DAISHO MICROLINE HOLDINGS LIMITED

大 昌 微 綫 集 團 有 限 公 司

Stock Code : 0567

Annual Report

2011-2012

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CORPORATE INFORMATION AND FINANCIAL CALENDAR

Board of Directors

Executive directors

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

Independent non-executive directors

Chan Yuk Tong
Li Chi Kwong
Yeung Chi Shing, Bret

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
Wing Lung Bank 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 Registrar

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudian Road
Pembroke HM 08
Bermuda

Branch 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:

28 November 2011

Annual Results:

25 June 2012

Annual General Meeting

3 September 2012 (Monday)

Dividends

Interim dividend:	Nil
Proposed final dividend:	Nil

BIOGRAPHICAL INFORMATION OF DIRECTORS

Executive Directors

Chan Sik Ming Harry, aged 58, 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. He is also the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company.

Mr. Chan graduated from the University of Hitotsubashi in Japan with a Bachelor of Arts degree in Commerce in 1978. He has over 31 years of experience in the electronics industry.

Hiroto Sasaki, aged 72, has been an executive director of the Company since October 2001. He has over 45 years of experience in the manufacture of printed circuit boards.

Hiroyuki Kikuchi, aged 72, has been an executive director of the Company since November 2003. He has over 47 years of experience in the manufacture of printed circuit boards.

Au-Yeung Wai Hung, aged 45, has been an executive director of the Company since November 2003. He has been the Company Secretary and the Financial Controller of the Company since July 1996. He is also a member of the Remuneration Committee of the Company.

Mr. Au-Yeung graduated from The Hong Kong Polytechnic in 1988 with a Professional Diploma in Accountancy. He also obtained a Bachelor of Arts degree in Accountancy from the Hong Kong Polytechnic University in 1996 and a Master of Business degree in E-Commerce from the Curtin University of Technology in Australia in 2002. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He has over 24 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

Chan Yuk Tong, aged 50, 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 and a member of the Nomination 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.

Mr. Chan is also an independent non-executive director of Ausnutria Dairy Corporation Limited, BYD Electronic (International) Company Limited, Global Sweeteners Holdings Limited, Kam Hing International Holdings Limited, Sinopoly Battery Limited (formerly known as Thunder Sky Battery Limited) and Trauson Holdings Company Limited and Xinhua Winshare Publishing and Media Co., Ltd., all of which are listed companies in Hong Kong. Mr. Chan resigned as an executive director of Asia Cassava Resources Holdings Limited on 31 August 2010, an independent non-executive director of Great Wall Motor Company Limited on 26 November 2010 and a non-executive director of Vitop Bioenergy Holdings Limited on 24 May 2011, all of which are listed companies in Hong Kong. He also resigned as an independent non-executive director of Anhui Conch Cement Company Limited on 31 May 2012, which is a listed company in Hong Kong and Shanghai.

Li Chi Kwong, aged 59, has been an independent non-executive director of the Company since December 2005. Dr. Li is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

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 35 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.

Yeung Chi Shing, Bret, aged 55, has been an independent non-executive director of the Company since 21 November 2011. He is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

The Group's revenue for the current year was about HK$362 million, down 18% from last year. The Group's net loss after tax for the current year was about HK$92 million in contrast with the net profit of about HK$17 million for last year. The Group's earnings before interest expenses, tax, depreciation and amortization charges ("EBITDA") and impairment loss on property, plant and equipment for the current year was a loss of about HK$3 million in contrast with the EBITDA of about HK$60 million for last year.

It was noteworthy that the Group's gross profit margin and EBITDA before impairment loss for the second half of the current year was about 3.5% and HK$11 million respectively while the Group's gross loss margin and EBITDA for the first half of the current year was about 3.2% and a loss of about HK$14 million respectively. The improvement in the Group's operating results during the second half of the current year was mainly resulted from the implementation of various cost-savings measures and the improvement in production efficiency along with the reduction in the purchase prices of certain non-ferrous metals by double digit in percentage terms since September 2011.

The decrease in the Group's revenue was mainly caused by the reduction in the sales orders volume for the Group's printed circuit boards ("PCB") due to the credit austerity measures in the People's Republic of China (the "PRC") and the worse off of the Europe's sovereign debt crisis.

The Group's gross profit margin for the current year was about 0.02% in contrast with the gross profit margin of about 12.48% for last year. Apart from the reduction in the sales order volume as mentioned above and the increase in the raw material costs especially during the first half of the current year due to the jump in the prices of non-ferrous metals such as copper and gold etc. and the worldwide inflation, the increase in the production overheads especially during the first half of the current year due to the appreciation of the Renminbi ("RMB") currency and the rise of the minimum wages level in the PRC also caused the decrease in the gross profit margin.

Furthermore, there were net fair value losses on listed equity investments and equity contracts for the current year amounting to about HK$3 million, due to the decline of the Hong Kong stock market since April 2011 while there were net fair value gains on listed equity investments and equity contracts for the last year amounting to about HK$10 million.

The present value of the future cashflows expected to be derived from the Group's property, plant and equipment based on their existing use would likely decrease due to the credit austerity measures in the PRC and the worse off of the Europe's sovereign debt crisis. In view of this, the directors estimated the recoverable amount of the cash-generating units based on the valuation report prepared by an independent professional valuer. The directors concluded that it was appropriate to recognise an impairment loss of HK$47 million against the Group's property, plant and equipment as at 31 March 2012. The impairment loss did not have any effect on the Group's cashflows.

The Group's gearing ratio (defined as interest-bearing bank and other borrowings divided by total equity) at 31 March 2012 and 31 March 2011 were 29% and 21% respectively. The Group's current ratios at 31 March 2012 and 31 March 2011 were 1.88 times and 2.18 times respectively. The Group generated net cash inflow from operations of about HK$38 million *(2011: HK$72 million)* during the current year.

The interest rate structure, maturity profile, currency structure and underlying security of the Group's interest-bearing bank and other borrowings as at 31 March 2012 and 31 March 2011 are detailed in note 25 of this annual report. The Group has made use of an interest rate hedging tool to hedge against the interest rate risk relating to the borrowing with 3-year tenor.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review (continued)

As at 31 March 2012, the Group's total cash and bank balances were approximately HK$224 million *(31 March 2011: HK$181 million)* and the Group's total interest-bearing bank and other borrowings amounting to approximately HK$116 million *(31 March 2011: HK$99 million)*. Therefore, the Group had a net cash balance of approximately HK$108 million *(31 March 2011: HK$82 million)*. Besides, the total credit facilities available to the Group were approximately HK$243 million *(31 March 2011: HK$352 million)* and, therefore, the unutilized credit facilities were approximately HK$127 million *(31 March 2011: HK$253 million)*. Accordingly, the Group is capable of financing its operation by its own internal resources and available banking facilities.

As at 31 March 2012, 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$.

Staff Costs

As at 31 March 2012, the Group had 976 *(31 March 2011: 1,243)* employees, including directors, working mainly in Mainland China. For the year ended 31 March 2012, the Group's total staff costs including directors' remuneration were HK$57,852,000 *(2011: HK$54,302,000)*. The increase in the staff costs during the current year was mainly due to the increase in the minimum wages level in Mainland China by about 17% but was offset by the reduction in the number of workers in Mainland China.

Outlook

In light of the sluggish global economic environment at present, the Group expects to have only a mild increase in the sales order amount from its existing customers as a whole for the coming financial year. In order to fuel its revenue growth, the Group is currently canvassing business from new customers of whom the creditworthiness would be under its scrutiny. The Group will continue to initiate new cost-savings measures in the months ahead so as to further improve its operating results.

On 19 May 2011, the Group has acquired 9.57% of the then entire issued share capital of Daisho Denshi Co., Ltd. ("Daisho Denshi") (one of the top manufacturers of highly delicate PCB in Japan and one of the Company's substantial shareholders) and the Group's interest in Daisho Denshi as at 31 March 2012 had been diluted to 7.46% following the subsequent allotment of shares by Daisho Denshi. According to the report from N.T. Information Limited (a pioneer in the PCB industry providing consulting services for the PCB manufacturers around the world), Daisho Denshi ranked fifty-seventh in terms of production value in the world supply of PCB in year 2010. Daisho Denshi possesses not only advanced equipment but also ample technological know-how and experience required for the manufacture of PCB for automotive components, HDI PCB and IC substrates for its world-renowned customers. The Group is of the view that the equity investment in Daisho Denshi will further enhance the relationship between the Group and Daisho Denshi and would be beneficial to the future development of the Group as a manufacturer of highly delicate PCB.

