DAISHO MICROLINE HOLDINGS LIMITED

大 昌 微 綫 集 團 有 限 公 司

Stock Code : 0567

Annual Report 2013 - 2014

CONTENTS

CORPORATE INFORMATION AND FINANCIAL CALENDAR

Board of Directors

Executive directors

Chan Sik Ming, Harry *(Chairman & Chief Executive Officer)*
Au-Yeung Wai Hung
Yoshio Handa
Shozo Sugaya

Independent non-executive directors

Chong Chi Wah
Li Chi Kwong
Yeung Chi Shing, Bret

Company Secretary

Au-Yeung Wai Hung

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank
Wing Lung Bank Limited

Auditors

Crowe Horwath (HK) CPA Limited

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

Room 303A, 3rd Floor
Shui Hing Centre
No. 13 Sheung Yuet Road
Kowloon Bay
Hong Kong

Principal Registrar

MUFG Fund Services (Bermuda) Limited
26 Burnaby Street
Hamilton HM11
Bermuda

Branch Registrar in Hong Kong

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Stock Code

0567

Company Website

www.irasia.com/listco/hk/daisho

Financial Calendar

Interim Results:

22 November 2013

Annual Results:

27 June 2014

Annual General Meeting

5 September 2014 (Friday)

Dividends

Interim dividend:	Nil
Proposed final dividend:	Nil

BIOGRAPHICAL INFORMATION OF DIRECTORS

Executive Directors

Chan Sik Ming Harry, aged 60, has been an executive director of the Company since 1990. He is now the chairman and the chief executive officer of the Company responsible for the overall strategic planning for the Group. He is also the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company.

Mr. Chan graduated from the University of Hitotsubashi in Japan with a Bachelor of Arts degree in Commerce in 1978. He has over 33 years of experience in the electronics industry.

Au-Yeung Wai Hung, aged 47, has been an executive director of the Company since November 2003. He has been the company secretary and the financial controller of the Company since July 1996. He is also a member of the Remuneration Committee of the Company.

Mr. Au-Yeung graduated from The Hong Kong Polytechnic in 1988 with a Professional Diploma in Accountancy. He also obtained a Bachelor of Arts degree in Accountancy from the Hong Kong Polytechnic University in 1996 and a Master of Business degree in E-Commerce from the Curtin University of Technology in Australia in 2002. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He has over 26 years of experience in areas related to accounting, auditing, taxation, company secretarial, financial management, personnel management and information technology management.

Yoshio Handa, aged 64, has been an executive director of the Company since 11 July 2012.

Mr. Handa graduated from the chemical engineering faculty of Imaichi Technical High School in Japan. He has joined the production department of one of the Company's substantial shareholders – Daisho Denshi Co., Ltd. ("Daisho Denshi") since August 1970. He has become the managing director and general manager of Daisho Denshi's additive operations department since May 1983, the executive director and general manager of Daisho Denshi's Tochigi factory since May 1988, the general manager of Daisho Denshi's production department and environment and safety promotion department since April 1994, the senior executive director of Daisho Denshi since June 2005 and also the vice president of Daisho Denshi since June 2008. He has over 43 years of experience in the manufacture of printed circuit boards.

Shozo Sugaya, aged 60, has been an executive director of the Company since 11 July 2012.

Mr. Sugaya graduated from the electrical engineering faculty of Tokyo Denki University in Japan. He has joined the design department of Daisho Denshi since March 1976. He has become the managing director and general manager of Daisho Denshi's design department since May 1990, the executive director and general manager of Daisho Denshi's sales department since May 1998, and also the senior executive director and vice president of Daisho Denshi since June 2005. He has over 38 years of experience in the manufacture of printed circuit boards.

BIOGRAPHICAL INFORMATION OF DIRECTORS

Independent Non-Executive Directors

Chong Chi Wah, aged 52, has been an independent non-executive director of the Company since 26 August 2013. He is the chairman of the Audit Committee and the Remuneration Committee of the Company and a member of the Nomination Committee of the Company.

Mr. Chong graduated from the Hong Kong Polytechnic (now known as Hong Kong Polytechnic University) with a Diploma in Management Studies in 1991 and graduated from University of San Francisco of the United States with a Master degree in Business Administration in 1997. He is a fellow member of both The Association of Chartered Certified Accountants and Hong Kong Institute of Directors, and also an associate member of Hong Kong Institute of Certified Public Accountants, The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. He has over 28 years of experience in accounting, audit and finance.

Mr. Chong is currently a principal of the Corporate Advisory Service Department in CC Alliance CPA & Co. and also an independent non-executive director of Sijia Group Company Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He was also an independent non-executive director of China Solar Energy Holdings Limited and Ruifeng Petroleum Chemical Holdings Limited, companies listed on the Stock Exchange, during the period from 28 March 2011 to 6 January 2012, and from 9 December 2013 to 4 April 2014 respectively.

Li Chi Kwong, aged 61, has been an independent non-executive director of the Company since December 2005. Dr. Li is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

Dr. Li holds a Doctor of Philosophy degree from the University of Westminster in the United Kingdom and a Master of Science degree in Cybernetics from the London University in the United Kingdom. He also holds numerous professional qualifications in engineering, including Chartered Engineer, Member of the Institute of Mechanical Engineers, Fellow of the Institute of Engineering and Technology, Fellow of the Hong Kong Institute of Engineers, Senior Member of the Institute of Electrical and Electronic Engineers Inc., Fellow of the Hong Kong Association of the Advancement of Science and Technology, and he is also a Registered Professional Engineer.

Dr. Li was an Associate Professor in the Department of Electronic and Information Engineering in the Hong Kong Polytechnic University from year 1985 to 2013. After obtaining over 36 years of experience in the academic field and the engineering industry, he sets up a private consultant company serving a number of engineering companies. He has published over 150 technical papers in international journals and conferences and obtained a number of patents. Dr. Li also serves in many professional and government committees.

Dr. Li has been an independent non-executive director of Group Sense (International) Limited, a company listed on the Stock Exchange since 11 September 2013.

