Annual Report 2009

DAISHO MICROLINE HOLDINGS LIMITED
大昌微綫集團有限公司

Stock Code : 0567

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CORPORATE INFORMATION AND FINANCIAL CALENDAR

Board of Directors

Executive directors

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

Independent non-executive directors

Kohu Kashiwagi
Chan Yuk Tong
Li Chi Kwong

Company Secretary

Au-Yeung Wai Hung

Principal Bankers

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

Auditors

Ernst & Young

Legal Advisers in Hong Kong

Woo, Kwan, Lee and Lo

Legal Advisers in Bermuda

Appleby

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Head Office and Principal Place of Business

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

Principal Registrar

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudian Road
Pembroke
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:
15 December 2008

Annual Results:
21 July 2009

Annual General Meeting

11 September 2009 (Friday)

Dividends

Interim dividend:	Nil
Proposed final dividend:	Nil

BIOGRAPHICAL INFORMATION OF DIRECTORS

Executive Directors

Chan Sik Ming Harry, aged 55, has been an Executive Director of the Company since 1990. He is now the Chairman and the Chief Executive Officer of the Company responsible for the overall strategic planning for the Group. Mr. Chan graduated from the University of Hitotsubashi in Japan with a Bachelor of Arts degree in Commerce in 1978. He has over 28 years of experience in the electronics industry.

Motofumi Tsumura, aged 46, has been an Executive Director of the Company since October 1999. Mr. Tsumura graduated from the University of Seijo in Japan with a Business Management degree in 1985. He has over 24 years of experience in the electronics industry.

Hiroto Sasaki, aged 69, has been an Executive Director of the Company since October 2001. Mr. Sasaki is the Chairman of Daisho Denshi Co., Ltd., a substantial shareholder of the Company. He has over 42 years of experience in the manufacture of printed circuit boards.

Hiroyuki Kikuchi, aged 69, has been an Executive Director of the Company since November 2003. He has over 44 years of experience in the manufacture of printed circuit boards.

Au-Yeung Wai Hung, aged 42, has been an Executive Director of the Company since November 2003. He has been the Company Secretary and the Financial Controller of the Company since July 1996. Mr. Au-Yeung graduated from The Hong Kong Polytechnic in 1988 with a Professional Diploma in Accountancy. He also obtained a Bachelor of Arts degree in Accountancy from the Hong Kong Polytechnic University in 1996 and a Master of Business degree in E-Commerce from the Curtin University of Technology in Australia in 2002. He is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He has over 21 years of experience in areas related to accounting, auditing, taxation, Company Secretarial, financial management, personnel management and information technology management.

BIOGRAPHICAL INFORMATION OF DIRECTORS

Independent Non-Executive Directors

Kohu Kashiwagi, aged 69, has been an Independent Non-Executive Director of the Company since 1996. Mr. Kashiwagi has over 39 years of experience in the electronics industry.

Chan Yuk Tong, aged 47, has been an Independent Non-Executive Director of the Company since September 2004. He obtained a Bachelor degree in Commerce from the University of Newcastle in Australia and a Master degree of Business Administration from the Chinese University of Hong Kong. He is a practising fellow member of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. Mr. Chan has over 20 years of experience in corporate finance, financial advisory and management, professional accounting and auditing. He is currently a shareholder and a director of a CPA firm and a financial consulting firm in Hong Kong. He is also an executive director of Asia Cassava Resources Holdings Limited, a non-executive director of Vitop Bioenergy Holdings Limited and an independent non-executive director of BYD Electronic (International) Company Limited, Global Sweeteners Holdings Limited, Jia Sheng Holdings Limited (formerly known as Carico Holdings Limited), Kam Hing International Holdings Limited and Sichuan Xinhua Winshare Chainstore Co., Ltd., all of which are listed companies in Hong Kong. He is also an independent non-executive director of Anhui Conch Cement Company Limited, which is a listed company in Hong Kong and Shanghai. Mr. Chan was also an independent non-executive director of China Pipe Group Limited (formerly known as World Trade Bun Kee Limited), a listed company in Hong Kong, during the period from 1 January 2007 to 3 July 2007.

Li Chi Kwong, aged 56, has been appointed an Independent Non-Executive Director of the Company since December 2005. Dr. Li holds a Doctor of Philosophy degree from the University of Westminster in the United Kingdom and a Master of Science degree in Cybernetics from the London University in the United Kingdom. He also holds numerous professional qualifications in engineering, including Chartered Engineer, Member of the Institute of Mechanical Engineers, Fellow of the Institute of Engineering and Technology, Fellow of the Hong Kong Institute of Engineers, Senior Member of the Institute of Electrical and Electronic Engineers Inc., Fellow of the Hong Kong Association of the Advancement of Science and Technology, and he is also a Register Professional Engineer.

Dr. Li is at present an Associate Professor in the Department of Electronic and Information Engineering in the Hong Kong Polytechnic University where he has taught since January 1985. He has over 32 years of experience in the academic field relating to engineering and he has published about 150 technical papers in international journals and conferences. Dr. Li also serves in many professional and government committees.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's revenue for the current year was about HK$435 million, down 31% from last year. The Group's net loss after tax for the current year was about HK$20 million in contrast with the net profit of about HK$68 million for last year. The decrease in the Group's revenue was mainly caused by the reduction in the sales orders for the Group's printed circuit boards ("PCB") due to the economic downturn as caused by the global financial tsunami since October 2008 and the decease in the Group's PCB average selling price due to the strategic reason to broaden the customer base of the Group. During the current year, the Group's PCB average selling price of non high density inter-connect ("HDI") PCB and HDI PCB decreased by 14% and remained stable respectively as compared to that of last year.

The Group's gross profit margin decreased from 33% in last year to 12% in current year. Apart from the reduction in the Group's PCB sales orders and decrease in the Group's non-HDI PCB average selling price as mentioned above, the increase in the raw material costs due to the jump in the prices of non-ferrous metals such as copper and gold, etc. and the increase in the production costs due to the appreciation of Renminbi ("RMB") currency during the first half of the current year also reduced the gross profit margin. The average exchange rate for RMB against HK$ for the current year appreciated about 8% as compared to that of last year.

Furthermore, the fair value losses of listed equity investments and equity contracts for the current year was about HK$23 million, due to the slump in the shares prices of the Hong Kong stock market since October 2008. Hence, the Group's operating results for the current year was less satisfactory.

Financial Review

The Group's gearing ratio (defined as net debt divided by capital plus net debt) at 31 March 2009 was not applicable *(31 March 2008: 12%)* as the Group's cash and cash equivalents exceed its debt. The Group's current ratios at 31 March 2009 and 31 March 2008 were 2.18 times and 1.42 times respectively. The Group's PCB operations generated net cash inflow of about HK$13 million during the current year.

As at 31 March 2009, the Group's interest-bearing bank and other borrowings amounting to HK$52,993,000 *(31 March 2008: HK$31,340,000)* out of which HK$29,406,000 *(31 March 2008: HK$27,150,000)* were repayable within the next 12 months. These borrowings were all denominated in either Hong Kong dollars or United States dollars, originally repayable monthly over 3 years (except for the bank borrowings as at 31 March 2009 totalling HK$3,615,000 *(31 March 2008: HK$1,068,000)* which were originally repayable within 3 months) and subjected to floating interest rates for all *(31 March 2008: all)* of them. The Group has not adopted any interest rate hedging tool for these borrowings. Certain machinery and equipment of the Group with an aggregate net book value at 31 March 2009 of HK$38,572,000 *(31 March 2008: HK$79,169,000)* were pledged to secure these borrowings.

As at 31 March 2009, the Group's assets and liabilities were mostly denominated in either HK$, US$ or RMB. Because the exchange rate for US$ against HK$ is relatively stable in Hong Kong for the moment, the Group has not adopted any hedging tool against its assets or liabilities denominated in US$. However, the Group made use of foreign exchange forward contracts during the current year to mitigate the effect on the increase of operating expenses to be paid in RMB due to the expected appreciation of RMB.

Employee Benefits

As at 31 March 2009, the Group had 1,179 *(31 March 2008: 1,770)* employees, including directors, working mainly in Mainland China. For the year ended 31 March 2009, the Group's total staff costs including directors' remuneration were HK$47,726,000 *(2008: HK$54,126,000)*.

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

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

Outlook

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

Furthermore, with the support from Daisho Denshi Co., Ltd. which is one of the Company's substantial shareholders and also one of the top manufacturers of highly delicate PCB in Japan, the Group is ahead of its competitors as the Group is now capable of manufacturing the more advance level of HDI PCB for mobile phones, which is demanded by most of the telecommunication product customers.