The Group is aware that certain significant economic issues such as the Europe's sovereign debt crisis may affect the operating environment of the Group and it has adopted various means to alleviate the impact. 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 2012.

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 2012 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 22 to 92.

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				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**362,043**	442,395	348,192	435,247	630,837
PROFIT/(LOSS) BEFORE TAX	**(94,299)**	20,496	(35,159)	(28,073)	91,540
Income tax credit/(expense)	**2,000**	(3,800)	10,895	8,009	(23,949)
PROFIT/(LOSS) FOR THE YEAR	**(92,299)**	16,696	(24,264)	(20,064)	67,591
Attributable to:					
Owners of the Company	**(92,299)**	16,696	(24,264)	(20,064)	67,591

ASSETS AND LIABILITIES	As at 31 March				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**609,740**	646,638	600,326	574,756	653,606
TOTAL LIABILITIES	**(207,180)**	(173,311)	(171,105)	(126,727)	(197,359)
	402,560	473,327	429,221	448,029	456,247

REPORT OF THE DIRECTORS

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 are set out in notes 27 and 28 to the financial statements respectively.

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

Distributable Reserves

At 31 March 2012, the Company's reserves available for cash distribution and distribution in specie were HK$86,663,000 *(2011: HK$86,985,000)*. In addition, the Company's share premium account, in the amount of HK$91,483,000 *(2011: 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	23%
	– Five largest suppliers	60%
b.	Percentage of sales attributable to the:	
	– Largest customer	13%
	– Five largest customers	45%

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.

REPORT OF THE DIRECTORS

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	(resigned on 24 October 2011)
Hiroto Sasaki	
Hiroyuki Kikuchi	
Au-Yeung Wai Hung	

Independent non-executive directors:

Chan Yuk Tong	
Li Chi Kwong	
Yeung Chi Shing, Bret	(appointed on 21 November 2011)
Kohu Kashiwagi	(resigned on 24 October 2011)

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

In accordance with bye-law 102 of the Company's bye-laws, Mr. Yeung Chi Shing, Bret will retire from his office 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, Dr. Li Chi Kwong will retire by rotation and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from Mr. Chan Yuk Tong, Dr. Li Chi Kwong and Mr. Yeung Chi Shing, Bret and as at the date of this report still considers them to be independent.

Directors' Biographies

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

Directors' service contracts

Except for Mr. Yeung Chi Shing, Bret with 3-year term of services contract, 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 directors' duties, responsibilities and performance and the results of the Group.

Directors' Interests in Contracts

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

Directors' Interests and Short Positions in Shares and Underlying Shares

At 31 March 2012, 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 31 March 2012, 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 2012, none of the directors had registered an interest or short position in the shares and underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Directors' Rights to Acquire Shares or Debentures

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

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

At 31 March 2012, the following interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Earnwell (PTC) Limited	Trustee	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 2012, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Continuing Connected Transactions

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

During the year, the Group had continuing connected transactions with Daisho Denshi (H.K.) Limited, a subsidiary of Daisho Denshi Co., Ltd., a substantial shareholder of the Company who has 10.41% equity interests in the Group for the sale of printed circuit boards amounting to approximately HK$48 million *(2011: approximately HK$47 million)* which are conducted in the ordinary and usual course of the Group's business.

Continuing Connected Transactions (continued)

Pursuant to the Company's special general meeting on 26 March 2010, 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$120 million, HK$144 million and HK$173 million for the financial years ended/ending 31 March 2011, 2012 and 2013, respectively.

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

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

(ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Hong Kong Stock Exchange.

Sufficiency of Public Float

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

Director's Interest in a Competing Business

During the year and up to the date of this report, no director is considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules.

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
25 June 2012

CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

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

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

The Company's corporate governance practices are based on the principles and the code provisions ("Code Provisions") as set out in the CG Code of the Listing Rules. The Company has applied and complied with most of the applicable Code Provisions throughout the year ended 31 March 2012 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.4.1 and A.4.2, details of which are explained below.

Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as its code of conduct regarding directors' securities transactions. The Company has made specific enquiries of all directors and all directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2012.

Board of Directors

Board composition and practice

The directors of the Company during the year ended 31 March 2012 and up to the date of this annual report were as follows:

Executive directors:	
Chan Sik Ming, Harry	*(Chairman & Chief Executive Officer)*
Motofumi Tsumura	(resigned on 24 October 2011)
Hiroto Sasaki	
Hiroyuki Kikuchi	
Au-Yeung Wai Hung	
Independent non-executive directors:	
Kohu Kashiwagi	(resigned on 24 October 2011)
Chan Yuk Tong	
Li Chi Kwong	
Yeung Chi Shing, Bret	(appointed on 21 November 2011)

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

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

Board of Directors (continued)

Board composition and practice (continued)

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

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

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

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

Chairman and Chief Executive Officer

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

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

Non-Executive Directors

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

Except for Mr. Yeung Chi Shing, Bret whose term of service with the Company is three years, other 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.

Board Committees

Audit Committee

The Audit Committee 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)*
Li Chi Kwong	
Yeung Chi Shing, Bret	(appointed on 21 November 2011)
Kohu Kashiwagi	(resigned on 24 October 2011)

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

During the year ended 31 March 2012, there were two Audit Committee meetings in which the following major responsibilities had been accomplished.

- reviewed with the management the accounting principles and practices adopted by the Group;
- discussed internal controls and financial reporting matters including the review of both the interim and annual consolidated financial statements of the Group and agreed with all the accounting treatments which have been adopted therein;
- reviewed the continuing connected transactions of the Group;
- recommended the re-appointment of the Company's external auditors;
- reviewed the Company's compliance with the CG code and disclosure in the corporate governance report under the Listing Rules.

Board Committees (continued)

Remuneration Committee

The Remuneration Committee was established on 22 December 2005 and comprises 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)*
Li Chi Kwong	
Yeung Chi Shing, Bret	(appointed on 21 November 2011)
Kohu Kashiwagi	(resigned on 24 October 2011)

Executive directors:

Chan Sik Ming, Harry
Au-Yeung Wai Hung

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

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

During the year ended 31 March 2012, there was no Remuneration Committee meeting held but the members of the Remuneration Committee reviewed and approved the remuneration of the Company's directors by resolution in writing.

Nomination Committee

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

Executive directors:

Chan Sik Ming, Harry *(Chairman of Nomination Committee)*

Independent non-executive directors:

Chan Yuk Tong
Li Chi Kwong
Yeung Chi Shing, Bret

The Nomination Committee is responsible for formulating director nomination policy for the Board's consideration and implementing the Board's approved director nomination policy. During the year ended 31 March 2012, there was no Nomination Committee meeting held.

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

During the year ended 31 March 2012, there were four board meetings, two audit committee meetings and one annual general meeting held but no remuneration committee meeting nor nomination committee meeting was held.

The names and individual attendance of each director at each board meeting, audit committee meeting and annual general meeting are set out below:

Name of director		**Attendance/ Number of Board Meeting**	**Attendance/ Number of Audit Committee Meeting**	**Attendance/ Number of Annual General Meeting**
Chan Sik Ming, Harry	*(Chairman & CEO)*	4/4	N/A	1/1
Motofumi Tsumura	(resigned on 24 October 2011)	0/2	N/A	0/1
Hiroto Sasaki		2/4	N/A	0/1
Hiroyuki Kikuchi		2/4	N/A	0/1
Au-Yeung Wai Hung		4/4	N/A	1/1
Kohu Kashiwagi	(resigned on 24 October 2011)	0/2	0/1	0/1
Chan Yuk Tong		4/4	2/2	1/1
Li Chi Kwong		4/4	2/2	1/1
Yeung Chi Shing, Bret	(appointed on 21 November 2011)	2/2	1/1	0/0

Auditors' Remuneration

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.

