998**	23,587	**1,998**	23,587

The fair values of the non-current borrowings have been calculated by discounting the expected future cash flows at prevailing interest rates.

24. Finance Lease and Hire Purchase Contract Payables

In the prior year, the Group leased certain of its machinery and equipment for its business. These leases were classified as finance lease and hire purchase contracts and had remaining lease terms of one year.

At 31 March 2009, the total future minimum lease payments under finance lease and hire purchase contracts and their present values were as follows:

Group

	Minimum lease payments 2009 *HK$'000*	Present value of minimum lease payments 2009 *HK$'000*
Amounts payable:		
Within one year and total minimum finance lease payments	4,221	4,200
Future finance charges	(21)	
Total net finance lease payables and classified as current liabilities *(note 23)*	4,200	

25. Deferred Tax

The movements in deferred tax liabilities/(assets) during the year are as follows:

Deferred tax liabilities/(assets)

Group

	Depreciation allowance in excess of related depreciation	Loss available for offsetting against future taxable profits	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2008	11,201	(2,122)	9,079
Deferred tax charged/(credited) to the income statement during the year *(note 9)*	11,241	(15,025)	(3,784)
At 31 March 2009 and 1 April 2009	22,442	(17,147)	5,295
Deferred tax credited to the income statement during the year *(note 9)*	(6,944)	(3,951)	(10,895)
At 31 March 2010	15,498	(21,098)	(5,600)

The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2010	2009
	HK$'000	*HK$'000*
Net deferred tax assets recognised in the consolidated statement of financial position	**(5,800)**	–
Net deferred tax liabilities recognised in the consolidated statement of financial position	**200**	5,295
	(5,600)	5,295

25. Deferred Tax *(continued)*

As at 31 March 2010, the Group had estimated tax losses arising in Hong Kong of approximately HK$31,553,000 (*2009: approximately HK$15,334,000*) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time or it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

At 31 March 2010, there was no significant unrecognised deferred tax liability (*2009: Nil*) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group has no liability to additional tax should such amounts be remitted.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

26. Share Capital

Shares

	2010	2009
	HK$'000	*HK$'000*
Authorised:		
600,000,000 ordinary shares of HK$0.10 each	**60,000**	60,000
Issued and fully paid:		
480,243,785 (*2009: 480,243,785*) ordinary shares of HK$0.10 each	**48,024**	48,024

Share Options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 27 to the financial statements.

27. Share Option Scheme

The Company operates a share option scheme (the "Scheme") for the purpose of encouraging the eligible participants to perform their best in achieving the goals of the Company and at the same time allowing the eligible participants to enjoy the results of the Company attained through their effort and contribution. Eligible participants of the Scheme include (i) any full-time employees of the Company or any of its subsidiaries or associated companies; (ii) any directors (whether executive directors, non-executive directors or independent non-executive directors) of the Company or any of its subsidiaries or associated companies; and (iii) any consultants, technical, financial, legal or other professional advisers engaged by the Company or any of its subsidiaries or associated companies, provided that the Company's board of directors or a duly authorised committee may have absolute discretion to determine if one falls within the categories. The Scheme became effective on 28 August 2003 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the total number of shares of the Company in issue as at the date of approval of the Scheme. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the total number of shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the total number of shares of the Company in issue at any time and with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors and commences after a vesting period of one to three years and ends on a date which is not later than 10 years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

27. Share Option Scheme *(continued)*

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Scheme during the year:

	Number of share options								Price of the Company's shares**	
Name or category of participant	At 1 April 2009	Granted during the year	Exercised during the year	Lapsed during the year	At 31 March 2010	Date of grant of share options	Exercise period of share options	Exercise price of share options*	At grant date of options	At exercise date of options
								HK$ per share	*HK$ per share*	*HK$ per share*
Director:										
Hiroto Sasaki	1,650,000	–	–	(1,650,000)	–	15-6-04	15-6-04 to 14-6-09	0.20	0.192	N/A

Notes to the reconciliation of share options outstanding during the year:

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

** The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of grant of the options.

28. Reserves

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 27 of the financial statements.

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

(b) Company

	Share premium account	**Contributed surplus**	**Retained profits**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2008	91,483	38,295	49,016	178,794
Total comprehensive loss for the year	–	–	(86)	(86)
At 31 March 2009 and 1 April 2009	91,483	38,295	48,930	178,708
Total comprehensive loss for the year	–	–	(102)	(102)
At 31 March 2010	91,483	38,295	48,828	178,606

The Company's contributed surplus is derived from the difference between the combined net assets of the subsidiaries acquired and the nominal value of the Company's shares issued pursuant to the same reorganisation described in note 28(a) above. Under the Companies Act 1981 of Bermuda (as amended), a company may make distributions to its shareholders out of the contributed surplus under certain circumstances.