In order to further broaden its customer base, the Group developed market in Germany in 2008. Possessed with proven experience in manufacturing quality PCB for a famous Japanese automobile customer, the Group has succeeded in obtaining PCB sales orders from January 2009 onwards from a Germany manufacturer who produces parts for world-renowned automobiles.

Outlook *(continued)*

The Group is aware that the outbreak of global financial tsunami since October 2008 may affect the operating environment of the Group and it has adopted various means to alleviate the impact. It is noteworthy that, since October 2008, the continuous reduction in the purchase prices of non-ferrous metals and the stability of RMB will enable the Group to reduce the direct costs of sales. Although the road ahead may be full of challenges, the Group is capable of confronting them in view of its healthy financial position.

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 2009.

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 2009 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 24 to 94.

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				
	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	**435,247**	630,837	750,449	623,238	258,237
PROFIT/(LOSS) BEFORE TAX	**(28,073)**	91,540	163,354	130,175	(14,265)
Tax	**8,009**	(23,949)	(20,742)	(21,121)	–
PROFIT/(LOSS) FOR THE YEAR	**(20,064)**	67,591	142,612	109,054	(14,265)
Attributable to:					
Equity holders of the Company	**(20,064)**	67,591	142,612	109,054	(14,265)

Summary Financial Information *(continued)*

ASSETS AND LIABILITIES	As at 31 March				
	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TOTAL ASSETS	**574,756**	653,606	563,338	502,942	247,119
TOTAL LIABILITIES	**(126,727)**	(197,359)	(189,750)	(265,601)	(122,569)
	448,029	456,247	373,588	237,341	124,550

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

Share Capital and Share Options

There were no movements in either the Company's authorised or issued share capital and share options during the year. Details of the Company's authorised and issued share capital and share options during the year are set out in notes 28 and 29 to the financial statements.

Pre-emptive Rights

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

Purchase, Redemption or Sale of Listed Securities of the Company

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

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 30(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

REPORT OF THE DIRECTORS

Distributable Reserves

At 31 March 2009, the Company's reserves available for cash distribution and distribution in specie were HK$87,225,000 (2008: HK$87,311,000). In addition, the Company's share premium account, in the amount of HK$91,483,000 (2008: 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	25%
– Five largest suppliers	60%

b. Percentage of sales attributable to the:

– Largest customer	15%
– Five largest customers	54%

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

Directors

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

Executive Directors:

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

Independent Non-Executive Directors:

Kohu Kashiwagi
Chan Yuk Tong
Li Chi Kwong

Directors *(continued)*

According to the Company's private act known as "The Juko Laboratories Holdings Limited Company Act 1990", which is an Act of the Company 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 99(A) of the Company's bye-laws, Mr. Au-Yeung Wai Hung, Mr Chan Yuk Tong and Mr. Li Chi Kwong will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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

Directors' Biographies

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

Directors' Service Contracts

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

Directors' Remuneration

Directors' remuneration is determined by the Company's Remuneration Committee with reference to 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 2009, 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
Au-Yeung Wai Hung	4,200,000	–	4,200,000	0.87
Hiroto Sasaki	2,950,000	–	2,950,000	0.61

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

Save as disclosed above, as at 31 March 2009, none of the directors had registered an interest or short position in the shares and underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in the share option scheme disclosures in note 29 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

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

At 31 March 2009, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

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

Save as disclosed above, as at 31 March 2009, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Continuing Connected Transactions

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

During the year, the Group had continuing connected transactions with Daisho Denshi (H.K.) Limited, a subsidiary of Daisho Denshi Co., Ltd., a substantial shareholder of the Company who has significant influence over the Group, for the sale of printed circuit boards amounting to approximately HK$67 million (2008: approximately HK$73 million) which are conducted in the ordinary and usual course of the Group's business.

Pursuant to the Company's special general meeting on 16 March 2007, an ordinary resolution was passed to approve the sales transactions with Daisho Denshi Co., Ltd. and its subsidiary (the "Daisho Denshi Group") and the maximum aggregate annual values for these sales transactions were set at HK$132 million, HK$158 million and HK$190 million for the financial years ended/ending 31 March 2008, 2009 and 2010, respectively.

Continuing Connected Transactions *(continued)*

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

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

(ii) on normal commercial terms;

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

(iv) with an aggregate annual value of these sales transactions not exceeding HK$158 million for the year ended 31 March 2009.

In the opinion of the directors of the Company, the continuing connected transactions during the year ended 31 March 2009 have been entered into in the manner stated above.

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

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

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

(iii) have not exceeded the annual cap of HK$158 million for the year ended 31 March 2009.

Sufficiency of Public Float

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

Remuneration Committee

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

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

REPORT OF THE DIRECTORS

Director's Interest in a Competing Business

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

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

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

Auditors

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

ON BEHALF OF THE BOARD

Chan Sik Ming, Harry
Chairman

Hong Kong
21 July 2009

CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

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

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

The Company's corporate governance practices are based on the principles and the code provisions ("Code Provisions") as set out in the CG Code of the Listing Rules. The Company has applied and complied with most of the applicable Code Provisions throughout the year ended 31 March 2009 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 2009.

Board of Directors

Board composition and practice

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

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

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

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

Board of Directors *(continued)*

Board composition and practice *(continued)*

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

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

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

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

Chairman and Chief Executive Officer

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

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

Non-Executive Directors

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

The independent non-executive directors of the Company do not have a specific term of appointment, but are subject to retirement by rotation and re-election in accordance with the relevant provisions of the Company's bye-laws.

Re-election of Directors

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

According to the Company's private act known as "The Juko Laboratories Holdings Limited Company Act 1990", which is an Act of the Company 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.

Board Committees

Remuneration Committee

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

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

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

The Remuneration Committee is responsible for formulating formal and transparent remuneration policies, and for approving the remuneration packages of directors. In determining the emolument payable to directors, it takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and the justification of performance-based remuneration.

Board Committees *(continued)*

Remuneration Committee *(continued)*

For the year ended 31 March 2009, one Remuneration Committee meeting was held to discuss and approve the directors' performance bonus for the year ended 31 March 2008 and advise on the remuneration of the directors. In developing remuneration policies and making recommendation as to the remuneration of the directors, the Remuneration Committee takes into account the performance of the Group as well as those individual directors.

Audit Committee

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

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

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

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the audited consolidated financial statements of the Group for the year ended 31 March 2009 and agreed with all the accounting treatments which have been adopted therein.

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

Board Committees *(continued)*

Audit Committee *(continued)*

During the year ended 31 March 2009, the services and associated remuneration provided by Ernst & Young to the Group were as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Audit services	670	695
Other services	59	264

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

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

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

There were five board meetings, two audit committee meetings and one remuneration committee meeting held during the year ended 31 March 2009. The Board meets regularly and additional meeting are convened when deemed necessary by the Board.

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

Name of director	Attendance/ Number of Board Meeting	Attendance/ Number of Audit Committee Meeting	Attendance/ Number of Remuneration Committee Meeting
Chan Sik Ming, Harry *(Chairman & CEO)*	5/5	N/A	1/1
Motofumi Tsumura	0/5	N/A	N/A
Hiroto Sasaki	2/5	N/A	N/A
Hiroyuki Kikuchi	2/5	N/A	N/A
Au-Yeung Wai Hung	5/5	N/A	1/1
Kohu Kashiwagi	0/5	0/2	0/1
Chan Yuk Tong	4/5	2/2	1/1
Li Chi Kwong	5/5	2/2	1/1

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 2009.

Nomination of Directors

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

Directors' Responsibility for the Financial Statements

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

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

A statement by the auditors about their reporting responsibilities is set out on page 22 to 23 of this annual report.