During the year ended 31 March 2012, the services provided by Ernst & Young to the Group and associated remuneration were as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Audit services	**893**	788
Non-audit services	**46**	160

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.

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 2012.

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 20 to 21 of this annual report.

Company Secretary

Mr. Au-Yeung Wai Hung has been appointed as the company secretary of the Company since 1 July 1996, and he is also the financial controller and the executive director of the Company. His biography is set out on page 3 of this annual report.

Shareholder Communication Policy

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

Shareholders' Rights

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

Constitutional Documents

A copy of the Company's Memorandum of Association and New Bye-Laws has been posted to both the website of the Hong Kong Stock Exchange at www.hkex.com.hk and the website of the Company at www.irasia.com/listco/hk/daisho. There was no change to the Company's Memorandum of Association and New Bye-Laws during the year ended 31 March 2012.

INDEPENDENT AUDITORS' REPORT

Ernst & Young
22/F
CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道1號
中信大廈22樓

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

We have audited the consolidated financial statements of Daisho Microline Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 22 to 92, which comprise the consolidated and company statements of financial position as at 31 March 2012, 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 information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

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

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

ERNST & YOUNG
安 永

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2012, 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
25 June 2012

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
REVENUE	4	**362,043**	442,395
Cost of sales		**(361,988)**	(387,188)
Gross profit		**55**	55,207
Other income and gains	4	**9,762**	10,508
Selling and distribution costs		**(13,474)**	(19,415)
Administrative expenses		**(32,807)**	(29,446)
Other expenses		**(3,744)**	(3,669)
Impairment of items of property, plant and equipment	12	**(47,391)**	–
Fair value gains/(losses), net on:			
Other financial assets at fair value through profit or loss		**(3,260)**	13,436
Derivative financial instruments		**466**	(3,624)
Finance costs	8	**(3,738)**	(1,546)
Share of loss of a jointly-controlled entity		**(168)**	(955)
PROFIT/(LOSS) BEFORE TAX	6	**(94,299)**	20,496
Income tax credit/(expense)	9	**2,000**	(3,800)
PROFIT/(LOSS) FOR THE YEAR		**(92,299)**	16,696
Attributable to owners of the Company	10	**(92,299)**	16,696
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	11		
Basic and diluted		**HK(19.22) cents**	HK3.48 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2012

	2012 HK$'000	2011 HK$'000
PROFIT/(LOSS) FOR THE YEAR	**(92,299)**	16,696
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**21,532**	27,410
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**21,532**	27,410
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	**(70,767)**	44,106

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**163,871**	241,259
Prepaid land lease payments	13	**14,719**	14,487
Deposits paid for acquisition of items of property, plant and equipment		**1,215**	513
Investment in a jointly-controlled entity	15	**53,107**	51,295
Available-for-sale investment	16	**19,281**	–
Deferred tax assets	26	**2,300**	2,300
Total non-current assets		**254,493**	309,854
CURRENT ASSETS			
Inventories	17	**37,215**	43,992
Trade debtors and bills receivable	18	**55,577**	64,929
Other financial assets at fair value through profit or loss	20	**23,410**	27,558
Derivative financial instruments	24	**143**	24
Sundry debtors, prepayments and deposits	19	**14,444**	18,600
Tax recoverable		**211**	211
Pledged bank balances	21	**64,090**	23,750
Cash and cash equivalents	21	**160,157**	157,720
Total current assets		**355,247**	336,784
CURRENT LIABILITIES			
Trade creditors	22	**60,775**	43,056
Other creditors and accruals	23	**30,141**	28,287
Derivative financial instruments	24	**341**	922
Interest-bearing bank and other borrowings	25	**97,390**	82,438
Total current liabilities		**188,647**	154,703
NET CURRENT ASSETS		**166,600**	182,081
TOTAL ASSETS LESS CURRENT LIABILITIES		**421,093**	491,935

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	25	**18,533**	16,608
Deferred tax liabilities	26	**–**	2,000
Total non-current liabilities		**18,533**	18,608
Net assets		**402,560**	473,327
EQUITY			
Equity attributable to owners of the Company			
Issued share capital	27	**48,024**	48,024
Reserves	29(a)	**354,536**	425,303
Total equity		**402,560**	473,327

Chan Sik Ming, Harry
Director

Au-Yeung Wai Hung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2012

	Issued share capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Exchange equalisation reserve HK$'000	Retained profits HK$'000	Total equity HK$'000
At 1 April 2010	48,024	91,483	9,379	76,403	203,932	429,221
Profit for the year	–	–	–	–	16,696	16,696
Other comprehensive income for the year:						
Exchange differences on translation of foreign operations	–	–	–	27,410	–	27,410
Total comprehensive income for the year	–	–	–	27,410	16,696	44,106
At 31 March 2011 and 1 April 2011	48,024	91,483*	9,379*	103,813*	220,628*	473,327
Loss for the year	–	–	–	–	(92,299)	(92,299)
Other comprehensive income for the year:						
Exchange differences on translation of foreign operations	–	–	–	21,532	–	21,532
Total comprehensive loss for the year	–	–	–	21,532	(92,299)	(70,767)
At 31 March 2012	48,024	91,483*	9,379*	125,345*	128,329*	402,560

* These reserve accounts comprise the consolidated reserves of HK$354,536,000 *(2011: HK$425,303,000)* in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**(94,299)**	20,496
Adjustments for:			
Bank interest income	4	**(3,900)**	(1,581)
Dividend income from listed equity investments	4	**(898)**	(2,101)
Gain on disposal of items of property, plant and equipment, net	6	**–**	(15)
Fair value losses/(gains), net on:			
Other financial assets at fair value through profit or loss		**3,260**	(13,436)
Derivative financial instruments – transactions not qualifying as hedges		**(466)**	3,624
Depreciation	6	**40,060**	38,124
Reversal of impairment of trade debtors, net	6	**(904)**	–
Provision/(reversal of provision) against obsolete inventories	6	**(540)**	710
Recognition of prepaid land lease payments	6	**312**	298
Impairment of items of property, plant and equipment	12	**47,391**	–
Finance costs	8	**3,738**	1,546
Share of loss of a jointly-controlled entity		**168**	955
		(6,078)	48,620
Decrease/(increase) in inventories		**9,588**	(11,708)
Decrease in trade debtors and bills receivable		**12,124**	8,627
Decrease in other financial assets at fair value through profit or loss		**979**	45,255
Decrease/(increase) in sundry debtors, prepayments and deposits		**3,893**	(9,268)
Increase/(decrease) in derivative financial instruments, net		**(234)**	389
Increase/(decrease) in trade creditors		**16,440**	(8,047)
Increase/(decrease) in other creditors and accruals		**894**	(1,872)
Cash generated from operations		**37,606**	71,996
Interest received		**3,900**	1,581
Hong Kong profits tax refunded		**–**	1,356
Net cash flows from operating activities		**41,506**	74,933
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend income from listed equity investments		**898**	2,101
Acquisition of items of property, plant and equipment		**(622)**	(14,161)
Acquisition of an available-for-sale investment		**(19,281)**	–
Capital contribution and advance to a jointly-controlled entity		**–**	(50,046)
Proceeds from disposal of items of property, plant and equipment		**–**	15
Decrease/(increase) in pledged bank balances		**(40,340)**	19,471
Net cash flows used in investing activities		**(59,345)**	(42,620)

CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*
Year ended 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/(decrease) in trust receipt loans		**(1,060)**	7,611
New bank loans		**67,595**	75,255
Repayment of bank loans		**(50,718)**	(74,048)
Interest paid		**(3,738)**	(1,546)
Net cash flows from financing activities		**12,079**	7,272
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(5,760)**	39,585
Cash and cash equivalents at beginning of year		**157,720**	111,374
Effect of foreign exchange rate changes, net		**8,197**	6,761
CASH AND CASH EQUIVALENTS AT END OF YEAR		**160,157**	157,720
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**160,157**	110,220
Non-pledged time deposits with original maturity of less than three months when acquired		**–**	47,500
Cash and cash equivalents as stated in the statement of financial position and statement of cash flows	21	**160,157**	157,720

STATEMENT OF FINANCIAL POSITION

31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	14	**70,916**	70,916
CURRENT ASSETS			
Due from a subsidiary	14	**155,223**	155,480
Prepayments	19	**218**	218
Cash and cash equivalents	21	**29**	29
Total current assets		**155,470**	155,727
CURRENT LIABILITIES			
Other creditors and accruals	23	**216**	151
NET CURRENT ASSETS		**155,254**	155,576
Net assets		**226,170**	226,492
EQUITY			
Issued share capital	27	**48,024**	48,024
Reserves	29(b)	**178,146**	178,468
Total equity		**226,170**	226,492

Chan Sik Ming, Harry
Director

Au-Yeung Wai Hung
Director

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 2012. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. 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 intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

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 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 24 (Revised)	*Related Party Disclosures*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010*, the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these HKFRSs are as follows:

(a) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group. Details of the related party transactions, including the related comparative information, are included in note 33 to the consolidated financial statements.