Yeung Chi Shing, Bret, aged 57, has been an independent non-executive director of the Company since 21 November 2011. He is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

The Group's revenue for the current year was about HK$244 million, down 17% from last year. The decrease in the Group's revenue for the current year was mainly caused by the significant reduction in the Group's printed circuit board ("PCB") production capacity resulting from the fire accident occurred in the Group's principal PCB production base in Huizhou, People's Republic of China ("PRC") on 24 January 2013 and the subsequent transfer of some purchase orders for PCB by certain customers of the Group to other PCB suppliers because the Group could not meet their demand.

The Group's gross profit margin decreased from about 5.27% for last year to about 4% for the current year. Apart from the abovementioned reduction in the volume of sales orders, which drove up the average fixed overhead cost per unit, the increase in subcontracting charges resulting from the abovementioned fire accident and the increase in minimum wages level in the PRC during the current year were also the reasons for the decrease in gross profit margin.

The Group's net loss for the current year was about HK$38 million while the Group's net loss for the last year was about HK$69 million. The reduction in the net loss was mainly because there were losses from fire for about HK$17 million and impairment of items of property, plant and equipment for about HK$36 million in last year but the impairment of items of property, plant and equipment for the current year was about HK$14 million only. It should be noted that no insurance compensation relating to the abovementioned fire accident has been recognised in the Group's results for the current year because the Group is still negotiating with the relevant insurance company on the amount of insurance compensation.

The Group's gearing ratios (defined as interest-bearing bank and other borrowings divided by total equity) at 31 March 2014 was 77% *(31 March 2013: 49%)*. The Group's current ratio at 31 March 2014 and 31 March 2013 was 1.6 times and 1.71 times respectively. The Group's PCB operations had a net cash outflow of about HK$7 million during the current year ended 31 March 2014 *(2013: inflow of HK$11 million)*.

The interest rate structure, maturity profile, currency structure and underlying security of the Group's interest-bearing bank and other borrowings as at 31 March 2014 and 31 March 2013 are detailed in note 33 of this annual report.

As at 31 March 2014, the Group's total cash and bank balances were approximately HK$340 million *(31 March 2013: HK$279 million)* and the Group's total interest-bearing bank and other borrowings amounting to approximately HK$237 million *(31 March 2013: HK$165 million)*. Therefore, the Group had a net cash balance of approximately HK$103 million *(31 March 2013: HK$114 million)*. Besides, the total credit facilities available to the Group were approximately HK$271 million *(31 March 2013: HK$233 million)* and, therefore, the unutilized credit facilities were approximately HK$34 million *(31 March 2013: HK$68 million)*. Accordingly, the Group is capable of financing its operation by its own internal resources and available banking facilities.

Business and Financial Review (continued)

Most of the Group's bank balances were denominated in RMB while all of the Group's borrowings were denominated in either US$ or HK$. In order to benefit from the interest rate differential between RMB and US$ or HK$, the Group pledged the RMB bank balances with banks in Mainland China as security for the Group's borrowings. Accordingly, the Group's pledged bank balance along with the Group's borrowings increased during the current year.

As at 31 March 2014, 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$. Also because the Group's subsidiary in Mainland China had net assets as at 31 March 2014 and RMB is expected to remain stable, there is only a remote possibility that the Group will suffer exchange loss on the translation of these net assets and so the Group has not adopted any hedging tool against these net assets denominated in RMB.

Employee Benefits

As at 31 March 2014, the Group had 689 *(31 March 2013: 676)* employees, including directors, working mainly in Mainland China. For the year ended 31 March 2014, the Group's total staff costs including directors' remuneration were HK$51,162,000 *(2013: HK$47,521,000)*.

Outlook

In light of the sluggish global economic environment at present, the Group expects that the momentum for revenue growth for the coming year will remain weak and it may take some time for certain customers of the Group, who have transferred some purchase orders for PCB to other PCB suppliers during the current year since the fire accident on 24 January 2013, to feel comfortable again to place with the Group purchase orders with amount comparable to the level before the fire accident. In order to improve its operating results, the Group is currently canvassing business from new customers and continuing the implementation of new cost savings measures.

The Group is aware that certain significant economic issues such as the weakening of the global economic climate etc. may affect the operating environment of the Group and it has adopted various means to alleviate the impact. Although the road ahead may be full of challenges, the Group as equipped with healthy financial position and ample experience in the manufacture of highly delicate PCB is ready to confront these challenges.

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2014.

Principal Activities

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

Results and Dividends

The Group's loss for the year ended 31 March 2014 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 24 to 100.

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. This summary does not form part of the audited financial statements.

RESULTS			**Year ended 31 March**		
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**244,372**	295,930	362,043	442,395	348,192
PROFIT/(LOSS) BEFORE TAX	**(37,545)**	(66,218)	(94,299)	20,496	(35,159)
Income tax credit/(expense)	–	(2,300)	2,000	(3,800)	10,895
PROFIT/(LOSS) FOR THE YEAR	**(37,545)**	(68,518)	(92,299)	16,696	(24,264)
Attributable to:					
Owners of the Company	**(37,545)**	(68,518)	(92,299)	16,696	(24,264)

ASSETS AND LIABILITIES			**As at 31 March**		
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**630,682**	557,549	609,740	646,638	600,326
TOTAL LIABILITIES	**(323,936)**	(221,243)	(207,180)	(173,311)	(171,105)
	306,746	336,306	402,560	473,327	429,221

REPORT OF THE DIRECTORS

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in note 16 to the financial statements.

Share Capital and Share Options

There were no movements in either the Company's authorised or issued share capital and share options during the year. Details of the Company's authorised and issued share capital, and share options are set out in notes 34 and 35 to the financial statements, respectively.