ERNST & YOUNG
安 永

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

We have audited the financial statements of Daisho Microline Holdings Limited set out on pages 24 to 94, which comprise the consolidated and company balance sheets as at 31 March 2009, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

ERNST & YOUNG
安 永

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

Auditors' Responsibility *(continued)*

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2009 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
21 July 2009

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
REVENUE	4	435,247	630,837
Cost of sales		(383,250)	(425,780)
Gross profit		51,997	205,057
Other income and gains	4	7,636	23,587
Selling and distribution costs		(30,334)	(47,638)
Administrative expenses		(30,579)	(35,387)
Other expenses		(2,003)	(12,331)
Fair value gains/(losses), net on:			
Other financial assets at fair value through profit or loss	6	(19,678)	1,102
Derivative financial instruments	6	(2,901)	(39,474)
Finance costs	8	(2,211)	(3,376)
PROFIT/(LOSS) BEFORE TAX	6	(28,073)	91,540
Tax	9	8,009	(23,949)
PROFIT/(LOSS) FOR THE YEAR		(20,064)	67,591
Attributable to equity holders of the Company	10	(20,064)	67,591
DIVIDEND	11		
Interim		–	19,210
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
Basic		HK(4.18) cents	HK14.07 cents
Diluted		N/A	HK14.02 cents

CONSOLIDATED BALANCE SHEET

31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**351,341**	381,507
Prepaid land lease payments	14	**4,403**	4,443
Deposits paid for acquisition of items of property, plant and equipment		**5,379**	6,239
Total non-current assets		**361,123**	392,189
CURRENT ASSETS			
Inventories	16	**26,124**	51,122
Trade debtors	17	**33,143**	66,503
Available-for-sale investment	19	**–**	16,644
Other financial assets at fair value through profit or loss	20	**24,242**	31,112
Derivative financial instruments	24	**572**	1,948
Sundry debtors, prepayments and deposits	18	**7,464**	11,442
Tax recoverable		**67**	–
Restricted bank balance	21	**4,746**	–
Cash and cash equivalents	21	**117,275**	82,646
Total current assets		**213,633**	261,417
CURRENT LIABILITIES			
Trade creditors	22	**34,316**	76,071
Other creditors and accruals	23	**23,366**	35,348
Derivative financial instruments	24	**10,757**	45,169
Interest-bearing bank and other borrowings	25	**29,406**	27,150
Tax payable		**–**	352
Total current liabilities		**97,845**	184,090
NET CURRENT ASSETS		**115,788**	77,327

CONSOLIDATED BALANCE SHEET *(continued)*

31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**476,911**	469,516
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*25*	**23,587**	4,190
Deferred tax liabilities	*27*	**5,295**	9,079
Total non-current liabilities		**28,882**	13,269
Net assets		**448,029**	456,247
EQUITY			
Equity attributable to equity holders of the Company			
Issued share capital	*28*	**48,024**	48,024
Reserves	*30(a)*	**400,005**	408,223
Total equity		**448,029**	456,247

Chan Sik Ming, Harry
Director

Au-Yeung Wai Hung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2009

	Notes	Issued share capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Exchange equalisation reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total equity HK$'000
At 1 April 2007		48,061	92,031*	9,379*	9,820*	199,879*	14,418	373,588
Exchange realignment and total income and expense for the year recognised directly in equity		–	–	–	49,281	–	–	49,281
Profit for the year		–	–	–	–	67,591	–	67,591
Total income and expense for the year		–	–	–	49,281	67,591	–	116,872
Repurchase of shares	28	(37)	(548)	–	–	–	–	(585)
Final 2007 dividend declared		–	–	–	–	–	(14,418)	(14,418)
Interim 2008 dividend	11	–	–	–	–	(19,210)	–	(19,210)
At 31 March 2008 and 1 April 2008		48,024	91,483*	9,379*	59,101*	248,260*	–	456,247
Exchange realignment and total income and expense for the year recognised directly in equity		–	–	–	11,846	–	–	11,846
Loss for the year		–	–	–	–	(20,064)	–	(20,064)
Total income and expense for the year		–	–	–	11,846	(20,064)	–	(8,218)
At 31 March 2009		**48,024**	**91,483***	**9,379***	**70,947***	**228,196***	**–**	**448,029**

* *These reserve accounts comprise the consolidated reserves of HK$400,005,000 (2008: HK$408,223,000) in the consolidated balance sheet.*

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**(28,073)**	91,540
Adjustments for:			
Bank interest income	*4*	**(1,305)**	(2,689)
Interest income from an available-for-sale investment	*4*	**–**	(288)
Investment income	*4*	**(752)**	–
Dividend income from listed equity investments	*4*	**(408)**	–
Loss/(gain) on disposal of items of property, plant and equipment	*6*	**136**	(1,612)
Fair value losses/(gains), net on:			
Other financial assets at fair value through profit or loss	*6*	**19,678**	(1,102)
Derivative financial instruments – transactions not qualifying as hedges	*6*	**2,901**	39,474
Depreciation	*6*	**46,505**	37,230
Impairment of trade debtors	*6*	**320**	3,000
Provision against obsolete inventories	*6*	**3,475**	1,114
Reversal of impairment of trade debtors	*6*	**(1,520)**	–
Recognition of prepaid land lease payments	*14*	**138**	127
Finance costs	*8*	**2,211**	3,376
		43,306	170,170
Decrease in inventories		**23,059**	7,754
Decrease in trade debtors		**35,855**	19,223
Increase in other financial assets at fair value through profit or loss		**(12,808)**	(30,010)
Movement in derivative financial instruments, net		**(35,936)**	3,747
Decrease in sundry debtors, prepayments and deposits		**4,331**	2,480
Increase/(decrease) in trade creditors		**(42,340)**	10,917
Decrease in other creditors and accruals		**(7,460)**	(719)
Cash generated from operations		**8,007**	183,562
Interest received		**1,305**	2,977
Interest element on finance lease and hire purchase rental payments		**(618)**	(3,181)
Hong Kong profits tax refunded/(paid), net		**3,807**	(22,626)
Overseas profits tax paid		**–**	(8,198)
Net cash inflow from operating activities		**12,501**	152,534

CONSOLIDATED CASH FLOW STATEMENT *(continued)*

Year ended 31 March 2009

	Notes	2009 *HK$'000*	2008 *HK$'000*
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income		**752**	–
Dividend income from listed equity investments		**408**	–
Acquisition of items of property, plant and equipment		**(9,251)**	(71,435)
Deposits paid for acquisition of items of property, plant and equipment		**(5,379)**	(6,239)
Proceeds from disposal of items of property, plant and equipment		**1,810**	1,612
Proceeds from disposal of an available-for-sale investment		**16,644**	15,625
Purchase of available-for-sale investments		**–**	(16,644)
Net cash inflow/(outflow) from investing activities		**4,984**	(77,081)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repurchase of shares	*28*	**–**	(585)
Increase in restricted bank balance	*21*	**(4,746)**	–
Increase in trust receipt loans		**2,547**	1,068
Capital element of finance lease and hire purchase rental payments		**(26,072)**	(37,174)
New bank loans		**64,281**	–
Repayment of bank loans		**(19,103)**	(8,333)
Dividends paid		**–**	(33,628)
Interest paid		**(1,576)**	(276)
Net cash inflow/(outflow) from financing activities		**15,331**	(78,928)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**32,816**	(3,475)
Cash and cash equivalents at beginning of year		**82,646**	85,562
Effect of foreign exchange rate changes, net		**1,813**	559
CASH AND CASH EQUIVALENTS AT END OF YEAR		**117,275**	82,646
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*21*	**109,446**	75,102
Non-pledged time deposits with original maturity of less than three months when acquired	*21*	**7,829**	7,544
		117,275	82,646

BALANCE SHEET

31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	15	**70,916**	70,916
CURRENT ASSETS			
Due from a subsidiary	15	**155,724**	155,852
Sundry debtors, prepayments and deposits	18	**211**	169
Cash and cash equivalents	21	**30**	30
Total current assets		**155,965**	156,051
CURRENT LIABILITIES			
Accruals	23	**149**	149
NET CURRENT ASSETS		**155,816**	155,902
Net assets		**226,732**	226,818
EQUITY			
Issued share capital	28	**48,024**	48,024
Reserves	30(b)	**178,708**	178,794
Total equity		**226,732**	226,818

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 2009. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

2.2 Impact of New and Revised Hong Kong Financial Reporting Standards

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year's financial statements. The adoption of these new interpretations and amendments has had no significant effect on these financial statements.

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets*
HK(IFRIC)-Int 12	*Service Concession Arrangements*
HK(IFRIC)-Int 14	*HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

2.2 Impact of New and Revised Hong Kong Financial Reporting Standards *(continued)*

The principal effects of adopting these new interpretations and amendments to HKFRSs are as follows:

(a) *Amendments to* HKAS 39 *Financial Instruments: Recognition and Measurement and* HKFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets*

The amendments to HKAS 39 permit an entity to reclassify a non-derivative financial asset classified as held for trading, other than a financial asset designated by an entity as at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss category if the financial asset is no longer held for the purpose of selling or repurchasing in the near term, if specified criteria are met.

A debt instrument that would have met the definition of loans and receivables (if it had not been required to be classified as held for trading at initial recognition) may be classified out of the fair value through profit or loss category or (if it had not been designated as available for sale) may be classified out of the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold it for the foreseeable future or until maturity.