2.2 Changes in Accounting Policy and Disclosures (continued)

(b) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- *HKFRS 3 Business Combinations*: The amendment clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

  In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

  The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- *HKAS 1 Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- *HKAS 27 Consolidated and Separate Financial Statements*: The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

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 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*[4]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[4]
HKFRS 9	*Financial Instruments*[6]
HKFRS 10	*Consolidated Financial Statements*[4]
HKFRS 11	*Joint Arrangements*[4]
HKFRS 12	*Disclosure of Interests in Other Entities*[4]
HKFRS 13	*Fair Value Measurement*[4]
HKAS 1 Amendments	*Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*[2]
HKAS 19 (2011)	*Employee Benefits*[4]
HKAS 27 (2011)	*Separate Financial Statements*[4]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[4]
HKAS 32 Amendments	*Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[5]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[4]
Annual Improvement 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

2.3 Issued but not yet Effective Hong Kong Financial Reporting Standards (continued)

Further information about those changes that are expected to significantly affect the Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 April 2015.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in HK(SIC)-Int 12.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

2.3 Issued but not yet Effective Hong Kong Financial Reporting Standards (continued)

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, and the consequential amendments to HKAS 27 and HKAS 28 from 1 April 2013.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group expects to adopt HKFRS 13 prospectively from 1 April 2013.

Amendments to HKAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 April 2013.

HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis. The Group expects to adopt HKAS 12 Amendments from 1 April 2012.

HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt HKAS 19 (2011) from 1 April 2013.

Amendments to HKAS 32 clarify the requirements for offsetting financial instruments. The amendments address inconsistencies in current practice when applying the offsetting criteria and clarify the meaning of “currently has a legally enforceable right of set-off” and some gross settlement systems may be considered equivalents to net settlements. The Group expects to adopt the amendments from 1 April 2014.

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 investments in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

2.4 Summary of Significant Accounting Policies (continued)

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's investments in a jointly-controlled entity are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of a jointly-controlled entity is included in the consolidated income statement and consolidated reserves, respectively. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly-controlled entity is determined based on the agreed profit sharing ratio. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entity are eliminated to the extent of the Group's investments in the jointly-controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of a jointly-controlled entity is included as part of the Group's investments in a jointly-controlled entity.

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 in those expense categories consistent with the function of the impaired asset.

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 goodwill 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.

2.4 Summary of Significant Accounting Policies (continued)

Related parties

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

(a) the party is a person or a close member of that person's family and that person

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

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

2.4 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 depreciates them accordingly.

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.

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, including prepaid land lease payments under finance lease, 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.

2.4 Summary of Significant Accounting Policies (continued)

Leases (continued)

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 investments, 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 transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

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 and bills receivable, other financial assets at fair value through profit or loss, available-for-sale investment, derivative financial instruments, sundry debtors and deposits, pledged bank balances and cash and cash equivalents.

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. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net 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.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under HKAS 39 are satisfied.

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

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

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, in rare circumstances, 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. 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. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation as these instruments cannot be reclassified after initial recognition.

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 by 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 finance costs for loans and other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the income statement. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the income statement as "Other income" in accordance with the policies set out for "Revenue recognition" below.

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. The reclassification to the held-to-maturity category is permitted only when the Group has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

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" arrangements; 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, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it 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.

2.4 Summary of Significant Accounting Policies (continued)

Derecognition of financial assets (continued)

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 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.

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.

2.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets (continued)

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, 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 discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale investment

For available-for-sale investments, the Group assesses at the end of the reporting period whether there is any objective evidence that an investment or a group of investments is impaired.

If an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increase in the fair value after impairment are recognised directly in other comprehensive income.

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 plus, in the case of loans and borrowings, directly attributable transaction costs.

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

Subsequent measurement

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

2.4 Summary of Significant Accounting Policies (continued)

Financial liabilities (continued)

Subsequent measurement (continued)

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.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria of HKAS 39 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing bank and other 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.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

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.

2.4 Summary of Significant Accounting Policies (continued)

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.

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, interest rate swaps 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.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the income statement.

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 pledged bank balances as detailed in note 21 to the financial statements, cash and cash equivalents comprise cash on hand and at banks, including term 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:

- when 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 and a jointly-controlled entity, when 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.

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

- when 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 and a jointly-controlled entity, 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.

2.4 Summary of Significant Accounting Policies (continued)

Income tax (continued)

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.

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 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; and

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

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.

2.4 Summary of Significant Accounting Policies (continued)

Employee benefits (continued)

Share-based payment transactions (continued)

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.

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.

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.

2.4 Summary of Significant Accounting Policies (continued)

Employee benefits (continued)

Pension schemes and other retirement benefits (continued)

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.

Borrowing costs

Borrowing costs are expensed 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 arising on settlement or translation of monetary items 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. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currency of an overseas subsidiary and a jointly-controlled entity are a currency other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are 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.

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 described 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 2012, an aggregate provision for impairment of the property, plant and equipment amounting to HK$112,391,000 *(2011: HK$65,000,000)* 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 2012 was HK$2,300,000 *(2011: HK$2,300,000)*. Further details are contained in note 26 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 2012 was HK$51,847,000 *(2011: HK$57,486,000)*.

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 carrying value of the Group's property, plant and equipment as at 31 March 2012 was HK$163,871,000 *(2011: HK$241,259,000)*.

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 2012 was HK$37,215,000 *(2011: HK$43,992,000)*.

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	
	2012	2011
	HK$'000	HK$'000
Revenue:		
Sale of printed circuit boards	**362,043**	442,395
Other income and gains:		
Bank interest income	**3,900**	1,581
Dividend income from listed equity investments	**898**	2,101
Gain on disposal of items of property, plant and equipment	**–**	15
Gain on disposal of scrap materials	**4,697**	6,184
Others	**267**	627
	9,762	10,508

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

	2012	2011
	HK$'000	HK$'000
Mainland China	**184,203**	290,921
Hong Kong (place of domicile)	**81,530**	69,598
Japan	**48,990**	46,607
Europe	**23,612**	19,237
Other countries	**23,708**	16,032
	362,043	442,395

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

5. Operating Segment Information (continued)

Geographical information (continued)

(b) Non-current assets

	2012	2011
	HK$'000	HK$'000
Hong Kong (place of domicile)	**463**	657
Mainland China *(Note)*	**232,449**	306,897
	232,912	307,554

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

Notes:

(i) An impairment loss of HK$47,391,000 was recognised on machinery and equipment located in Mainland China during the year ended 31 March 2012, further details are set out in note 12 to the financial statements.

(ii) Share of losses of a jointly-controlled entity of HK$168,000 *(2011: HK$955,000)* was recognised during the year. The jointly-controlled entity is operating in Mainland China, further details are set out in note 15 of the financial statements.

Information about a major customer

Revenue of approximately HK$47,522,000 *(2011: HK$46,593,000)* was derived from sales of printed circuit boards to a subsidiary of Daisho Denshi Co., Ltd., a substantial shareholder of the Company who has 10.41% equity interests in the Company.