Pre-emptive Rights

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

Purchase, Redemption or Sale of Listed Securities of the Company

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

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 36 to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves

At 31 March 2014, the Company's reserves available for cash distribution and distribution in specie were HK$86,113,000 *(2013: HK$86,380,000)*. In addition, the Company's share premium account, in the amount of HK$91,483,000 *(2013: 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	32%
	– Five largest suppliers	66%
b.	Percentage of sales attributable to the:	
	– Largest customer	21%
	– Five largest customers	72%

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

REPORT OF THE DIRECTORS

Directors

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

Executive directors:

Chan Sik Ming, Harry	*(Chairman & Chief Executive Officer)*
Au-Yeung Wai Hung	
Yoshio Handa	
Shozo Sugaya	

Independent non-executive directors:

Chong Chi Wah	(appointed on 26 August 2013)
Chan Yuk Tong	(resigned on 26 August 2013)
Li Chi Kwong	
Yeung Chi Shing, Bret	

According to the Company's private act known as "The Juko Laboratories Holdings Limited Company Act 1990", which is an Act of the Company established when the Company was first established under the former name of Juko Laboratories Holdings Limited, the Chairman of the Company is not required to be subject to rotation in accordance with the bye-laws of the Company. However, in the spirit of good corporate governance practice, the existing Chairman of the Company, Mr. Chan Sik Ming, Harry, has agreed to retire on a voluntary basis at least once every three years. The last time Mr. Chan Sik Ming, Harry retired on a voluntary basis was on 26 August 2013.

In accordance with bye-law 99(A) of the Company's bye-laws. Mr. Au-Yeung Wai Hung and Mr. Yeung Chi Shing, Bret will retire by rotation at the forthcoming annual general meeting.

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

Directors' Biographies

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

Directors' Service Contracts

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 2014, 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	1,300,000	–	1,300,000	0.27

Note: Chan Sik Ming, Harry, and his family are the objects of a discretionary trust which has appointed Earnwell (PTC) Limited as its trustee. At 31 March 2014, 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 2014, none of the directors had registered an interest or short position in the shares and underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Directors' Rights to Acquire Shares or Debentures

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

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

At 31 March 2014, the following interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

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

Save as disclosed above, as at 31 March 2014, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Continuing Connected Transactions

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

During the year, the Group had continuing connected transactions with Daisho Denshi (H.K.) Limited, a subsidiary of Daisho Denshi Co., Ltd., a substantial shareholder of the Company who has 10.41% equity interests in the Group, for the sale of printed circuit boards amounting to approximately HK$38 million (*2013: approximately HK$39 million*) which are conducted in the ordinary and usual course of the Group's business.

Pursuant to the Company's special general meeting on 28 March 2013, an ordinary resolution was passed to approve the sales transactions with Daisho Denshi Co., Ltd. and its subsidiary (the "Daisho Denshi Group") and the maximum aggregate annual values for these sales transactions were set at HK$95 million, HK$115 million and HK$140 million for the financial years ended/ending 31 March 2014, 2015 and 2016, 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 continuing connected transactions have been entered into:

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

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

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

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

Sufficiency of Public Float

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

Director's Interest in a Competing Business

During the year and up to the date of this report, the following directors are 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. Yoshio Handa and Mr. Shozo Sugaya are also the executive director and vice president 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 directors do not control the board of the Company, the Group is capable of carrying on its business independently of, and at arm's length from, the business of Daisho Denshi Co., Ltd.

REPORT OF THE DIRECTORS

Auditors

Crowe Horwath (HK) CPA Limited 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
27 June 2014

CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

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

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

The Company's corporate governance practices are based on the principles and the code provisions ("Code Provisions") as set out in the CG Code of the Listing Rules. The Company has applied and complied with most of the applicable Code Provisions throughout the year ended 31 March 2014 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 2014.

Board of Directors

Board composition and practice

The directors of the Company during the year ended 31 March 2014 and up to the date of this annual report were as follows:

Executive directors:
Chan Sik Ming, Harry *(Chairman & Chief Executive Officer)*
Au-Yeung Wai Hung
Yoshio Handa
Shozo Sugaya

Independent non-executive directors:
Li Chi Kwong
Yeung Chi Shing, Bret
Chong Chi Wah (appointed on 26 August 2013)
Chan Yuk Tong (resigned on 26 August 2013)

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

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

Board of Directors (continued)

Board composition and practice (continued)

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

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

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

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

Chairman and Chief Executive Officer

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

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

Non-Executive Directors

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

Dr. Li Chi Kwong does not have a specific term of appointment, but is subject to retirement by rotation and re-election in accordance with the relevant provisions of the Company's bye-laws.

Re-election of Directors

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

According to the Company's private act known as "The Juko Laboratories Holdings Limited Company Act 1990" which is an Act of the Company's former name of Juko Laboratories Holdings Limited when it was first established, the Chairman of the Company is not required to be subject to rotation in accordance with the bye-laws of the Company. However, in the spirit of good corporate governance practice, the existing Chairman of the Company, Mr. Chan Sik Ming, Harry has agreed to retire on a voluntary basis at least once every three years. The last time Mr. Chan Sik Ming, Harry retired on a voluntary basis and stood for re-election was in the annual general meeting held on 26 August 2013.

Board Committees

Audit Committee

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

Independent non-executive directors

Chong Chi Wah	*(Chairman of Audit Committee)* (appointed on 26 August 2013)
Li Chi Kwong	
Yeung Chi Shing, Bret	
Chan Yuk Tong	(resigned on 26 August 2013)

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

During the year ended 31 March 2014, there were three Audit Committee meetings and one written resolution from the Audit Committee members, in which the following major responsibilities had been accomplished.

– reviewed with the management the accounting principles and practices adopted by the Group;

– discussed internal controls and financial reporting matters including the review of both the interim and annual consolidated financial statements of the Group and agreed with all the accounting treatments which have been adopted therein;

– reviewed the continuing connected transactions of the Group;

– reviewed the appointment, remuneration and terms of engagement of the Company's external auditors;

– reviewed the Company's compliance with the CG code and disclosure in the corporate governance report under the Listing Rules.