In rare circumstances, financial assets that are not eligible for classification as loans and receivables may be transferred from the held-for-trading category to the available-for-sale category or to the held-to-maturity category (in the case of a debt instrument), if the financial asset is no longer held for the purpose of selling or repurchasing in the near term.

The financial asset shall be reclassified at its fair value on the date of reclassification and the fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable. The amendments to HKFRS 7 require extensive disclosures of any financial asset reclassified in the situations described above. The amendments are effective from 1 July 2008.

As the Group has not reclassified any of its financial instruments, the amendments have had no impact on the financial position or results of operations of the Group.

(b) HK(IFRIC)-Int 12 *Service Concession Arrangements*

HK(IFRIC)-Int 12 applies to service concession operators and explains how to account for obligation undertaken and the rights received in service concession arrangements. No member of the Group is an operator and, therefore, this interpretation has had no impact on the financial position or results of the operations of the Group.

2.2 Impact of New and Revised Hong Kong Financial Reporting Standards
(continued)

(c) HK(IFRIC)-Int 14 HKAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 *Employee Benefits*, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, including situations when a minimum funding requirement exists. As the Group has no defined benefit scheme, the interpretation has no effect on these financial statements.

2.3 Impact of 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 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*[1]
HKFRS 1 (Revised)	*First-time Adoption of HKFRSs*[3]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*[1]
HKFRS 3 (Revised)	*Business Combinations*[3]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosure Improving Disclosures about Financial Instruments*[1]
HKFRS 8	*Operating Segments*[1]
HKAS 1 (Revised)	*Presentation of Financial Statements*[1]
HKAS 23 (Revised)	*Borrowing Costs*[1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[3]
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*[1]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*[3]
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendment to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement Embedded Derivatives*[2]

2.3 Impact of Issued but Not Yet Effective Hong Kong Financial Reporting Standards *(continued)*

HK(IFRIC)-Int 13	*Customer Loyalty Programmes*[4]
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*[1]
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*[5]
HK(IFRIC)-Int 17	*Distribution of Non-cash Assets to Owners*[3]
HK(IFRIC)-Int 18	*Transfers of Assets from Customers*[3]

Apart from the above, the HKICPA has issued Improvements to HKFRSs* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for annual periods beginning on or after 1 July 2009, amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods ending on or after 30 June 2009
3 Effective for annual periods beginning on or after 1 July 2009
4 Effective for annual periods beginning on or after 1 July 2008
5 Effective for annual periods beginning on or after 1 October 2008

* *Improvements to HKFRSs contains amendments to HKFRS 2, HKFRS 5, HKFRS 7, HKFRS 8, HKAS 1, HKAS 7, HKAS 8, HKAS 10, HKAS 16, HKAS 17, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40, HKAS 41, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16.*

The HKAS 27 Amendment requires all dividends from subsidiaries, associates or jointly-controlled entities to be recognised in the income statement in the separate financial statements. The amendment is applied prospectively only. The HKFRS 1 Amendment allows a first-time adopter of HKFRSs to measure its investments in subsidiaries, associates or jointly-controlled entities using a deemed cost of either fair value or the carrying amount under the previous accounting practice in the separate financial statements. The Group expects to adopt the HKAS 27 Amendment from 1 April 2009. The amendments have no impact on the consolidated financial statements. As the Group is not a first-time adopter of HKFRSs, the HKFRS 1 Amendment is not applicable to the Group.

2.3 Impact of Issued but Not Yet Effective Hong Kong Financial Reporting Standards *(continued)*

HKFRS 1 (Revised) requires a first-time adopter to comply with each HKFRS effective at the end of its first HKFRS reporting period. In particular, the HKFRS requires an entity to restate the opening HKFRS statement of financial position that it prepares as a starting point for its accounting under HKFRSs. Furthermore, the revised standard requires disclosures that explain how the transition from previous GAAP to HKFRSs affected the entity's reported financial position, financial performance and cash flows. As the Group is not a first-time adopter of HKFRSs, HKFRS 1 (Revised) is not applicable to the Group.

The HKFRS 2 Amendments clarify that vesting conditions are service conditions and performance conditions only. Any other conditions are non-vesting conditions. Where an award does not vest as a result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this is accounted for as a cancellation. The Group has not entered into share-based payment schemes with non-vesting conditions attached and therefore, the amendments are unlikely to have any significant implications on its accounting for share-based payments.

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without a loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The Group expects to adopt HKFRS 3 (Revised) and HKAS 27 (Revised) from 1 April 2010. The changes introduced by these revised standards must be applied prospectively and will affect future acquisitions, loss of control and transactions with minority interests.

The main change for amendments to HKFRS 7 is to add disclosure of any change in the method of determining fair value and the reasons for the change. It also adds disclosure for a three-level hierarchy for fair value measurements.

2.3 Impact of Issued but Not Yet Effective Hong Kong Financial Reporting Standards *(continued)*

HKFRS 8, which will replace HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocation resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group expects to adopt HKFRS 8 from 1 April 2009.

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income, with all items of income and expenses recognised in profit or loss, together with all other items of recognised income and expenses recognised directly in equity, either in one single statement, or in two linked statements. The Group expects to adopt HKAS 1 (Revised) from 1 April 2009.

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

The HKAS 32 Amendments provide a limited scope exception for puttable financial instruments and instruments that impose specified obligations arising on liquidation to be classified as equity if they fulfil a number of specified features. HKAS 1 Amendments require disclosure of certain information relating to these puttable financial instruments and obligations classified as equity. As the Group currently has no such financial instruments or obligations, the amendments are unlikely to have any financial impact on the Group.

The amendment to HKAS 39 addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. As the Group has not entered into any such hedges, the amendment is unlikely to have any financial impact on the Group.

The amendments to HKAS 39 and HK(IFRIC)-Int 9 require an entity to assess whether to separate an embedded derivative from a host contact in the case where the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. Such assessment shall be made either when the entity first became a party to the contract or when a change in the terms of the contract significantly modifies expected cash flows.

2.3 Impact of Issued but Not Yet Effective Hong Kong Financial Reporting Standards *(continued)*

HK(IFRIC)-Int 13 requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award scheme is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. As the Group currently has no customer loyalty award credits, the interpretation is not applicable to the Group and therefore is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 15 will replace HK Interpretation 3 *Revenue – Pre-completion Contracts for the Sale of Development Properties*. It clarifies when and how an agreement for the construction of real estate should be accounted for as a construction contract in accordance with HKAS 11 *Construction Contracts* or an agreement for the sale of goods or services in accordance with HKAS 18 *Revenue*. As the Group currently is not involved in any construction of real estate, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 16 provides guidance on the accounting for a hedge of a net investment in a foreign operation. This includes clarification that (i) hedge accounting may be applied only to the foreign exchange differences arising between the functional currencies of the foreign operation and the parent entity; (ii) a hedging instrument may be held by any entities within a group; and (iii) on disposal of a foreign operation, the cumulative gain or loss relating to both the net investment and the hedging instrument that was determined to be an effective hedge should be reclassified to the income statement as a reclassification adjustment. As the Group currently has no hedge of a net investment in a foreign operation, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 17 standardises practice in the accounting for non-reciprocal distributions of non-cash assets to owners. The Group expects to apply the interpretation from 1 January 2010 prospectively. The interpretation clarifies that (i) a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; (ii) an entity should measure the dividend payable at the fair value of the net assets to be distributed; and (iii) an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. Other consequential amendments were made to HKAS 10 *Events after the Balance Sheet Date* and HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. While the adoption of the interpretation may result in changes in certain accounting policies, the interpretation is unlikely to have any material financial impact on the Group.

2.3 Impact of Issued but Not Yet Effective Hong Kong Financial Reporting Standards *(continued)*

HK(IFRIC)-Int 18 clarifies the requirements of HKFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services. The interpretation is issued to provide additional guidance on the accounting for those transfers of assets from customers. It clarifies:

– the circumstances in which the definition of an asset is met;
– the recognition of the asset and the measurement of its cost on initial recognition;
– the identification of the separately identifiable services (one or more services in exchange for the transferred asset);
– the recognition of revenue; and
– the accounting for transfers of cash from customers.

The interpretation is unlikely to have any material financial impact on the Group.

In October 2008 and May 2009, the HKICPA issued its *Improvements to HKFRSs* and *Improvements to HKFRSs 2009* which set out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. The Group is in the process of making an assessment of the impact of these amendments upon initial application. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group.

2.4 Summary of Significant Accounting Policies

Subsidiaries

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

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

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 group of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

Related parties

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

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

(b) the party is an associate;

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

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

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

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

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

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 it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

2.4 Summary of Significant Accounting Policies *(continued)*

Property, plant and equipment and depreciation *(continued)*

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 balance sheet date.