6. Profit/(Loss) Before Tax

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

	Group	
	2012	2011
	HK$'000	HK$'000
Auditors' remuneration	**893**	788
Cost of inventories sold*	**362,528**	386,478
Provision/(reversal of provision) against obsolete inventories*	**(540)**	710
Employee benefits expense** (excluding directors' remuneration *(note 7)*):		
Wages, salaries and allowances	**47,314**	45,560
Pension scheme contributions#	**2,955**	1,996
Less: Forfeited contributions	**(16)**	(547)
	50,253	47,009
Depreciation** *(note 12)*	**40,060**	38,124
Amortisation of prepaid land lease payments *(note 13)*	**312**	298
Minimum lease payments under operating leases for land and buildings	**570**	468
Reversal of impairment of trade debtors *(note 18)*	**(904)**	–
Foreign exchange differences, net	**3,501**	3,318
Gain on disposal of items of property, plant and equipment, net	**–**	(15)

At 31 March 2012, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years *(2011: 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$38,537,000 *(2011: HK$39,303,000)* and the depreciation of items of property, plant and equipment of HK$35,781,000 *(2011: HK$33,439,000)* 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	
	2012	2011
	HK$'000	HK$'000
Fees	**482**	282
Other emoluments:		
Salaries and allowances	**6,778**	6,700
Pension scheme contributions	**339**	311
	7,117	7,011
	7,599	7,293

(a) Independent non-executive directors

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

	2012	2011
	HK$'000	HK$'000
Kohu Kashiwagi*	–	20
Chan Yuk Tong	**200**	131
Li Chi Kwong	**200**	131
Yeung Chi Shing, Bret**	**72**	–
	472	282

There were no other emoluments payable to the independent non-executive directors during the year *(2011: Nil)*.

* Resigned on 24 October 2011.

** Appointed on 21 November 2011.

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

Directors' remuneration (continued)

(b) Executive directors

	Fees HK$'000	Salaries and allowances HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2012				
Chan Sik Ming, Harry	**–**	**6,098**	**305**	**6,403**
Motofumi Tsumura[#]	**10**	**–**	**–**	**10**
Hiroto Sasaki[##]	**–**	**–**	**–**	**–**
Hiroyuki Kikuchi	**–**	**–**	**–**	**–**
Au-Yeung Wai Hung	**–**	**680**	**34**	**714**
	10	**6,778**	**339**	**7,127**
2011				
Chan Sik Ming, Harry	–	5,908	277	6,185
Motofumi Tsumura	–	–	–	–
Hiroto Sasaki[##]	–	–	–	–
Hiroyuki Kikuchi	–	112	–	112
Au-Yeung Wai Hung	–	680	34	714
	–	6,700	311	7,011

There was no arrangement under which a director waived or agreed to waive any remuneration during the year *(2011: Nil)*.

Resigned on 24 October 2011.

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 *(2011: two)* directors, details of whose remuneration are set out above. Details of the remuneration of the remaining three *(2011: three)* non-director, highest paid employees for the year are as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Salaries and allowances	**1,938**	1,163
Pension scheme contributions	**87**	54
	2,025	1,217

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

8. Finance Costs

	Group	
	2012	2011
	HK$'000	HK$'000
Interest on:		
Bank loans wholly repayable within five years and total interest expense on financial liabilities not at fair value through profit or loss	**3,738**	1,546

9. Income Tax

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year. In the prior year, no provision for Hong Kong profits tax was made as the Group had available tax losses brought forward from prior years to offset the assessable profits generated during that year. No provision for People's Republic of China ("PRC") profits tax has been made as the Group did not generate any assessable profits arising in Mainland China during the year. In the prior year, no provision for PRC profits tax was made as the Group had available tax losses brought forward from prior years to offset the assessable profits arising in Mainland China during that year.

	2012	2011
	HK$'000	HK$'000
Group:		
Current – the PRC		
Overprovision in prior years	**–**	(1,500)
Deferred *(note 26)*	**(2,000)**	5,300
Total tax charge/(credit) for the year	**(2,000)**	3,800

A reconciliation of the tax charge/(credit) applicable to profit/(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 expense/(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

	2012		2011	
	HK$'000	**%**	HK$'000	%
Profit/(loss) before tax	**(94,299)**		20,496	
Tax at the statutory tax rate	**(15,559)**	**(16.5)**	3,382	16.5
Higher tax rates for a subsidiary in the PRC	**(6,809)**	**(7.2)**	1,676	8.2
Income not subject to tax	**(923)**	**(1.0)**	(347)	(1.7)
Expenses not deductible for tax	**913**	**1.0**	506	2.5
Loss attributable to a jointly-controlled entity	**28**	**–**	157	0.8
Adjustments in respect of current tax of previous periods	**–**	**–**	(1,500)	(7.3)
Tax losses not recognised	**18,195**	**19.3**	23	0.1
Tax losses utilised from previous periods	**(34)**	**–**	(1,569)	(7.7)
Others	**2,189**	**2.3**	1,472	7.1
Tax expense/(credit) at the Group's effective rate	**(2,000)**	**(2.1)**	3,800	18.5

10. Profit/(Loss) Attributable to Owners of the Company

The consolidated profit/(loss) attributable to owners of the Company for the year ended 31 March 2012 includes a loss of HK$322,000 *(2011: HK$138,000)* which has been dealt with in the financial statements of the Company *(note 29(b))*.

11. Earnings/(Loss) Per Share Attributable to Ordinary Equity Holders of the Company

The calculation of basic earnings/(loss) per share amounts is based on the loss for the year attributable to ordinary equity holders of the Company of HK$92,299,000 *(2011: profit of HK$16,696,000)* and the weighted average number of 480,243,785 *(2011: 480,243,785)* ordinary shares in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during those years.

12. Property, Plant and Equipment

Group

	Buildings HK$'000	Leasehold improvements HK$'000	Machinery and equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Computers HK$'000	Total HK$'000
31 March 2012							
At 31 March 2011 and at 1 April 2011:							
Cost	51,708	31,558	703,269	8,303	2,391	2,878	800,107
Accumulated depreciation and impairment	(18,841)	(23,425)	(503,602)	(8,179)	(2,216)	(2,585)	(558,848)
Net carrying amount	32,867	8,133	199,667	124	175	293	241,259
At 1 April 2011, net of accumulated depreciation and impairment	32,867	8,133	199,667	124	175	293	241,259
Additions	–	–	673	3	189	471	1,336
Depreciation provided during the year	(1,123)	(2,603)	(36,036)	(83)	(88)	(127)	(40,060)
Impairment	–	–	(47,391)	–	–	–	(47,391)
Exchange realignment	1,228	268	7,215	3	5	8	8,727
At 31 March 2012, net of accumulated depreciation and impairment	32,972	5,798	124,128	47	281	645	163,871
At 31 March 2012:							
Cost	53,667	32,748	730,836	8,587	2,631	3,385	831,854
Accumulated depreciation and impairment	(20,695)	(26,950)	(606,708)	(8,540)	(2,350)	(2,740)	(667,983)
Net carrying amount	32,972	5,798	124,128	47	281	645	163,871

12. Property, Plant and Equipment (continued)

Group

	Buildings HK$'000	Leasehold improvements HK$'000	Machinery and equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Computers HK$'000	Total HK$'000
31 March 2011							
At 31 March 2010 and at 1 April 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
At 1 April 2010, net of accumulated depreciation and impairment	32,646	5,577	210,483	414	360	316	249,796
Additions	–	4,806	11,493	7	–	136	16,442
Depreciation provided during the year	(1,185)	(2,431)	(33,843)	(308)	(194)	(163)	(38,124)
Exchange realignment	1,406	181	11,534	11	9	4	13,145
At 31 March 2011, net of accumulated depreciation and impairment	32,867	8,133	199,667	124	175	293	241,259
At 31 March 2011:							
Cost	51,708	31,558	703,269	8,303	2,391	2,878	800,107
Accumulated depreciation and impairment	(18,841)	(23,425)	(503,602)	(8,179)	(2,216)	(2,585)	(558,848)
Net carrying amount	32,867	8,133	199,667	124	175	293	241,259

12. Property, Plant and Equipment (continued)

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

At 31 March 2012, the Group's machinery and equipment with a net carrying amount of approximately HK$16,056,000 *(2011: Nil)* were pledged to secure general banking facilities granted to the Group *(note 25)*.