Board Committees (continued)

Remuneration Committee

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

Independent non-executive directors

Chong Chi Wah	*(Chairman of Remuneration Committee)* (appointed on 26 August 2013)
Li Chi Kwong	
Yeung Chi Shing, Bret	
Chan Yuk Tong	(resigned on 26 August 2013)

Executive directors

Chan Sik Ming, Harry
Au-Yeung Wai Hung

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

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

During the year ended 31 March 2014, there were one Remuneration Committee meeting and two written resolutions from the Remuneration Committee members, in which the level of remuneration for all directors was reviewed and fixed.

Nomination Committee

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

Executive directors

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

Independent non-executive directors

Li Chi Kwong	
Yeung Chi Shing, Bret	
Chong Chi Wah	(appointed on 26 August 2013)
Chan Yuk Tong	(resigned on 26 August 2013)

The Nomination Committee is responsible for formulating director nomination policy for the Board's consideration and implementing the Board's approved director nomination policy.

Board Committees (continued)

Nomination Committee (continued)

During the year ended 31 March 2014, there were one Nomination Committee meeting and two written resolutions from the Nomination Committee members, in which the following major responsibilities had been accomplished.

– reviewed the structure, size and composition of the Board;

– assessed the independence of the independent non-executive directors;

– reviewed the director nomination policy;

– reviewed the contribution by each director to performing his responsibilities to the Company and whether he was spending sufficient time performing them;

– made recommendation to the Board on the appointment or re-appointment of directors; and

– formulated the policy on board diversity.

A copy of the Company's Policy on Board Diversity has been posted to the Company's website at www.irasia.com/listco/hk/daisho and the progress up to 31 March 2014 on achieving the measurable objectives set for implementing the Company's Policy on Board Diversity is as follows:

	Objectives	Progress
1.	The Board should consist of at least one female member.	Incomplete (Target to complete before December 2014)
2.	The Board should comprise at least one member under the age groups of "41 to 50", "51 to 60" and "61 to 70".	Completed
3.	The Board should consist of at least one member with professional accountancy qualification, one member with PCB manufacturing experience and one member with real estate development experience in the P.R.C.	Completed

Board Committees (continued)

Nomination Committee (continued)

The Board's composition as at 31 March 2014 under different diversified perspectives is summarized as follows:

		Number of board members
1.	Gender	
	– Male	7
	– Female	0
2.	Age	
	– 41 to 50	1
	– 51 to 60	4
	– 61 to 70	2
3.	Qualification and experience	
	– with professional accountancy qualification	2
	– with PCB manufacturing experience	2
	– with real estate development experience in the P.R.C.	1
	– with other qualifications and experience	2

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

During the year ended 31 March 2014, there were four Board meetings, three Audit Committee meetings, one Remuneration Committee meeting, one Nomination Committee meeting and one General meeting held.

Directors' Attendance at Board Meetings, Board Committee Meetings and General Meeting (continued)

The names and individual attendance of each director at each Board meeting, Board Committee meeting and General meeting are set out below:

Name of director		Attendance/ Number of Board Meeting	Attendance/ Number of Audit Committee Meeting	Attendance/ Number of Remuneration Committee Meeting	Attendance/ Number of Nomination Committee Meeting	Attendance/ Number of General Meeting
Chan Sik Ming, Harry		4/4	N/A	1/1	1/1	1/1
Au-Yeung Wai Hung		4/4	N/A	1/1	N/A	1/1
Yoshio Handa		1/4	N/A	N/A	N/A	0/1
Shozo Sugaya		1/4	N/A	N/A	N/A	0/1
Li Chi Kwong		2/4	3/3	1/1	1/1	1/1
Yeung Chi Shing, Bret		4/4	3/3	1/1	1/1	1/1
Chong Chi Wah	(appointed on 26 August 2013)	3/3	1/1	0/0	0/0	1/1
Chan Yuk Tong	(resigned on 26 August 2013)	1/1	2/2	1/1	1/1	0/0

Auditors' Remuneration

The Company changed its external auditors from Ernst & Young to Crowe Horwath (HK) CPA Limited on 26 August 2013 because Ernst & Young could not reach an agreement with the Company on the audit fee for the financial year ended 31 March 2014.

During the year ended 31 March 2014, the services provided by Crowe Horwath (HK) CPA Limited to the Group and associated remuneration were as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Audit services	**480**	818
Non-audit services	**10**	47

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

Internal Controls

The board of directors hold full responsibility for the system of internal control of the Group and continuously reviews its effectiveness. The internal audit division performs investigation of the effectiveness of material processes and controls on a risk-based approach in accordance with the provisions on internal controls as set forth in the CG Code. The findings are reported to the Audit Committee. The Board of Directors, through the Audit Committee, has reviewed the effectiveness of the system of internal control for the year ended 31 March 2014.

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 of this annual report.

Company Secretary

Mr. Au-Yeung Wai Hung has been appointed as the company secretary of the Company since 1 July 1996, and he is also the financial controller and the executive director of the Company. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. According to Rule 3.29 of the Listing Rules, he is required to take no less than 15 hours of relevant professional training in each financial year commencing from 1 April 2015. He had complied with the above training requirement for the current financial year ended 31 March 2014.

Shareholder Communication Policy

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

Shareholders' Rights

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

Constitutional Documents

A copy of the Company's Memorandum of Association and New Bye-Laws has been posted to both the website of the Hong Kong Stock Exchange at www.hkexnews.hk and the website of the Company at www.irasia.com/listco/hk/daisho. There was no change to the Company's Memorandum of Association and New Bye-Laws during the year ended 31 March 2014.