An item of property, plant and equipment 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 are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

Leases *(continued)*

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

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modified the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

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.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. 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. Gains or losses on these financial assets are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest earned on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition" below.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

2.4 Summary of Significant Accounting Policies *(continued)*

Investments and other financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fee that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial asset

Available-for-sale financial asset is a non-derivative financial asset in a structured time deposit that is designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial asset is measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Interest and dividends earned 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. Losses arising from the impairment of such investments are recognised in the income statement as "Impairment losses on available-for-sale financial assets" and are transferred from the available-for-sale investment revaluation reserve.

When the fair value of the available-for-sale financial asset 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 securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial market is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using 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.

2.4 Summary of Significant Accounting Policies *(continued)*

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost 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 been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade and sundry debtors, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Available-for-sale financial asset

If an available-for-sale financial asset 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 transferred from equity to the income statement. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement. In addition, the Group evaluates other factors, such as share price volatility. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

Impairment losses on debt instruments are reversed through the income statement, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

2.4 Summary of Significant Accounting Policies *(continued)*

Derecognition of financial assets

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

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. 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.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade and other creditors and interest-bearing bank and other borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "Finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

2.4 Summary of Significant Accounting Policies *(continued)*

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading.

Financial liabilities 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. 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.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

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.

Derivative financial instruments

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

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement, unless the directors consider such gains or losses to be insignificant to the results of the Group.

The fair value of currency options and equity contracts are determined with reference to the fair value quoted by investment banks.

2.4 Summary of Significant Accounting Policies *(continued)*

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 cash flow statement, 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 balance sheets, except the restricted bank balance as detailed in note 21 to the financial statements, cash and cash equivalents comprise cash on hand and at banks, including time deposits, which are not restricted as to use.

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 balance sheet date 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 is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period 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.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.4 Summary of Significant Accounting Policies *(continued)*

Income tax *(continued)*

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

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

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date 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. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient future taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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 at the balance sheet date.

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

2.4 Summary of Significant Accounting Policies *(continued)*

Revenue recognition

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

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

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

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

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

Employee benefits

Share-based payment transactions

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

The cost of equity-settled transactions with employees 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. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

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, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date 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.

2.4 Summary of Significant Accounting Policies *(continued)*

Employee benefits *(continued)*

Share-based payment transactions *(continued)*

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance 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. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, 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. 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.

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

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

Pension schemes and other retirement benefits

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

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

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

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

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 are initially recorded using the 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 balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

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

2.4 Summary of Significant Accounting Policies *(continued)*

Foreign currencies *(continued)*

For the purpose of the consolidated cash flow statement, 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 reporting date. 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 balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

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

Estimation uncertainty (continued)

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 2009 was HK$33,143,000 (2008: HK$66,503,000).

Depreciation

The Group depreciates the property, plant and equipment on the straight-line basis over the respective estimated useful lives as set out in note 2.4 to the financial statements, with the depreciation charge commencing from the date an item of the property, plant and equipment is available for use. The estimated useful life reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The net book value of the Group's property, plant and equipment as at 31 March 2009 was HK$351,341,000 (2008: HK$381,507,000).

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 each balance sheet date 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 2009 was HK$26,124,000 (2008: HK$51,122,000).

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	
	2009	2008
	HK$'000	*HK$'000*
Revenue:		
Sale of printed circuit boards	**435,247**	630,837
Other income and gains:		
Bank interest income	**1,305**	2,689
Interest income from an available-for-sale investment	**–**	288
Investment income	**752**	–
Dividend income from listed equity investments	**408**	–
Tax refund for reinvestment of profits*	**–**	11,586
Gain on disposal of items of property, plant and equipment	**–**	1,612
Gain on disposal of scrap materials	**5,137**	7,233
Others	**34**	179
	7,636	23,587

* *The People's Republic of China (the "PRC") corporate income tax refund was received by the Group in last year for the reinvestment of profits earned by a subsidiary in Mainland China as capital contribution in last year.*

5. Segment Information

Segment information is presented by way of two formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary reporting basis, by geographical segment.

(i) Business segment

The Group has only one business segment, which is the manufacture and trading of printed circuit boards. Therefore, no business segment analysis is presented.

(ii) Geographical segments

In presenting information by geographical segment, segment revenue is based on the location of the customers, and segment assets and capital expenditure are based on the location of the assets.

The following tables present revenue and certain asset and capital expenditure information for the Group's geographical segments for the years ended 31 March 2009 and 2008.

Group

	Mainland China		Hong Kong		Japan		Europe		Others		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:												
Sales to external customers	**264,247**	296,079	**86,666**	127,782	**67,151**	73,032	**5,741**	92,124	**11,442**	41,820	**435,247**	630,837

	Mainland China		Hong Kong		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information:						
Segment assets	**481,887**	527,361	**92,869**	126,245	**574,756**	653,606
Capital expenditure	**10,789**	75,738	**42**	145	**10,831**	75,883

6. Profit/(Loss) Before Tax

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

	Group	
	2009	2008
	HK$'000	*HK$'000*
Auditors' remuneration	**670**	695
Cost of inventories sold*	**379,775**	424,666
Provision against obsolete inventories*	**3,475**	1,114
Employee benefits expense** (excluding directors' remuneration *(note 7)*):		
Wages, salaries and allowances	**38,802**	42,227
Pension scheme contributions	**2,324**	2,273
Less: Forfeited contributions	**–**	(13)
Net pension scheme contributions[#]	**2,324**	2,260
	41,126	44,487
Trade debtors written off as uncollectible	**–**	920
Depreciation** *(note 13)*	**46,505**	37,230
Minimum lease payments under operating leases for land and buildings	**715**	693
Impairment of trade debtors *(note 17)*	**320**	3,000
Reversal of impairment of trade debtors *(note 17)*	**(1,520)**	–
Fair value losses/(gains), net on:		
Other financial assets at fair value through profit or loss	**19,678**	(1,102)
Derivative financial instruments – transactions not qualifying as hedges	**2,901**	39,474
Foreign exchange differences, net	**2,843**	8,082
Loss/(gain) on disposal of items of property, plant and equipment	**136**	(1,612)

At 31 March 2009, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2008: 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$31,543,000 (2008: HK$32,165,000) and the depreciation of items of property, plant and equipment of HK$41,194,000 (2008: HK$32,216,000) 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	
	2009	2008
	HK$'000	*HK$'000*
Fees	**296**	296
Other emoluments:		
Salaries and allowances	**6,032**	5,715
Discretionary bonuses *	**–**	3,370
Pension scheme contributions	**272**	258
	6,304	9,343
	6,600	9,639

* *Certain executive directors of the Company were entitled to bonus payments which were determined as a percentage of the profit after tax of the Group for the last year.*

(a) *Independent non-executive directors*

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

	2009	2008
	HK$'000	*HK$'000*
Kohu Kashiwagi	**20**	20
Chan Yuk Tong	**108**	108
Li Chi Kwong	**108**	108
	236	236

There were no other emoluments payable to the independent non-executive directors during the year (2008: Nil).

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

Directors' remuneration *(continued)*

(b) Executive directors

	Fees	Salaries and allowances	Discretionary bonuses	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2009					
Chan Sik Ming, Harry	**–**	**4,728**	**–**	**229**	**4,957**
Motofumi Tsumura	**60**	**–**	**–**	**–**	**60**
Hiroto Sasaki*	**–**	**–**	**–**	**–**	**–**
Hiroyuki Kikuchi	**–**	**450**	**–**	**–**	**450**
Au-Yeung Wai Hung	**–**	**854**	**–**	**43**	**897**
	60	**6,032**	**–**	**272**	**6,364**
2008					
Chan Sik Ming, Harry	–	4,165	3,170	208	7,543
Motofumi Tsumura	60	–	–	–	60
Hiroto Sasaki*	–	–	200	–	200
Hiroyuki Kikuchi	–	450	–	–	450
Au-Yeung Wai Hung	–	1,100	–	50	1,150
	60	5,715	3,370	258	9,403

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2008: Nil).