At 31 March 2011, the Group's buildings with a net carrying amount of approximately HK$32,867,000 were pledged to secure general banking facilities granted to the Group *(note 25)*.

The present value of the future cashflows expected to be derived from the Group's property, plant and equipment based on their existing use would likely decrease due to credit austerity measures in the PRC and the worse off of the Europe's sovereign debt crisis.

During the year ended 31 March 2012, the directors considered that the existence of the above conditions indicated that non-current assets of the Group might 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 prepaid land lease payments and buildings, leasehold improvements, machinery and equipment, furniture and fixtures, motor vehicles and computers.

The estimates of the recoverable amount of the cash-generating unit as at 31 March 2012 were determined based on a value in use calculation using cash flow projections based on the five-year financial forecast approved by the directors.

Key assumptions used for the value in use calculation as at 31 March 2012:
Sales volume growth rate: 8% – 16%
Gross profit margin rate: 6% – 8%
Discount rate: 13%

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

An impairment provision of HK$47,391,000 was recognised in the income statement during the year ended 31 March 2012.

13. Prepaid Land Lease Payments

	Group	
	2012	2011
	HK$'000	HK$'000
Carrying amount at 1 April	**14,792**	14,461
Exchange realignment	**556**	629
Recognised during the year	**(312)**	(298)
Carrying amount at 31 March	**15,036**	14,792
Current portion included in sundry debtors, prepayments and deposits	**(317)**	(305)
Non-current portion	**14,719**	14,487

At 31 March 2011, the Group's prepaid land lease payments with a net carrying amount of approximately HK$14,792,000 were pledged to secure general banking facilities granted to the Group *(note 25)*.

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

14. Investments in Subsidiaries

	Company	
	2012	2011
	HK$'000	HK$'000
Unlisted investments, at cost	**70,916**	70,916
Due from a subsidiary	**155,223**	155,480

The amount due from a subsidiary of HK$155,223,000 *(2011: HK$155,480,000)* included in the Company's current assets is unsecured, interest-free and has no fixed terms of repayment.

14. Investments 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 share 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 another 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. Investment in a Jointly-Controlled Entity

	Group	
	2012	2011
	HK$'000	HK$'000
Share of net assets	**53,107**	51,295

In the opinion of the directors, included in share of net assets of approximately HK$49,300,000 *(2011: HK$47,500,000)* are considered as quasi-equity loans to the jointly-controlled entity.

Particulars of the jointly-controlled entity, which is held indirectly by the Company, are as follows:

			Percentage of			
Name	Registered capital	Place of registration	Ownership interest	Voting power	Profit sharing	Principal activity
惠州市華瑞房地產開發有限公司*	RMB8,000,000	PRC	50	50	50	Real estate development

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network

The following table illustrates the summarised financial information of the Group's jointly-controlled entity:

	2012	2011
	HK$'000	HK$'000
Share of the jointly-controlled entity's assets and liabilities:		
Current assets	**25,828**	25,251
Non-current assets	**27,279**	26,084
Current liabilities	**–**	(40)
Net assets	**53,107**	51,295
Share of the jointly-controlled entity's results:		
Revenue	**–**	–
Total expenses	**(168)**	(955)
Tax	**–**	–
Loss after tax	**(168)**	(955)

16. Available-for-Sale Investment

	Group	
	2012	2011
	HK$'000	HK$'000
Unlisted equity investment, at cost	**19,281**	–

The above investment consists of investment in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

As at 31 March 2012, the above unlisted equity investment with a carrying amount of HK$19,281,000 *(2011: Nil)* was stated at cost less impairment, if any because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of it in the near future.

17. Inventories

	Group	
	2012	2011
	HK$'000	HK$'000
Raw materials	**17,228**	17,338
Work in progress	**14,235**	18,798
Finished goods	**5,752**	7,856
	37,215	43,992

18. Trade Debtors and Bills Receivable

	Group	
	2012	2011
	HK$'000	HK$'000
Trade debtors	**53,047**	60,166
Impairment	**(1,200)**	(2,680)
	51,847	57,486
Bills receivable	**3,730**	7,443
	55,577	64,929

18. Trade Debtors and Bills Receivable (continued)

The Group's trading terms with its trade debtors 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 36 to the financial statements. The Group does not hold any collateral or other credit enhancements over these balances. Trade debtors are non-interest-bearing.

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	
	2012	2011
	HK$'000	HK$'000
Current to 1 month	**47,373**	46,663
1 to 2 months	**2,323**	5,349
2 to 3 months	**728**	778
Over 3 months	**2,623**	7,376
	53,047	60,166

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

		Group	
		2012	2011
	Note	**HK$'000**	HK$'000
At beginning of year		**2,680**	2,680
Amount written off as uncollectible		**(576)**	–
Reversal of impairment loss	6	**(904)**	–
At end of year		**1,200**	2,680

The individually impaired trade debtors with an aggregate carrying amount of HK$1,200,000 *(2011: HK$2,680,000)* relates to customers that were in default of payments and the amounts are not expected to be recovered.

18. Trade Debtors and Bills Receivable (continued)

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

	Group	
	2012	2011
	HK$'000	HK$'000
Neither past due nor impaired	**36,331**	33,785
Less than 1 month past due	**11,042**	12,878
1 to 2 months past due	**2,323**	5,349
2 to 3 months past due	**728**	778
Over 3 months past due	**1,423**	4,696
	51,847	57,486

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.

Included in the Group's trade debtors are a receivable of HK$7,404,000 *(2011: HK$7,248,000)* 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.

19. Sundry Debtors, Prepayments and Deposits

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**5,128**	3,643	**218**	218
Deposits and sundry debtors	**9,316**	14,957	**–**	–
	14,444	18,600	**218**	218

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.

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

	Group	
	2012	2011
	HK$'000	HK$'000
Hong Kong listed equity investments, at market value	**20,931**	26,373
Equity investments listed elsewhere, at market value	**2,479**	1,185
	23,410	27,558

The above investments as at 31 March 2012 and 2011 were classified as held for trading.

At 31 March 2012, all of the Hong Kong listed equity investments amounting to HK$20,931,000 *(2011: HK$26,373,000)* were pledged to secure certain of the Group's bank loans *(note 25)*.

21. Cash and Cash Equivalents

		Group		Company	
		2012	2011	**2012**	2011
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Cash and bank balances		**224,247**	181,470	**29**	29
Less: Bank balances pledged for bank loans repayable within one year	25	**(64,090)**	(23,750)	**–**	–
Cash and cash equivalents		**160,157**	157,720	**29**	29

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$195,484,000 *(2011: HK$159,072,000)*. 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.