INDEPENDENT AUDITOR'S REPORT

國富浩華(香港)會計師事務所有限公司
Crowe Horwath (HK) CPA Limited
Member Crowe Horwath International

9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

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

We have audited the consolidated financial statements of Daisho Microline Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 24 to 100, which comprise the consolidated and company statements of financial position as at 31 March 2014, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

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

Basis for Qualified Opinion

Scope limitation – Provision for tax payable and tax penalty

As disclosed in notes 31 and 42 to the consolidated financial statements, as at 31 March 2014, with respect to the violation of PRC Customs regulations by a subsidiary of the Company (the "Subsidiary"), a provision totaling HK$4,468,000 was made for tax payable and tax penalty based on assessment notices issued by the Huizhou Customs and a legal advice on the likelihood of the extent of tax penalty. As the investigation by the Huizhou Customs has not been concluded, it is not possible to determine with any degree of reasonable certainty on (a) the amount of tax penalty which may finally be imposed by the PRC court against the Subsidiary, and (b) whether the Huizhou Customs will issue further notice of assessment to the Subsidiary.

There were no alternative audit procedures that we could perform to satisfy ourselves as to the accuracy and completeness of the provision for tax payable and tax penalty and in consequence we were unable to determine whether any adjustments were necessary to the amount of provision stated in the consolidated statement of financial position at 31 March 2014 and the corresponding amounts of HK$516,000 and HK$2,234,000 included in cost of sales and other expenses in the consolidated statement of profit or loss for the year ended 31 March 2014 respectively and HK$1,718,000 included in other receivables, deposits and prepayments in the consolidated statement of financial position at 31 March 2014.

Any adjustments that might have been found to be necessary in respect of the matters set out in paragraphs above would have a consequential effect on the consolidated financial position of the Group as at 31 March 2014 and, the loss and cash flows of the Group for the year then ended and the related disclosures in the consolidated financial statements.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for qualified opinion paragraphs, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2014, 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.

Other Matter

The consolidated financial statements of the Group for the year ended 31 March 2013 were audited by another auditor who expressed an unmodified opinion on those statements on 28 June 2013.

Crowe Horwath (HK) CPA Limited
Certified Public Accountants
Hong Kong, 27 June 2014

Betty P.C. Tse
Practising Certificate Number P03024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
Turnover	5	**244,372**	295,930
Cost of sales		**(234,620)**	(280,318)
Gross profit		**9,752**	15,612
Other revenue	6	**12,580**	14,024
Selling and distribution expenses		**(7,413)**	(9,779)
Administrative expenses		**(28,823)**	(28,445)
Other expenses		**(5,586)**	(3,575)
Losses from fire	7	**–**	(17,086)
Impairment loss on property, plant and equipment	16	**(13,512)**	(36,000)
Fair value (losses)/gains net on:			
Derivative financial instruments		**139**	59
Other financial assets at fair value through profit or loss		**(355)**	4,022
Loss from operations		**(33,218)**	(61,168)
Finance costs	8	**(4,620)**	(5,021)
Share of profit/(loss) of a joint venture		**293**	(29)
Loss before taxation	9	**(37,545)**	(66,218)
Income tax	10	**–**	(2,300)
Loss for the year		**(37,545)**	(68,518)
Loss for the year attributable to:			
Owners of the Company		**(37,545)**	(68,518)
Loss per share	15		
Basic and diluted		**HK7.82 cents**	HK14.27 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended 31 March 2014

	2014 HK$'000	2013 HK$'000
Loss for the year	**(37,545)**	(68,518)
Other comprehensive income for the year (after tax)		
Item that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of functional currency to presentation currency	**7,985**	2,264
Other comprehensive income for the year, net of tax	**7,985**	2,264
Total comprehensive loss for the year	**(29,560)**	(66,254)
Total comprehensive loss for the year attributable to:		
Owners of the Company	**(29,560)**	(66,254)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**79,313**	92,614
Prepaid land lease payments	17	**14,413**	14,465
Deposits paid for acquisition of property, plant and equipment		**897**	4,207
Investment in a joint venture	19	**–**	53,316
Available-for-sale investment	20	**19,281**	19,281
		113,904	183,883
CURRENT ASSETS			
Inventories	21	**26,585**	29,331
Trade and bills receivables	22	**35,847**	29,929
Other financial assets at fair value through profit or loss	23	**8,624**	20,046
Derivative financial instruments	32	**–**	71
Other receivables, deposits and prepayments	24	**50,749**	15,277
Tax recoverable		**211**	211
Pledged bank deposits	25	**269,342**	169,319
Cash and cash equivalents	26	**70,786**	109,482
Non-current asset classified as held for sale	27	**54,634**	–
		516,778	373,666
CURRENT LIABILITIES			
Trade payables	29	**57,764**	33,926
Other payables and accruals	30	**24,380**	22,281
Provision	31	**4,468**	–
Derivative financial instruments	32	**–**	210
Interest-bearing bank and other borrowings	33	**237,324**	161,745
		323,936	218,162
NET CURRENT ASSETS		**192,842**	155,504
TOTAL ASSETS LESS CURRENT LIABILITIES		**306,746**	339,387

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	33	–	3,081
Net Assets		**306,746**	336,306
CAPITAL AND RESERVES			
Share capital	34	**48,024**	48,024
Reserves	36	**258,722**	288,282
Total Equity		**306,746**	336,306

Chan Sik Ming, Harry
Director

Au-Yeung Wai Hung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 March 2014

	Attributable to owners of the Company					
	Share capital (Note 34) HK$'000	Share premium (Note 36(a)) HK$'000	Contributed surplus (Note 36(b)) HK$'000	Exchange translation reserve (Note 36(c)) HK$'000	Retained profits (Note 36(d)) HK$'000	Total HK$'000
At 1 April 2012	48,024	91,483	9,379	125,345	128,329	402,560
Loss for the year	–	–	–	–	(68,518)	(68,518)
Exchange difference on translation of function currency to presentation currency	–	–	–	2,264	–	2,264
Total comprehensive loss for the year	–	–	–	2,264	(68,518)	(66,254)
At 31 March 2013	48,024	91,483*	9,379*	127,609*	59,811*	336,306
At 1 April 2013	48,024	91,483	9,379	127,609	59,811	336,306
Loss for the year	–	–	–	–	(37,545)	(37,545)
Exchange difference on translation of functional currency to presentation currency	–	–	–	7,985	–	7,985
Total comprehensive loss for the year	–	–	–	7,985	(37,545)	(29,560)
At 31 March 2014	48,024	91,483*	9,379*	135,594*	22,266*	306,746