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

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

Remuneration of the five highest paid employees

The five highest paid employees during the year included two (2008: two) directors, details of whose remuneration are set out above. Details of the remuneration of the remaining three (2008: three) non-director, highest paid employees for the year are as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Salaries and allowances	**1,821**	1,679
Discretionary bonuses	**–**	72
Pension scheme contributions	**84**	77
	1,905	1,828

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

8. Finance Costs

	Group	
	2009	2008
	HK$'000	*HK$'000*
Interest on:		
Bank loans wholly repayable within five years	**1,576**	268
Finance lease and hire purchase contract payables	**635**	3,108
Total interest expense on financial liabilities not at fair value through profit or loss	**2,211**	3,376

9. Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. The lower Hong Kong profits tax rate is effective from the year of assessment 2008/2009, and so is applicable to the assessable profits arising in Hong Kong for the whole year ended 31 March 2009. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

No provision for PRC profits tax has been made as the subsidiary did not generate any assessable profits arising in Mainland China during the year (2008: HK$7,570,000).

	2009	2008
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong		
Charge for the year	**1,600**	7,500
Overprovision in prior years	**(5,825)**	–
Current – Elsewhere		
Charge for the year	**–**	7,570
Deferred *(note 27)*	**(3,784)**	8,879
Total tax charge/(credit) for the year	**(8,009)**	23,949

9. Tax *(continued)*

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax using 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

	2009		2008	
	HK$'000	**%**	*HK$'000*	%
Profit/(loss) before tax	**(28,073)**		91,540	
Tax at the statutory tax rate	**(4,632)**	**16.5**	16,020	17.5
Higher tax rates for a subsidiary in the PRC	**(1,920)**	**6.8**	(1,531)	(1.7)
Income not subject to tax	**(98)**	**0.4**	(3,360)	(3.7)
Expenses not deductible for tax	**1,749**	**(6.2)**	10,273	11.2
Adjustments in respect of current tax of previous periods	**(5,825)**	**20.8**	–	–
Tax losses not recognised	**1,727**	**(6.2)**	1,084	1.2
Tax losses utilised from previous periods	**(168)**	**0.6**	(950)	(1.0)
Others	**1,158**	**(4.2)**	2,413	2.7
Tax charge/(credit) at the Group's effective rate	**(8,009)**	**(28.5)**	23,949	26.2

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

The consolidated profit/(loss) attributable to equity holders of the Company for the year ended 31 March 2009 includes a loss of HK$86,000 (2008: HK$341,000) which has been dealt with in the financial statements of the Company (note 30(b)).

11. Dividend

	2009	2008
	HK$'000	*HK$'000*
Interim – Nil (2008: HK4.0 cents) per ordinary share	**–**	19,210

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

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

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

The calculation of diluted earnings per share for the year ended 31 March 2008 was based on the profit for that year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation was the number of ordinary shares in issue during that year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all the dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings/(loss) per share are based on:

	2009	2008
	HK$'000	*HK$'000*
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic earnings/(loss) per share calculation	**(20,064)**	67,591

	Number of shares	
	2009	2008
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	**480,243,785**	480,528,829
Effect of dilution – weighted average number of ordinary shares:		
Share options	**–**	1,447,379
	480,243,785	481,976,208

13. Property, Plant and Equipment

Group

	1 April 2008 HK$'000	Exchange realignment HK$'000	Additions HK$'000	Disposals HK$'000	31 March 2009 HK$'000
31 March 2009					
Cost:					
Buildings	48,316	1,067	–	–	49,383
Leasehold improvements	25,009	548	–	–	25,557
Machinery and equipment	641,621	14,412	10,655	(5,059)	661,629
Furniture and fixtures	7,822	154	42	(58)	7,960
Motor vehicles	2,484	31	–	–	2,515
Computers	2,544	14	134	–	2,692
	727,796	16,226	10,831	(5,117)	749,736
Accumulated depreciation:					
Buildings	14,196	316	1,159	–	15,671
Leasehold improvements	14,806	330	2,478	–	17,614
Machinery and equipment	307,070	7,962	41,813	(3,113)	353,732
Furniture and fixtures	6,627	133	424	(58)	7,126
Motor vehicles	1,657	21	391	–	2,069
Computers	1,933	10	240	–	2,183
	346,289	8,772	46,505	(3,171)	398,395
Net book value	381,507				351,341

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

Group

	1 April 2007 *HK$'000*	Exchange realignment *HK$'000*	Additions *HK$'000*	Disposals *HK$'000*	31 March 2008 *HK$'000*
31 March 2008					
Cost:					
Buildings	44,009	4,307	–	–	48,316
Leasehold improvements	22,795	2,214	–	–	25,009
Machinery and equipment	531,079	51,952	75,559	(16,969)	641,621
Furniture and fixtures	7,100	611	146	(35)	7,822
Motor vehicles	2,357	127	–	–	2,484
Computers	2,322	55	178	(11)	2,544
	609,662	59,266	75,883	(17,015)	727,796
Accumulated depreciation:					
Buildings	11,896	1,233	1,067	–	14,196
Leasehold improvements	11,274	1,238	2,294	–	14,806
Machinery and equipment	261,053	30,185	32,801	(16,969)	307,070
Furniture and fixtures	5,707	526	429	(35)	6,627
Motor vehicles	1,172	78	407	–	1,657
Computers	1,674	38	232	(11)	1,933
	292,776	33,298	37,230	(17,015)	346,289
Net book value	316,886				381,507

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

The aggregate net book value of the Group's property, plant and equipment held under finance leases and hire purchase contracts included in the total amount of machinery and equipment at 31 March 2009 amounted to HK$38,572,000 (2008: HK$79,169,000).

14. Prepaid Land Lease Payments

	Group	
	2009	2008
	HK$'000	*HK$'000*
Carrying amount at 1 April	**4,579**	4,294
Exchange realignment	**101**	412
Recognised during the year	**(138)**	(127)
Carrying amount at 31 March	**4,542**	4,579
Current portion included in sundry debtors, prepayments and deposits	**(139)**	(136)
Non-current portion	**4,403**	4,443

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

15. Interests in Subsidiaries

	Company	
	2009	2008
	HK$'000	*HK$'000*
Unlisted investments, at cost	**70,916**	70,916
Due from a subsidiary	**155,724**	155,852
	226,640	226,768

The balance with a subsidiary of HK$155,724,000 (2008: HK$155,852,000) included in the Company's current assets is unsecured, interest-free and has no fixed terms of repayment.

15. Interests in Subsidiaries *(continued)*

Particulars of the principal subsidiaries are as follows:

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

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

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

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

16. Inventories

	Group	
	2009	2008
	HK$'000	*HK$'000*
Raw materials	**11,304**	19,085
Work in progress	**9,515**	19,993
Finished goods	**5,305**	12,044
	26,124	51,122

17. Trade Debtors

	Group	
	2009	2008
	HK$'000	*HK$'000*
Trade debtors	**34,943**	69,503
Impairment	**(1,800)**	(3,000)
	33,143	66,503

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of two months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding debtors to minimise credit risk. Overdue balances are reviewed regularly by senior management. At the balance sheet date, the Group had certain concentration of credit risk, further details are set out in note 36 to the financial statements. Trade debtors are non-interest-bearing.

17. Trade Debtors *(continued)*

An aged analysis of the trade debtors as at the balance sheet date, based on the payment due date, is as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Current to 1 month	**28,888**	53,355
1 to 2 months	**2,416**	6,886
2 to 3 months	**322**	4,539
Over 3 months	**3,317**	4,723
	34,943	69,503

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

		Group	
		2009	2008
	Note	***HK$'000***	*HK$'000*
At 1 April		**3,000**	–
Impairment loss recognised	*6*	**320**	3,000
Reversal of impairment loss	*6*	**(1,520)**	–
At 31 March		**1,800**	3,000

The individually impaired trade debtors with an aggregate carrying amount of HK$1,800,000 (2008: HK$3,000,000) relates to customers that were in default of payments and the amounts are not expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

17. Trade Debtors *(continued)*

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

	Group	
	2009	2008
	HK$'000	*HK$'000*
Neither past due nor impaired	**26,606**	47,386
Less than 1 month past due	**2,282**	5,532
1 to 2 months past due	**2,416**	6,774
2 to 3 months past due	**322**	4,260
Over 3 months past due	**1,517**	2,551
	33,143	66,503

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

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

Included in the Group's trade debtors are a receivable of HK$4,159,000 (2008: HK$10,020,000) 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.

18. Sundry Debtors, Prepayments and Deposits

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Prepayments	**2,720**	1,449	**211**	169
Deposits and sundry debtors	**4,744**	9,993	**–**	–
	7,464	11,442	**211**	169

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.

19. Available-for-sale Investment

	Group	
	2009	2008
	HK$'000	*HK$'000*
Structured time deposit, at fair value	**–**	16,644

During the year, no gain or loss of the Group's available-for-sale investments has been recognised directly in equity (2008: Nil).