22. 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	
	2012	2011
	HK$'000	HK$'000
Current to 1 month	**39,765**	39,344
1 to 2 months	**13,766**	1,899
2 to 3 months	**2,056**	161
Over 3 months	**5,188**	1,652
	60,775	43,056

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

23. Other Creditors and Accruals

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other creditors	**24,546**	18,471	**78**	8
Accruals	**5,595**	9,816	**138**	143
	30,141	28,287	**216**	151

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

24. Derivative Financial Instruments

	2012		2011	
	Assets	**Liabilities**	Assets	Liabilities
Group	**HK$'000**	**HK$'000**	HK$'000	HK$'000
Forward currency contracts	**–**	**–**	–	206
Interest rate swaps	**–**	**204**	–	301
Equity contracts	**143**	**137**	24	415
	143	**341**	24	922

25. Interest-Bearing Bank and Other Borrowings

Group	2012 Effective interest rate (%)	2012 Maturity	2012 HK$'000	2011 Effective interest rate (%)	2011 Maturity	2011 HK$'000
Current						
Trust receipt loans	LIBOR+2%	2012	6,551	LIBOR+1.5%	2011	7,611
Bank loans – unsecured	LIBOR+3%	2012–2013	8,282	HIBOR+2% to LIBOR+3%	2011–2012	9,500
Bank loans – secured	HIBOR+1.1% to HIBOR +2.8%	2012	75,685	HIBOR+1.1% to People's Bank of China benchmark interest rate	2011–2012	65,327
Other loans – secured	Prime – 1%	2012–2013	6,872			–
			97,390			82,438
Non-current						
Bank loans – unsecured	LIBOR+3%	2013–2014	8,282	LIBOR+3%	2012–2014	16,608
Other loans – secured	Prime – 1%	2013–2014	10,251			–
			18,533			16,608
			115,923			99,046

	Group 2012 HK$'000	Group 2011 HK$'000
Analysed into:		
Bank and other loans repayable:		
Within one year or on demand	**97,390**	82,438
In the second year	**15,452**	8,304
In the third to fifth years, inclusive	**3,081**	8,304
Total	**115,923**	99,046

At the end of the reporting period, except for certain bank and other loans denominated in United States dollars ("US$") equivalent to HK$52,000,000 *(2011: HK$52,637,000)* and, as at 31 March 2011, a bank and other loan denominated in RMB equivalent to HK$29,687,000, all the bank and other loans were denominated in Hong Kong dollars.

25. Interest-Bearing Bank and Other Borrowings (continued)

At the end of the reporting period, certain of the Group's bank loans are secured by:

(i) pledge of certain of the Group's bank balances amounting to HK$64,090,000 *(2011: HK$23,750,000)*;

(ii) pledge of all of the Group's Hong Kong listed equity investments amounting to HK$20,931,000 *(2011: HK$26,373,000)*; and

(iii) pledged of certain of the Group's machinery and equipment located in the PRC, which had an aggregate carrying value of HK$16,056,000 *(2011: Nil)* at the end of the reporting period.

Apart from the above, as at 31 March 2011, certain of the Group's bank loans were also secured by:

(i) mortgages over the Group's buildings located in the PRC, which had an aggregate carrying value of HK$32,867,000 as at 31 March 2011; and

(ii) mortgages over the Group's prepaid land lease payments located in the PRC, which had an aggregate carrying value of HK$14,792,000 as at 31 March 2011.

26. 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 and impairment	**Loss available for offsetting against future taxable profits**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 April 2010	15,498	(21,098)	(5,600)
Deferred tax charged/(credited) to the income statement during the year *(note 9)*	6,150	(850)	5,300
At 31 March 2011 and 1 April 2011	21,648	(21,948)	(300)
Deferred tax charged/(credited) to the income statement during the year *(note 9)*	(13,000)	11,000	(2,000)
At 31 March 2012	8,648	(10,948)	(2,300)

26. Deferred Tax (continued)

Deferred tax liabilities/(assets) (continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2012	2011
	HK$'000	HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	**(2,300)**	(2,300)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**–**	2,000
	(2,300)	(300)

As at 31 March 2012, the Group had estimated tax losses arising in Hong Kong of approximately HK$51,110,000 *(2011: approximately HK$35,927,000)* that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also had estimated tax losses arising in PRC of approximately HK$97,223,000 *(2011: HK$78,594,000)* that will expire in one to five years. Deferred tax assets have not been recognised in respect of the tax losses amounted to HK$99,764,000 *(2011: HK$21,737,000)* 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.

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

27. Share Capital

Shares

	2012	2011
	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 *(2011: 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 28 to the financial statements.

28. 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.

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.

No share options had been granted, exercised or lapsed during the year ended 31 March 2012 and there were no outstanding share options as at 31 March 2012 and 31 March 2011.

29. 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 26 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 2010	91,483	38,295	48,828	178,606
Total comprehensive loss for the year	–	–	(138)	(138)
At 31 March 2011 and 1 April 2011	91,483	38,295	48,690	178,468
Total comprehensive loss for the year	–	–	(322)	(322)
At 31 March 2012	91,483	38,295	48,368	178,146

The Company's contributed surplus is derived from the difference between the combined net assets of the subsidiaries acquired and the nominal value of the Company's shares issued pursuant to the same reorganisation described in note 29(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.

30. Contingent Liabilities

The Company has provided certain banks with corporate guarantees of HK$222 million *(2011: HK$269 million)* to secure banking facilities granted to subsidiaries. At 31 March 2012, the facilities were utilised to the extent of HK$98,799,000 *(2011: HK$69,359,000)*.

On 8 December 2011, Daisho Microline Limited ("DML"), a subsidiary of the Company, is currently a defendant in a lawsuit brought by a third party in respect of alleged sales commission payable amounting to US$532,000 and RMB110,000 (equivalent to HK$4,261,000) in aggregate for the period from 1 April 2008 to 31 March 2011. As the court action is at a pre-mature stage of the proceedings, upon the legal advice of the Group's legal adviser, the directors believe that it is not practicable to form a view as to the probable outcome of this case. However, the directors are of the opinion that the claim is unlikely to succeed on the merits of the case and, therefore, no material liability is likely to result therefrom.

31. 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	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**590**	78	–	–
In the second to fifth years, inclusive	**99**	–	–	–
	689	78	–	–

32. Commitments

In addition to the operating lease commitments detailed in note 31 above, the Group and the Company had the following capital commitments at the end of the reporting period:

	Group		Company	
	2012	2011	**2012**	2011
	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	**440**	–	–	–

33. 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	
	2012	2011
	HK$'000	HK$'000
Sale of printed circuit boards to a related party	**47,522**	46,593

Printed circuit boards were sold to a subsidiary of Daisho Denshi Co., Ltd., a substantial shareholder of the Company who has 10.41% equity interests in 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 18 to the financial statements.

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

	2012	2011
	HK$'000	HK$'000
Short term employee benefits	**6,778**	6,982
Post-employment benefits	**339**	311
Total compensation paid to key management personnel	**7,117**	7,293

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 continuing connected transactions as defined in Chapter 14A of the Listing Rules.

34. 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:

2012

Financial assets

		Group			
	Notes	Loans and receivables HK$'000	Available-for-sale investment HK$'000	Financial assets at fair value through profit or loss – held for trading HK$'000	Total HK$'000
Trade debtors and bills receivable	18	55,577	–	–	55,577
Financial assets included in sundry debtors, prepayments and deposits	19	9,316	–	–	9,316
Other financial assets at fair value through profit or loss	20	–	–	23,410	23,410
Available-for-sale investment	16	–	19,281	–	19,281
Derivative financial instruments	24	–	–	143	143
Pledged bank balances	21	64,090	–	–	64,090
Cash and cash equivalents	21	160,157	–	–	160,157
		289,140	19,281	23,553	331,974

Financial liabilities

		Group		
	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	22	–	60,775	60,775
Financial liabilities included in other creditors and accruals	23	–	24,546	24,546
Derivative financial instruments	24	341	–	341
Interest-bearing bank and other borrowings	25	–	115,923	115,923
		341	201,244	201,585

34. 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)

2011

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 and bills receivable	18	64,929	–	64,929
Financial assets included in sundry debtors, prepayments and deposits	19	14,957	–	14,957
Other financial assets at fair value through profit or loss	20	–	27,558	27,558
Derivative financial instruments	24	–	24	24
Pledged bank balances	21	23,750	–	23,750
Cash and cash equivalents	21	157,720	–	157,720
		261,356	27,582	288,938

Financial liabilities

		Group		
	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	22	–	43,056	43,056
Financial liabilities included in other creditors and accruals	23	–	18,471	18,471
Derivative financial instruments	24	922	–	922
Interest-bearing bank and other borrowings	25	–	99,046	99,046
		922	160,573	161,495

34. 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	
		2012	2011
	Notes	**HK$'000**	HK$'000
Due from a subsidiary	14	**155,223**	155,480
Cash and cash equivalents	21	**29**	29
		155,252	155,509

Financial liabilities

		Financial liabilities at amortised cost	
		2012	2011
	Note	**HK$'000**	HK$'000
Financial liabilities included in other creditors and accruals	23	**78**	8

35. Fair Value and Fair Value Hierarchy

The carrying amounts and fair values of the Group's and the Company's financial instruments are as follows:

Group

	Carrying amounts		Fair values	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Cash and cash equivalents	**160,157**	157,720	**160,157**	157,720
Pledged bank balances	**64,090**	23,750	**64,090**	23,750
Trade debtors and bills receivable	**55,577**	64,929	**55,577**	64,929
Financial assets included in sundry debtors, prepayments and deposits	**9,316**	14,957	**9,316**	14,957
Other financial assets at fair value through profit or loss	**23,410**	27,558	**23,410**	27,558
Derivative financial instruments	**143**	24	**143**	24
	312,693	288,938	**312,693**	288,938
Financial liabilities				
Trade creditors	**60,775**	43,056	**60,775**	43,056
Financial liabilities included in other creditors and accruals	**24,546**	18,471	**24,546**	18,471
Derivative financial instruments	**341**	922	**341**	922
Interest-bearing bank and other borrowings	**115,923**	99,046	**115,923**	99,046
	201,585	161,495	**201,585**	161,495

35. Fair Value and Fair Value Hierarchy (continued)

Company

	Carrying amounts		Fair values	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Cash and cash equivalents	**29**	29	**29**	29
Due from a subsidiary	**155,223**	155,480	**155,223**	155,480
	155,252	155,509	**155,252**	155,509
Financial liabilities				
Financial liabilities included in other creditors and accruals	**78**	8	**78**	8

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair values of cash and cash equivalents, pledged bank balances, trade debtors and bills receivable, trade creditors, financial assets included in sundry debtors, prepayments and deposits, financial liabilities included in other creditors and accruals, and amount due from a subsidiary approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

The fair values of other financial assets at fair value through profit and loss are based on quoted market prices. The fair values of derivative financial instruments, including forward currency contracts, interest rate swap and equity contracts, have been estimated using a valuation technique based on assumptions that are supported by observable market prices or rates.

35. Fair Value and Fair Value Hierarchy (continued)

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values 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 any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

Assets measured at fair value

As at 31 March 2012

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Other financial assets at fair value through profit or loss	**23,410**	**–**	**–**	**23,410**
Derivative financial instruments	**–**	**143**	**–**	**143**
	23,410	**143**	**–**	**23,553**

As at 31 March 2011

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Other financial assets at fair value through profit or loss	27,558	–	–	27,558
Derivative financial instruments	–	24	–	24
	27,558	24	–	27,582

35. Fair Value and Fair Value Hierarchy (continued)

Liabilities measured at fair value

As at 31 March 2012

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Derivative financial instruments	–	341	–	341

As at 31 March 2011

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Derivative financial instruments	–	922	–	922

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 *(2011: Nil)*.

The Company did not have any financial assets and liabilities measured at fair value as at 31 March 2012 *(2011:Nil)*.

36. 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 bills receivable and trade creditors, which arise directly from its operations.

The Group also enters into derivative transactions, including principally interest rate swaps and foreign currency forward contracts for the purposes of managing the interest rate and foreign currency risk arising from the Group's operations and its sources of finance.

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.

36. 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 and other borrowings of the Group are disclosed in note 25 to the financial statements.

The Group's policy is to minimise the interest rate risk for interest-bearing bank and other borrowings with an original tenor of more than one year by fixing the interest rate at the commencement of the tenor. The Group may make use of interest rate swaps transactions in order to effect fixed interest rates for such borrowings if required. In the prior year, the Group's policy was to keep interest-bearing borrowings at floating interest rates if the fixed rates of borrowings would be above 6% p.a. or there was an expected continuous drop in interest rates or the remaining tenure of the borrowings would be less than one year.

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

		Group	
	Increase/ (decrease) in basis points	**Increase/ (decrease) in loss before tax HK$'000**	**Increase/ (decrease) in equity* HK$'000**
2012			
Hong Kong dollar interest rate	**100**	**429**	**–**
Hong Kong dollar interest rate	**(100)**	**(429)**	**–**

		Group	
	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity* HK$'000
2011			
Hong Kong dollar interest rate	100	(713)	–
Hong Kong dollar interest rate	(100)	713	–

* Excluding retained profits

36. 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 and expected fluctuation 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 profit/(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**
2012			
If Hong Kong dollar weakens against USD	**0.5** #	**(49)**	**–**
If Hong Kong dollar strengthens against USD	**(0.5)** #	**49**	**–**
If Hong Kong dollar weakens against RMB	**10.0**	**6,244**	**–**
If Hong Kong dollar strengthens against RMB	**(1.0)**	**(624)**	**–**

	Increase/ (decrease) in exchange rates	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity*
	%	HK$'000	HK$'000
2011			
If Hong Kong dollar weakens against USD	0.5 #	115	–
If Hong Kong dollar strengthens against USD	(0.5) #	(115)	–
If Hong Kong dollar weakens against RMB	10.0	(6,653)	–
If Hong Kong dollar strengthens against RMB	(1.0)	665	–

Because HKD is pegged to USD and the Hong Kong Monetary Authority has committed that it will intervene 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

36. 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 16% *(2011: 23%)* and 59% *(2011: 62%)* 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 18 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 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 2012, 84% *(2011: 84%)* 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 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

	2012		
	Less than 12 months HK$'000	**1 to 5 years HK$'000**	**Total HK$'000**
Trade creditors	**60,775**	**–**	**60,775**
Financial liabilities included in other creditors and accruals	**24,546**	**–**	**24,546**
Derivative financial instruments	**341**	**–**	**341**
Interest-bearing bank and other borrowings	**98,483**	**19,036**	**117,519**
	184,145	**19,036**	**203,181**

36. Financial Risk Management Objectives and Policies (continued)

Liquidity risk (continued)

	2011		
	Less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Trade creditors	43,056	–	43,056
Financial liabilities included in other creditors and accruals	18,471	–	18,471
Derivative financial instruments	922	–	922
Interest-bearing bank and other borrowings	84,865	17,243	102,108
	147,314	17,243	164,557

At 31 March 2012, the Company had financial liabilities included in other creditors and accruals that were repayable within one year of approximately HK$78,000 *(2011: approximately HK$8,000)*.

At 31 March 2012, the Company had financial liability of guarantees given to banks in connection with facilities granted to subsidiaries of approximately HK$98,799,000 *(2011: HK$69,359,000)*.

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 20)* and derivative financial instruments as at 31 March 2012. Most of the Group's listed investments are listed on the Hong Kong Stock Exchange and are valued at quoted market prices at the end of the reporting period.

36. Financial Risk Management Objectives and Policies (continued)

Market price risk (continued)

The market equity index for the Hong Kong 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 2012	**High/low 2012**	31 March 2011	High/low 2011
Hong Kong – Hang Seng Index	**20,556**	**24,468/ 16,170**	23,527	24,434/ 18,971

The following table demonstrates the sensitivity to every 5% change in the fair values of the listed equity investments, with all other variables held constant, of the Group's profit/(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**
2012			
Equity investments	**23,410**	**1,171**	**–**

	Carrying amount HK$'000	Increase/ decrease in profit before tax HK$'000	Increase/ decrease in equity* HK$'000
2011			
Equity investments	27,558	1,378	–

* Excluding retained profits

36. 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 profit/(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**
2012			
Derivative financial instruments	**10**	**(174)**	**–**
	(10)	**1,026**	**–**

	Increase/ (decrease) in equity market price	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity*
	%	HK$'000	HK$'000
2011			
Derivative financial instruments	10	411	–
	(10)	(1,038)	–

* Excluding retained profits

36. Financial Risk Management Objectives and Policies (continued)

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is required to comply with certain externally imposed capital requirements set out in certain of its banking facilities agreements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2012 and 2011.

The Group monitors capital using a gearing ratio, which is the interest-bearing bank and other borrowings divided by total capital. Capital includes equity attributable to owners of the Company. The Group's policy is to maintain the gearing ratio below 50%. The gearing ratios as at the end of the reporting period were as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Interest-bearing bank and other borrowings	**115,923**	99,046
Equity attributable to owners of the Company	**402,560**	473,327
Gearing ratio	**29%**	21%

37. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 25 June 2012.