29. Contingent Liabilities

(i) The Company has provided certain banks with corporate guarantees of HK$250 million (*2009: HK$241 million*) to secure banking facilities granted to its subsidiaries. At 31 March 2010, the facilities were utilised to the extent of HK$90,228,000 (*2009: HK$48,793,000*).

(ii) At 31 March 2009, the Company provided certain leasing companies with corporate guarantees to secure the leasing facilities granted to a subsidiary. At 31 March 2009, the total outstanding balance of the finance lease and hire purchase contract payables amounted to HK$4,200,000 (note 24).

The Group had no material contingent liabilities at the end of the reporting period (*2009: Nil*).

30. Operating Lease Arrangements

The Group leases certain of its office properties under operating lease arrangements. Leases for these properties are negotiated for terms of two years.

At the end of the reporting period, the Group and the Company had total future minimum lease payments under non-cancellable operating leases for land and buildings falling due as follows:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**468**	186	**–**	–
In the second to fifth years, inclusive	**78**	126	**–**	–
	546	312	**–**	–

31. Commitments

In addition to the operating lease commitments detailed in note 30 above, the Group and the Company had the following capital commitments at the end of the reporting period:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Capital commitments, contracted but not provided for, in respect of acquisition of items of property, plant and equipment	**914**	3,518	**–**	–

32. Related Party Transactions

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transaction with related parties during the year:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Sale of printed circuit boards to a related party	**50,659**	67,126

Printed circuit boards were sold to a subsidiary of Daisho Denshi Co., Ltd., a substantial shareholder of the Company who has significant influence over the Group. The products sold were unique and tailor-made according to the customer's requirements and specifications. The selling prices of the printed circuit boards were determined based on the complexity of the specifications and were agreed between the respective parties.

(b) Outstanding balance with a related party

Details of the Group's trade balance with its related party as at the end of the reporting period are disclosed in note 16 to the financial statements.

(c) Compensation of key management personnel of the Group:

	2010	2009
	HK$'000	*HK$'000*
Short term employee benefits	**6,568**	6,328
Post-employment benefits	**287**	272
Total compensation paid to key management personnel	**6,855**	6,600

Further details of directors' emoluments are included in note 7 to the financial statements.

The related party transactions in respect of item (a) also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

33. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2010

Financial assets

		Group		
	Notes	Loans and receivables HK$'000	Financial assets at fair value through profit or loss – held for trading HK$'000	Total HK$'000
Trade debtors	16	71,384	–	71,384
Financial assets included in sundry debtors, prepayments and deposits	17	7,747	–	7,747
Other financial assets at fair value through profit or loss	18	–	59,328	59,328
Derivative financial instruments	22	–	3,415	3,415
Pledged time deposits	19	43,221	–	43,221
Cash and cash equivalents	19	111,374	–	111,374
		233,726	62,743	296,469

Financial liabilities

	Notes	Financial liabilities at fair value through profit or loss – held for trading HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Trade creditors	20	–	50,525	50,525
Financial liabilities included in other creditors and accruals	21	–	24,717	24,717
Derivative financial instruments	22	299	–	299
Interest-bearing bank and other borrowings	23	–	90,228	90,228
		299	165,470	165,769

33. Financial Instruments by Category *(continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(continued)*

2009 — Group

Financial assets

	Notes	Loans and receivables HK$'000	Financial assets at fair value through profit or loss – held for trading HK$'000	Total HK$'000
Trade debtors	16	33,143	–	33,143
Financial assets included in sundry debtors, prepayments and deposits	17	4,744	–	4,744
Other financial assets at fair value through profit or loss	18	–	24,242	24,242
Derivative financial instruments	22	–	572	572
Restricted bank balance	19	4,746	–	4,746
Cash and cash equivalents	19	117,275	–	117,275
		159,908	24,814	184,722

Financial liabilities

	Notes	Financial liabilities at fair value through profit or loss – held for trading HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Trade creditors	20	–	34,316	34,316
Financial liabilities included in other creditors and accruals	21	–	21,108	21,108
Derivative financial instruments	22	10,757	–	10,757
Interest-bearing bank and other borrowings	23	–	52,993	52,993
		10,757	108,417	119,174

33. Financial Instruments by Category *(continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(continued)*

Financial assets

		Company Loans and receivables	
		2010	2009
	Notes	***HK$'000***	*HK$'000*
Due from a subsidiary	*14*	**155,633**	155,724
Cash and cash equivalents	*19*	**30**	30
		155,663	155,754

Financial liabilities

		Financial liabilities at amortised cost	
		2010	2009
	Note	***HK$'000***	*HK$'000*
Financial liabilities included in other creditors and accruals	*21*	**8**	6

34. Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs).