At 31 March 2008, a time deposit of HK$16,644,000 was matured on 25 July 2008 and the full principal amount of HK$16,644,000 was repaid on maturity date. Interest income was charged at 4.65% multiplying by the number of calendar days in the relevant period during which the 1-month London InterBank Offered Rate (''LIBOR'') was within the specific prescribed range in accordance with the terms of the contract entered into with a bank.

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

	Group	
	2009	2008
	HK$'000	*HK$'000*
Hong Kong listed equity investments, at market value	**18,352**	15,727
Unlisted debt security, at fair value	**5,890**	7,603
Currency-linked deposit, at fair value	**–**	7,782
	24,242	31,112

The currency-linked deposit in the previous year was designated as fair value through profit or loss, because it contained an embedded derivative that cannot be measured separately at acquisition. The fair value for the above currency-linked deposit was determined based on the quoted price from an investment bank.

Except for the currency-linked deposit, the above investments as at 31 March 2008 and 2009 were classified as held for trading.

21. Cash and Cash Equivalents

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**114,192**	75,102	**30**	30
Time deposits	**7,829**	7,544	**–**	–
	122,021	82,646	**30**	30
Less: Restricted bank balance	**(4,746)**	–	**–**	–
Cash and cash equivalents	**117,275**	82,646	**30**	30

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

21. Cash and Cash Equivalents *(continued)*

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$83,914,000 (2008: HK$50,795,000). 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 balance sheet date, based on the payment due date, is as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Current to 1 month	**30,979**	67,302
1 to 2 months	**1,748**	5,866
2 to 3 months	**271**	1,600
Over 3 months	**1,318**	1,303
	34,316	76,071

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

23. Other Creditors and Accruals

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Other creditors	**21,108**	32,982	**6**	–
Accruals	**2,258**	2,366	**143**	149
	23,366	35,348	**149**	149

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

24. Derivative Financial Instruments

	2009		2008	
	Assets	**Liabilities**	Assets	Liabilities
Group	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*
Forward currency contracts	**–**	**–**	1,948	38,519
Equity contracts	**572**	**10,737**	–	1,612
Options	**–**	**20**	–	5,038
	572	**10,757**	1,948	45,169

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

25. Interest-bearing Bank and Other Borrowings

Group	2009 Effective interest rate *(%)*	2009 Maturity	2009 *HK$'000*	2008 Effective interest rate *(%)*	2008 Maturity	2008 *HK$'000*
Current						
Finance lease and hire purchase contract payables *(note 26)*	**PRIME –1.75% to HIBOR +2.5%**	**2009**	**4,200**	PRIME –1.75% to HIBOR +2.5%	2008 – 2009	26,082
Trust receipt loans	**HIBOR +2%**	**2009**	**3,615**	HIBOR +2%	2008	1,068
Bank loans – unsecured	**HIBOR +1.75% to HIBOR +2%**	**2011**	**21,591**			–
			29,406			27,150
Non-current						
Finance lease and hire purchase contract payables *(note 26)*			**–**	PRIME –1.75% to HIBOR +2.5%	2009	4,190
Bank loans – unsecured	**HIBOR +1.75% to HIBOR +2%**	**2011**	**23,587**			–
			23,587			4,190
			52,993			31,340

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

	Group	
	2009	2008
	HK$'000	*HK$'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**25,206**	1,068
In the second year	**21,591**	–
In the third to fifth years, inclusive	**1,996**	–
	48,793	1,068
Finance lease and hire purchase contract payables repayable:		
Within one year	**4,200**	26,082
In the second year	**–**	4,190
	4,200	30,272
Total	**52,993**	31,340

At the balance sheet date, except for certain bank loan denominated in United States dollars equivalent to HK$10,639,000 (2008: Nil), all the bank loans and finance lease and hire purchase contract payables were denominated in Hong Kong dollars.

Other interest rate information:

	Group			
	2009		2008	
	Fixed rate	**Floating rate**	Fixed rate	Floating rate
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Finance lease and hire purchase contract payables	**–**	**4,200**	–	30,272
Bank loans – unsecured	**–**	**48,793**	–	1,068

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

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

	Group			
	Carrying amounts		Fair values	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Finance lease and hire purchase contract payables	–	4,190	–	4,190
Bank loans – unsecured	**23,587**	–	**23,587**	–
	23,587	4,190	**23,587**	4,190

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

26. Finance Lease and Hire Purchase Contract Payables

The Group leases certain of its machinery and equipment for its business. These leases are classified as finance lease and hire purchase contracts and have remaining lease terms of one year.

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

Group

	Minimum lease payments	Minimum lease payments	**Present value of minimum lease payments**	Present value of minimum lease payments
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable:				
Within one year	**4,221**	26,815	**4,200**	26,082
In the second year	**–**	4,221	**–**	4,190
Total minimum finance lease payments	**4,221**	31,036	**4,200**	30,272
Future finance charges	**(21)**	(764)		
Total net finance lease payables	**4,200**	30,272		
Portion classified as current liabilities *(note 25)*	**(4,200)**	(26,082)		
Non-current portion *(note 25)*	**–**	4,190		

27. Deferred Tax

The movements in deferred tax liabilities during the year are as follows:

Deferred tax liabilities

Group

	Depreciation allowance in excess of related depreciation	Loss available for offsetting against future taxable profits	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2007	200	–	200
Deferred tax charged/(credited) to the income statement during the year *(note 9)*	11,001	(2,122)	8,879
At 31 March 2008 and 1 April 2008	11,201	(2,122)	9,079
Deferred tax charged/(credited) to the income statement during the year *(note 9)*	11,241	(15,025)	(3,784)
At 31 March 2009	22,442	(17,147)	5,295

As at 31 March 2009, the Group had estimated tax losses arising in Hong Kong of approximately HK$15,334,000 (2008: approximately HK$11,841,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time or it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

At 31 March 2009, there was no significant unrecognised deferred tax liability (2008: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group has no liability to additional tax should such amounts be remitted.

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

28. Share Capital

Shares

	2009	2008
	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 (2008: 480,243,785) ordinary shares of HK$0.10 each	**48,024**	48,024

In January 2008, the Company repurchased its own shares through the Stock Exchange of Hong Kong Limited ("Stock Exchange") totalling 370,000 share at an aggregate consideration of approximately HK$585,000. The highest and lowest prices per share paid by the Company for the repurchase of shares during that year were HK$1.60 and HK$1.55, respectively.

The repurchase of the Company's shares during that year was effected by the directors, pursuant to the mandate from shareholders, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

All the repurchased shares were cancelled by the Company upon such repurchase and, accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. The premium payable on the repurchase was charged against the share premium account.

A summary of the transactions during the year with reference to the above movement in the Company's issued ordinary share capital is as follows:

	Number of shares in issue	**Issued share capital**	**Share premium account**	**Total**
		HK$'000	*HK$'000*	*HK$'000*
At 1 April 2007	480,613,785	48,061	92,031	140,092
Repurchase of shares in January 2008	(370,000)	(37)	(548)	(585)
At 31 March 2008, 1 April 2008 and 31 March 2009	480,243,785	48,024	91,483	139,507

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 29 to the financial statements.

29. 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.

29. Share Option Scheme *(continued)*

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

	Number of share options								Price of the Company's shares**	
Name or category of participant	At 1 April 2008	Granted during the year	Exercised during the year	Lapsed during the year	At 31 March 2009	Date of grant of share options	Exercise period of share options	Exercise price of share options*	At grant date of options	At exercise date of options
								HK$ per share	*HK$ per share*	*HK$ per share*
Director:										
Hiroto Sasaki	1,650,000	–	–	–	1,650,000	15-6-04	15-6-04 to 14-6-09	0.20	0.192	N/A

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

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

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

At the balance sheet date and at the date of approval of these financial statements, the Company had 1,650,000 share options outstanding under the Scheme, which represented approximately 0.3% of the Company's shares in issue as at those dates. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 1,650,000 additional ordinary shares of the Company and additional issued share capital of HK$165,000 and share premium of HK$165,000 (before issue expenses).

30. Reserves

(a) Group

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

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

30. Reserves *(continued)*

(b) Company

	Notes	Share premium account HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000
At 1 April 2007		92,031	38,295	68,567	14,418	213,311
Loss for the year		–	–	(341)	–	(341)
Repurchase of shares	28	(548)	–	–	–	(548)
Final 2007 dividend declared		–	–	–	(14,418)	(14,418)
Interim 2008 dividend	11	–	–	(19,210)	–	(19,210)
At 31 March 2008 and 1 April 2008		**91,483**	**38,295**	**49,016**	**–**	**178,794**
Loss for the year		–	–	**(86)**	–	**(86)**
At 31 March 2009		**91,483**	**38,295**	**48,930**	**–**	**178,708**

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 30(a) above. Under the Companies Act 1981 of Bermuda (as amended), a company may make distributions to its members out of the contributed surplus under certain circumstances.