* These reserve accounts comprise the consolidated reserves of HK$258,722,000 *(2013: HK$288,282,000)* in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 March 2014

	2014 HK$'000	2013 HK$'000
OPERATING ACTIVITIES		
Loss before taxation	**(37,545)**	(66,218)
Adjustments for:		
Interest income	**(8,731)**	(6,471)
Dividend income from listed equity investments	**(598)**	(875)
Loss on disposal of property, plant and equipment, net	**–**	105
Losses from fire	**–**	17,086
Fair value losses/(gains), net on:		
Derivative financial instruments – transactions not qualifying as hedges	**(139)**	(59)
Other financial assets at fair value through profit or loss	**355**	(4,022)
Depreciation	**16,545**	28,019
Impairment on trade receivables, net	**381**	823
Amortisation of prepared land lease payments	**324**	316
Reversal of write down of inventories	**(400)**	(2,133)
Write down of inventories	**1,754**	511
Impairment loss on property, plant and equipment	**13,512**	36,000
Finance costs	**4,620**	5,021
Share of (profit)/loss of a joint venture	**(293)**	29
OPERATING CASH FLOW BEFORE WORKING CAPITAL CHANGES	**(10,215)**	8,132
Decrease in inventories	**1,897**	6,241
(Increase)/decrease in trade and bills receivables	**(6,512)**	24,865
Decrease in other financial assets at fair value through profit or loss	**11,106**	7,396
Increase in other receivables, deposits and prepayments	**(32,472)**	(769)
Increase/(decrease) in trade payables	**23,047**	(27,000)
Increase/(decrease) in other payables and accruals	**6,523**	(7,927)
Cash (used in)/generated from operations	**(6,626)**	10,938
Interest received	**6,309**	6,471
Net cash (used in)/generated from operating activities	**(317)**	17,409

CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

Year ended 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
INVESTING ACTIVITIES			
Dividend income from listed equity investments		**598**	875
Payment for the purchase of property, plant and equipment		**(12,496)**	(8,707)
Increase in pledged bank deposits		**(95,047)**	(104,948)
Net cash used in investing activities		**(106,945)**	(112,780)
FINANCING ACTIVITIES			
Repayment of trust receipt loans		**(3,845)**	(2,706)
Cash from new bank loans		**94,111**	110,200
Repayment of bank loans		**(17,768)**	(58,591)
Interest paid		**(4,620)**	(5,021)
Net cash generated from financing activities		**67,878**	43,882
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(39,384)**	(51,489)
Cash and cash equivalents at beginning of year		**109,482**	160,157
Effect of foreign exchange rate changes, net		**688**	814
CASH AND CASH EQUIVALENTS AT END OF YEAR	26	**70,786**	109,482

STATEMENT OF FINANCIAL POSITION

31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	18	**70,916**	70,916
CURRENT ASSETS			
Amount due from a subsidiary	18	**154,689**	155,037
Prepayments	24	**137**	206
Cash and cash equivalents	26	**29**	28
		154,855	155,271
CURRENT LIABILITIES			
Other payables and accruals	30	**151**	300
NET CURRENT ASSETS		**154,704**	154,971
Net Assets		**225,620**	225,887
CAPITAL AND RESERVES			
Share capital	34	**48,024**	48,024
Reserves	36	**177,596**	177,863
Total Equity		**225,620**	225,887

Chan Sik Ming, Harry
Director

Au-Yeung Wai Hung
Director

1. General Information

Daisho Microline Holdings Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the Company's registered office and the principal place of business are Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and Room 303A, 3rd Floor, Shui Hing Centre, No. 13 Sheung Yuet Road, Kowloon Bay, Hong Kong respectively.

These financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional and presentation currency.

The Company is an investment holding company. The subsidiaries of the Company are principally engaged in investment holding, and manufacturing and trading of printed circuit boards.

2. Significant Accounting Policies

a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2. Significant Accounting Policies (continued)

b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2014 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in a joint venture.

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These financial statements are presented in HK$, rounded to the nearest thousand except for per share data.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below.

– Derivative financial instruments

– Other financial assets at fair value through profit or loss

Non-current assets classified as held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 4.

c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(p)).

2. Significant Accounting Policies (continued)

d) Joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investment in joint venture is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of joint venture is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its joint venture are eliminated to the extent of the Group's investment in the joint venture, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of joint venture is included as part of the Group's investment in joint venture.

If an investment in a joint venture becomes an investment in an associate, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

The result of joint venture is included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investment in joint venture is treated as non-current assets and are stated at cost less any impairment losses.

When an investment in a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

2. Significant Accounting Policies (continued)

e) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less any accumulated depreciation and any accumulated impairment losses (see note 2(p)).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in profit or loss during the period in which they are incurred.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Buildings held under medium term leases	Over the lease terms
Leasehold improvements	Over the lease terms
Machinery and equipment	10 years
Furniture and fixtures	5 years
Motor vehicles	5 years
Computers	5 years

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 between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

f) Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment classified as held for sale are not depreciated.

2. Significant Accounting Policies (continued)

g) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

i) Classification of assets leased to the group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(e). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(p). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

2. Significant Accounting Policies (continued)

g) Leased assets (continued)

iii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property.

h) Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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

Subsequent measurement

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

2. Significant Accounting Policies (continued)

h) Investments and other financial assets (continued)

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 as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

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

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

Loans and receivables

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

2. Significant Accounting Policies (continued)

h) Investments and other financial assets (continued)

Available-for-sale financial investments

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

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

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

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

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

2. Significant Accounting Policies (continued)

i) Derecogniton 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 primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

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

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

j) Impairment of financial assets

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

2. Significant Accounting Policies (continued)

j) Impairment of financial assets (continued)

Financial assets carried at amortised cost

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

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

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

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

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

2. Significant Accounting Policies (continued)

j) Impairment of financial assets (continued)

Available-for-sale financial investment

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

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

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

k) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

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

Subsequent measurement

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

2. Significant Accounting Policies (continued)

k) Financial liabilities (continued)

Financial liabilities at fair value through profit or loss

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

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

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

Loans and borrowings

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

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

Financial guarantee contracts

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

l) 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 statement of profit or loss.