34. Fair Value Hierarchy *(continued)*

As at 31 March 2010, the Group held the following financial instruments measured at fair value:

Assets measured at fair value as at 31 March 2010:

	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other financial assets at fair value through profit or loss	59,328	–	–	59,328
Derivative financial instruments	–	3,415	–	3,415
	59,328	3,415	–	62,743

Liabilities measured at fair value as at 31 March 2010

	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Derivative financial instruments	–	299	–	299

During the year ended 31 March 2010, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

35. Financial Risk Management Objectives and Policies

The Group's principal financial instruments, other than derivatives, comprise interest-bearing bank and other borrowings and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade debtors and trade creditors, which arise directly from its operations.

The Group also enters into derivative transactions, including principally foreign currency forward contracts and equity contracts for the purposes of managing the foreign currency risk arising from the Group's operations and enhancing the yield from available resources.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and market price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

35. Financial Risk Management Objectives and Policies *(continued)*

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings with floating interest rates. The interest rates and terms of repayment of the interest-bearing bank borrowings and finance lease and hire purchase contract payables of the Group are disclosed in notes 23 and 24 to the financial statements.

The Group's policy is to keep interest-bearing borrowings at floating interest rates if the fixed rates of borrowings will be above 6% p.a. or there is an expected continuous drop in interest rates or the remaining tenure of the borrowings will be less than one year. At 31 March 2009 and 2010, all of the Group's interest-bearing borrowings bore interest at floating rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's loss before tax and the Group's equity, in respect of the interest-bearing bank and other borrowings and unlisted debt security based on their carrying amounts at the end of the reporting period.

		Group	
	Increase/ (decrease) in basis points	**Increase/ (decrease) in loss before tax**	**Increase/ (decrease) in equity***
		HK$'000	***HK$'000***
2010			
Hong Kong dollar interest rate	**100**	**624**	**–**
Hong Kong dollar interest rate	**(100)**	**(600)**	**–**

	Increase/ (decrease) in basis points	Increase/ (decrease) in loss before tax	Increase/ (decrease) in equity*
		HK$'000	*HK$'000*
2009			
Hong Kong dollar interest rate	100	419	–
Hong Kong dollar interest rate	(100)	(440)	–

* Excluding retained profits

35. Financial Risk Management Objectives and Policies *(continued)*

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 currency. The Group operates in Hong Kong and Mainland China with most of the transactions denominated and settled in either United States dollars ("USD"), Hong Kong dollars ("HKD") or Renminbi ("RMB"). As USD is pegged to HKD, the Group considers the risk of movements in exchange rates between HKD and USD to be insignificant. The Group is mainly exposed to the foreign currency risk of the RMB.

It is the Group's policy to enter into forward currency contracts with reference to the estimated cash flows in foreign currencies in order to manage the foreign currency exposures.

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, and derivative financial instruments based on their carrying amounts at the end of the reporting period.

	Increase/ (decrease) in exchange rates	**Increase/ (decrease) in loss before tax**	**Increase/ (decrease) in equity***
	%	***HK$'000***	***HK$'000***
2010			
If Hong Kong dollar weakens against USD	**0.5#**	**(14)**	**–**
If Hong Kong dollar strengthens against USD	**(0.5)#**	**14**	**–**
If Hong Kong dollar weakens against RMB	**10.0**	**8,038**	**–**
If Hong Kong dollar strengthens against RMB	**(1.0)**	**(804)**	**–**

	Increase/ (decrease) in exchange rates	Increase/ (decrease) in loss before tax	Increase/ (decrease) in equity*
	%	*HK$'000*	*HK$'000*
2009			
If Hong Kong dollar weakens against USD	0.5#	(184)	–
If Hong Kong dollar strengthens against USD	(0.5)#	163	–
If Hong Kong dollar weakens against RMB	10.0	10,897	–
If Hong Kong dollar strengthens against RMB	(1.0)	(1,090)	–

Because HKD is pegged to USD and the Hong Kong Monetary Authority has committed that it will interfere if the exchange rate for USD against HKD is above 7.85 or below 7.75, the possible change in the exchange rate for USD against HKD is minimal.

* Excluding retained profits

35. Financial Risk Management Objectives and Policies *(continued)*

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 cash and cash equivalents, an available-for-sale financial asset, other financial assets at fair value through profit or loss, other debtors and certain derivative financial instruments, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy customers, there is no requirement for collateral. At the end of the reporting period, the Group had certain concentrations of credit risk as 15% (*2009: 15%*) and 46% (*2009: 54%*) of the Group's trade debtors were 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.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade debtors are disclosed in note 16 to the financial statements.