31. Contingent Liabilities

(i) The Company has provided corporate guarantees of HK$241 million (2008: HK$228 million) to banks to secure banking facilities granted to a subsidiary. At 31 March 2009, the facilities were utilised to the extent of HK$48,793,000 (2008: HK$1,068,000).

(ii) The Company has provided corporate guarantees to certain leasing companies to secure the leasing facilities granted to a subsidiary. At 31 March 2009, the total outstanding balance of the finance lease and hire purchase contract payables amounted to HK$4,200,000 (2008: HK$30,272,000) (note 26).

The Group had no material contingent liabilities at the balance sheet date (2008: Nil).

32. 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 balance sheet date, 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	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**186**	577	**–**	–
In the second to fifth years, inclusive	**126**	96	**–**	–
	312	673	**–**	–

33. Commitments

In addition to the operating lease commitments detailed in note 32 above, the Group and the Company had the following capital commitments at the balance sheet date:

	Group		Company	
	2009	2008	**2009**	2008
	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	**3,518**	7,350	**–**	–

34. Related Party Transactions

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

	Group	
	2009	2008
	HK$'000	*HK$'000*
Sale of printed circuit boards to a related party	**67,126**	73,032

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

(b) ***Outstanding balance with a related party***

Details of the Group's trade balance with its related party as at the balance sheet date are disclosed in note 17 to the financial statements.

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

	2009	2008
	HK$'000	*HK$'000*
Short term employee benefits	**6,328**	9,381
Post-employment benefits	**272**	258
Total compensation paid to key management personnel	**6,600**	9,639

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

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

35. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

2009

Financial assets

	Notes	Group: Loans and receivables HK$'000	Group: Financial assets at fair value through profit or loss – held for trading HK$'000	Group: Total HK$'000
Trade debtors	17	33,143	–	33,143
Financial assets included in sundry debtors, prepayments and deposits	18	4,744	–	4,744
Other financial assets at fair value through profit or loss	20	–	24,242	24,242
Derivative financial instruments	24	–	572	572
Restricted bank balance	21	4,746	–	4,746
Cash and cash equivalents	21	117,275	–	117,275
		159,908	24,814	184,722

Financial liabilities

	Notes	Financial liabilities at fair value through profit or loss – held for trading HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Trade creditors	22	–	34,316	34,316
Financial liabilities included in other creditors and accruals	23	–	21,108	21,108
Derivative financial instruments	24	10,757	–	10,757
Interest-bearing bank and other borrowings	25	–	52,993	52,993
		10,757	108,417	119,174

35. Financial Instruments by Category *(continued)*

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows: *(continued)*

2008 Group

Financial assets

	Notes	Loans and receivables HK$'000	Financial assets at fair value through profit or loss – designated as such upon initial recognition HK$'000	Financial assets at fair value through profit or loss – held for trading HK$'000	Available-for-sale investment HK$'000	Total HK$'000
Trade debtors	17	66,503	–	–	–	66,503
Available-for-sale investment	19	–	–	–	16,644	16,644
Financial assets included in sundry debtors, prepayments and deposits	18	9,993	–	–	–	9,993
Other financial assets at fair value through profit or loss	20	–	7,782	23,330	–	31,112
Derivative financial instruments	24	–	–	1,948	–	1,948
Cash and cash equivalents	21	82,646	–	–	–	82,646
		159,142	7,782	25,278	16,644	208,846

Financial liabilities

	Notes	Financial liabilities at fair value through profit or loss – held for trading HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Trade creditors	22	–	76,071	76,071
Financial liabilities included in other creditors and accruals	23	–	32,982	32,982
Derivative financial instruments	24	45,169	–	45,169
Interest-bearing bank and other borrowings	25	–	31,340	31,340
		45,169	140,393	185,562

35. Financial Instruments by Category *(continued)*

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows: *(continued)*

Financial assets

		Company Loans and receivables	
		2009	2008
	Notes	***HK$'000***	*HK$'000*
Due from a subsidiary	*15*	**155,724**	155,852
Cash and cash equivalents	*21*	**30**	30
		155,754	155,882

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 trade creditors, which arise directly from its operations.

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

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

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings with floating interest rates. The interest rates and terms of repayment of the interest-bearing bank borrowings and finance lease and hire purchase contract payables of the Group are disclosed in notes 25 and 26 to the financial statements.

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

Interest rate risk (continued)

The Group's policy is to keep interest-bearing borrowings at floating interest rates if the fixed rates of borrowings will be above 6% p.a. or there is an expected continuous drop in interest rates or the remaining tenure of the borrowings will be less than one year. At 31 March 2008 and 2009, all of the Group's interest-bearing borrowings bore interest at floating rates.

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

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

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity*
	%	*HK$'000*	*HK$'000*
2008			
Hong Kong dollar interest rate	100	(620)	–
Hong Kong dollar interest rate	(100)	658	–

* *Excluding retained earnings*

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 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 balance sheet date.

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

	Increase/ (decrease) in exchange rates	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity*
	%	*HK$'000*	*HK$'000*
2008			
If Hong Kong dollar weakens against USD	0.5#	565	–
If Hong Kong dollar strengthens against USD	(0.5)#	(254)	–
If Hong Kong dollar weakens against RMB	10.0	(6,274)	–
If Hong Kong dollar strengthens against RMB	(1.0)	2,716	–

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

* *Excluding retained earnings*

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 balance sheet date, the Group had certain concentrations of credit risk as 15% (2008: 13%) and 54% (2008: 49%) 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 17 to the financial statements.

Liquidity risk

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, finance leases and other interest-bearing loans. The Group's policy is that not more than 90% of interest-bearing bank and other borrowings should mature in any 12-month period. As at 31 March 2009, 55% (2008: 87%) 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.

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

Liquidity risk *(continued)*

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contractual undiscounted payments, was as follows.

Group

	2009			
	Less than 3 months	**3 to 12 months**	**1 to 5 years**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Trade creditors	**32,998**	**1,318**	**–**	**34,316**
Financial liabilities included in other creditors and accruals	**21,108**	**–**	**–**	**21,108**
Derivative financial instruments	**2,513**	**8,244**	**–**	**10,757**
Interest-bearing bank and other borrowings	**12,637**	**16,790**	**23,587**	**53,014**
	69,256	**26,352**	**23,587**	**119,195**

	2008			
	Less than 3 months	3 to 12 months	1 to 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade creditors	74,768	1,303	–	76,071
Financial liabilities included in other creditors and accruals	32,982	–	–	32,982
Derivative financial instruments	1,942	38,124	5,103	45,169
Interest-bearing bank and other borrowings	8,332	19,551	4,221	32,104
	118,024	58,978	9,324	186,326

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 2009. The Group's listed investments are listed on the Stock Exchange and are valued at quoted market prices at the balance sheet date.

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

Market price risk *(continued)*

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

	31 March 2009	High/low 2009
Hong Kong – Hang Seng Index	13,576	26,387/10,676

The following table demonstrates the sensitivity to every 5% change in the fair values of the equity investments and derivative financial assets, 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 balance sheet date.

	Carrying amount	**Increase/ decrease in loss before tax**	**Increase/ decrease in equity***
	HK$'000	***HK$'000***	***HK$'000***
2009			
Equity investments	**18,924**	**918**	**–**

	Carrying amount	Increase/ decrease in profit before tax	Increase/ decrease in equity*
	HK$'000	*HK$'000*	*HK$'000*
2008			
Equity investments	15,727	786	–

* *Excluding retained earnings*

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 balance sheet date.

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

	Increase/ (decrease) in equity market price	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity*
	%	*HK$'000*	*HK$'000*
2008			
Derivative financial instruments	10	1,714	–
	(10)	(2,080)	–

* *Excluding retained earnings*

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. As at 31 March 2009, there was no indication of breach of convenants and the Group complied with the externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2009 and 2008.

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

Capital management *(continued)*

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

Group

	2009	2008
	HK$'000	*HK$'000*
Interest-bearing bank and other borrowings	52,993	31,340
Trade creditors	34,316	76,071
Other creditors and accruals	23,366	35,348
Less: Cash and cash equivalents	(117,275)	(82,646)
Net debts/(assets)	(6,600)	60,113
Equity attributable to equity holders	448,029	456,247
Capital and net debt	N/A*	516,360
Gearing ratio	N/A*	12%

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

37. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 21 July 2009.