2. Significant Accounting Policies (continued)

m) Offsetting of financial instruments

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

n) Fair value of financial instruments

The Group measures its derivative financial instruments and other financial assets at fair value through profit or loss at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2. Significant Accounting Policies (continued)

o) Derivative financial instruments

Initial recognition and subsequent measurement

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

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

p) Impairment of other assets

i) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– prepaid land lease payments;

– deposits paid for acquisition of property, plant and equipment; and

– investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value-in-use. 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit).

2. Significant Accounting Policies (continued)

p) Impairment of other assets (continued)

i) Impairment of other assets (continued)

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value-in-use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

ii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim Financial Reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(j) and (p)(i)).

q) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2. Significant Accounting Policies (continued)

r) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

s) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

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

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit plan operated by the municipal government of the PRC where a group entity operates. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

The Group operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income. 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. Significant Accounting Policies (continued)

s) Employee benefits (continued)

(ii) Employee benefits

Share-based payments

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 payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted.

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

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

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

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

(iii) Termination benefits

Termination benefits are recognised at the earlier when the Group can no longer withdraw the offer of those benefits or when it recognises restructuring costs involving the payment of termination benefits.

2. Significant Accounting Policies (continued)

t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

2. Significant Accounting Policies (continued)

t) Income tax (continued)

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

u) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2. Significant Accounting Policies (continued)

v) 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:

i) 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;

ii) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial assets; and

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

w) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the date the fair value was measured.

The functional currencies of an overseas subsidiary and a joint venture are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in the exchange translation reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to the foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2. Significant Accounting Policies (continued)

y) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

(vi) The entity is controlled or jointly controlled by a person identified in (a).

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2. Significant Accounting Policies (continued)

z) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the board of directors, which is the Group's chief operating decision maker, for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. Changes in Accounting Policies

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA.

Amendments to HKFRSs	*Annual Improvements to HKFRSs 2009–2011 Cycle*
Amendments to HKAS 1	*Presentation of Items of Other Comprehensive Income*
Amendments to HKFRS 7	*Disclosures – Offsetting Financial Assets and Financial Liabilities*
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	*Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 13	*Fair Value Measurement*
HKAS 19 (as revised in 2011)	*Employee Benefits*
HKAS 27 (as revised in 2011)	*Separate Financial Statements*
HKAS 28 (as revised in 2011)	*Investments in Associates and Joint Ventures*
HK(IFRIC) – Int 20	*Stripping Costs in the Production Phase of a Surface Mine*

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of profit or loss and other comprehensive income in these financial statements has been modified accordingly. In addition, the Group has chosen to use the new titles "statement of profit or loss" and "statement of profit or loss and other comprehensive income" as introduced by the amendments in these financial statements.

3. Changes in Accounting Policies (continued)

Amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32 *Financial Instruments: Presentation* and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on these financial statements because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7 during the periods presented.

HKFRS 11 Joint Arrangements

HKFRS 11, which replaces HKAS 31 *Interests in Joint Ventures*, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

As a result of adoption of HKFRS 11, the group has changed its accounting policy with respect to its interest in joint arrangements and re-evaluated its involvement in its joint arrangements. The group has reclassified the investment from jointly controlled entity to joint venture. The investment continues to be accounted for using equity method and therefore this reclassification does not have any material impact on the financial position and the financial result of the group.

HKFRS 12 Disclosure of Interests in Other Entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in note 19.

HKFRS 13 Fair Value Measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in note 38. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

4. Critical Accounting Estimates and Judgements

a) Critical accounting judgement in applying the accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgement:

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.

b) Key sources of estimation uncertainty

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

(i) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period in accordance with the accounting policies as disclosed in the relevant parts in note 2. Property, plant and equipment are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the greater of the fair value less costs of disposal and value in use, the calculations of which involve the use of estimates. For the year ended 31 March 2014, provision for impairment of property, plant and equipment amounting to HK$13,512,000 *(2013: HK$36,000,000)* was charged to the statement of profit or loss. As at 31 March 2014, the aggregate carrying amount of the Group's property, plant and equipment was HK$79,313,000 *(2013: HK$92,614,000)*.

(ii) Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Details of unrecognised deferred tax assets are contained in note 28 to the consolidated financial statement.

4. Critical Accounting Estimates and Judgements (continued)

b) Key sources of estimation uncertainty (continued)

(iii) Impairment of trade receivables

The Group makes impairment provision for trade receivables based on an assessment of the recoverability of trade receivables. Impairment provision is made for trade receivables 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 receivable is different from the original estimates, such difference will impact the carrying value of trade receivable and the impairment provision in the periods in which such estimate has been changed. The aggregate carrying amount of the Group's trade receivable as at 31 March 2014 was HK$35,847,000 *(2013: HK$29,620,000)*.

(iv) Depreciation

The Group depreciates property, plant and equipment on the straight-line basis over the respective estimated useful lives as set out in note 2(e) to the consolidated financial statements, with the depreciation charge commencing from the date an item of the property, plant and equipment is available for use. The estimated useful life reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The net carrying value of the Group's property, plant and equipment as at 31 March 2014 was HK$79,313,000 *(2013: HK$92,614,000)*.

(v) Write down of inventories

The Group reviews the inventory ageing analysis periodically, and on an annual basis writes down obsolete and slow-moving inventory items identified that are no longer suitable for use in production. The Group carries out an inventory review on a product-by-product basis at the end of each reporting period and writes down obsolete and slow-moving items through management's estimation of the net realisable value for such obsolete and slow-moving items based primarily on the latest invoice prices and current market conditions. The aggregate carrying amount of the Group's inventories as at 31 March 2014 was HK$26,585,000 *(2013: HK$29,331,000)*.