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 instruments and financial assets (e.g., trade debtors) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, finance leases and other interest-bearing loans. The Group's policy is that not more than 90% of interest-bearing bank and other borrowings should mature in any 12-month period. As at 31 March 2010, 98% (*2009: 55%*) of the Group's interest-bearing bank and other borrowings would mature in less than one year based on the carrying value of borrowings reflected in the financial statements. The Group will review this policy in due course.

35. Financial Risk Management Objectives and Policies *(continued)*

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows.

Group

	2010		
	Less than 12 months	**1 to 5 years**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Trade creditors	**50,525**	**–**	**50,525**
Financial liabilities included in other creditors and accruals	**24,717**	**–**	**24,717**
Derivative financial instruments	**299**	**–**	**299**
Interest-bearing bank and other borrowings	**88,230**	**1,998**	**90,228**
	163,771	**1,998**	**165,769**

	2009		
	Less than 12 months	1 to 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*
Trade creditors	34,316	–	34,316
Financial liabilities included in other creditors and accruals	21,108	–	21,108
Derivative financial instruments	10,757	–	10,757
Interest-bearing bank and other borrowings	29,427	23,587	53,014
	95,608	23,587	119,195

At 31 March 2010, the Company had financial liabilities included in other creditors and accruals that repayable within one year of approximately HK$8,000 (*2009: approximately HK$6,000*).

At 31 March 2010, the Company had financial liability of guarantees given to banks in connection with facilities granted to its subsidiaries repayable on demand of approximately HK$90,228,000 (*2009: HK$48,793,000*).

35. Financial Risk Management Objectives and Policies *(continued)*

Market price risk

Market price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to market price risk arising from individual equity investments classified as trading equity investments (note 18) and derivative financial instruments as at 31 March 2010. The Group's listed investments are listed on the Stock Exchange and are valued at quoted market prices at the end of the reporting period.

The market equity index for the Stock Exchange, at the close of business of the nearest trading day in the year to the end of the reporting period, and its respective highest and lowest points during the year were as follows:

	31 March 2010	**High/low 2010**
Hong Kong – Hang Seng Index	**21,239**	**23,100/13,142**

The following table demonstrates the sensitivity to every 5% change in the fair values of the equity investments, with all other variables held constant, of the Group's loss before tax and the Group's equity, based on their carrying amounts at the end of the reporting period.

	Carrying amount *HK$'000*	**Increase/decrease in loss before tax** *HK$'000*	**Increase/decrease in equity*** *HK$'000*
2010			
Equity investments	**51,292**	**2,565**	**–**

	Carrying amount *HK$'000*	Increase/decrease in loss before tax *HK$'000*	Increase/decrease in equity* *HK$'000*
2009			
Equity investments	18,352	918	–

* Excluding retained profits

35. Financial Risk Management Objectives and Policies *(continued)*

Market price risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change in the equity market price in respect of the derivative financial instruments, with all other variables held constant, of the Group's loss before tax and equity, based on their carrying amounts at the end of the reporting period.

	Increase/ (decrease) in equity market price	**Increase/ (decrease) in loss before tax**	**Increase/ (decrease) in equity***
	%	***HK$'000***	***HK$'000***
2010			
Derivative financial instruments	**10**	**53**	**–**
	(10)	**(165)**	**–**

	Increase/ (decrease) in equity market price	Increase/ (decrease) in loss before tax	Increase/ (decrease) in equity*
	%	*HK$'000*	*HK$'000*
2009			
Derivative financial instruments	10	(1,300)	–
	(10)	1,834	–

* Excluding retained profits

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.

35. Financial Risk Management Objectives and Policies *(continued)*

Capital Management (continued)

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 requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2010 and 2009.

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. The Group's policy is to maintain the gearing ratio below 50%. Net debt includes interest-bearing bank and other borrowings, trade creditors, other creditors and accruals, less cash and cash equivalents and pledged time deposits. Capital includes equity attributable to owners of the Company. The gearing ratios as at the end of the reporting period were as follows:

Group

	2010	2009
	HK$'000	*HK$'000*
Interest-bearing bank and other borrowings	**90,228**	52,993
Trade creditors	**50,525**	34,316
Other creditors and accruals	**29,853**	23,366
Less: Cash and cash equivalents and pledged time deposits	**(154,595)**	(117,275)
Net debts/(assets)	**16,011**	(6,600)
Equity attributable to owners	**429,221**	448,029
Capital and net debt	**445,232**	N/A*
Gearing ratio	**3.6%**	N/A*

* The gearing ratio as at 31 March 2009 was not applicable as the Group's cash and cash equivalents exceed the Group's debts, which include interest-bearing bank and other borrowings, trade creditors, other creditors and accruals.

36. Approval of The Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 20 July 2010.