(vi) Estimated insurance claim

The losses on the damaged property, plant and equipment and the inventories were covered by the comprehensive insurance policies of the Group. The Group is now claiming losses, including the accidental physical damage of the property, plant and equipment, inventories, as well as loss of gross profits due to business interruption. The amount of the ultimate insurance claims will be in accordance with the terms and provisions of insurance policies based on the replacement cost basis of the damaged property, plant and equipment, a cost value or contract price basis for the inventories and the ascertainment of ultimate loss of gross profits and additional increased cost of working during the indemnity period.

In making their judgement, the directors considered the detailed recognition criteria as set out in HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and, in particular, whether it has become virtually certain that an inflow of economic benefits to the Company will arise.

4. Critical Accounting Estimates and Judgements (continued)

b) Key sources of estimation uncertainty (continued)

(vii) Provision for tax payable and tax penalty

Provision for tax payable and tax penalty is determined based on the amount set out in the notices of assessment issued by the Huizhou Customs to a subsidiary of the Company and a legal advice on the likelihood of the extent of tax penalty. The ultimate liability of the tax payable and penalty may vary as a result of future developments or better information becoming available about the current circumstances. Therefore, estimates are reviewed regularly and updated when new information becomes available. Any increase or decrease in the provision would affect profit or loss in future years. Details of the provision are contained in note 31 to the consolidated financial statements.

5. Turnover

Turnover represents the net invoiced value of goods sold, after allowances for returns, trade discounts and valued added tax during the year. An analysis of the Group's turnover for the year is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Sales of printed circuit boards	**244,372**	295,930

6. Other Revenue

	Group	
	2014	2013
	HK$'000	HK$'000
Interest income from financial assets not at fair value through profit or loss		
– bank interest income	**8,731**	6,471
Dividend income from listed equity investments	**598**	875
Gain on disposal of scrap materials	**3,073**	6,266
Others	**178**	412
	12,580	14,024

7. Losses From Fire

On 24 January 2013, the Group's production plant in Huizhou, the People's Republic of China ("PRC") had a fire accident that certain inventories and property, plant and equipment were destroyed or damaged. Losses incidental to this fire were:

	Group 2013 HK$'000
Loss on inventories	3,725
Loss on property, plant and equipment	13,361
	17,086

The damaged property, plant and equipment and inventories, were covered by the insurance policies of the Group. The Group is still claiming compensation for direct losses arising from the fire and also the loss of gross profits due to business interruption. The amount of the insurance compensations will be determined in accordance with the terms and provisions of insurance policies based on a replacement cost basis for the damaged property, plant and equipment, a cost value or contract price basis for the inventories and the loss of gross profits during the indemnity period. During the year ended 31 March 2014, HK$12,612,000 (note 30) was received in advance from the insurance company which will be repayable immediately if no insurance compensation is required. Up to the date of approval of these financial statements, the amount of the compensation has not yet been agreed.

8. Finance Costs

	Group	
	2014 **HK$'000**	2013 HK$'000
Interest on bank and other borrowings wholly repayable within five years	**4,620**	5,021
Total interest expense on financial liabilities not at fair value through profit or loss	**4,620**	5,021

9. Loss Before Taxation

Loss before taxation is arrived at after charging/(crediting):

	Group	
	2014	2013
	HK$'000	HK$'000
a) Staff costs (excluding directors' emoluments in note 11)		
Salaries and other benefits	**38,580**	36,196
Contributions to defined contribution retirement scheme	**4,782**	3,674
Less: Forfeited contributions	**(6)**	(66)
Total staff costs	**43,356**	39,804
b) Other items		
Auditor's remuneration	**480**	818
Amortisation of prepaid land lease payments	**324**	316
Cost of inventories sold (note (i))	**233,266**	282,451
Depreciation	**16,545**	28,019
Impairment on trade receivables	**381**	823
Loss on disposal of property, plant and equipment	**–**	105
Minimum payment under operating lease for land and buildings	**328**	590
Reversal of write down of inventories	**(400)**	(2,133)
Write down of inventories	**1,754**	511
Provision for tax payable and tax penalty included in:		
– Cost of sales	**516**	–
– Other expenses	**2,234**	–
Net foreign exchange loss	**2,420**	696

Note:

(i) Cost of inventories sold includes approximately HK$46,893,000 *(2013: HK$59,485,000)* relating to staff costs and depreciation, which are included in the respective total amounts disclosed separately above.

10. Income Tax

Hong Kong and PRC profits tax have not been provided for in the consolidated financial statements as the Group has no assessable profits arising in both places for the year *(2013: Nil)*.

Where there is assessable profits, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits and PRC Enterprise Income Tax is calculated at 25% of the estimated assessable profits for both years.

a) Taxation in the consolidated statement of profit or loss represents:

	Group	
	2014	2013
	HK$'000	HK$'000
Deferred tax		
current year (note 28)	–	2,300

b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	Group	
	2014	2013
	HK$'000	HK$'000
Loss before taxation	**(37,545)**	(66,218)
Notional tax on loss before tax, calculated at the rates applicable to loss in the relevant tax jurisdiction	**(8,808)**	(16,053)
Tax effect of non-deductible expenses	**168**	948
Tax effect of non-taxable incomes	**(99)**	(856)
Tax effect of share of profit or loss of a joint venture	**(48)**	5
Unrecognised temporary differences	**5,432**	1,730
Unrecognised tax losses	**3,420**	11,499
Utilisation of tax losses previously not recognised	**(65)**	(618)
Others	–	5,645
Actual tax expenses	–	2,300

11. Directors' Emoluments

The emoluments paid or payable to each of the following directors were as follows:

For the year ended 31 March 2014

	Group			
Name of director	Directors' fees HK$'000	Salaries, allowance and benefits-in-kind HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors				
Chan Sik Ming, Harry (Note(b))	–	6,098	305	6,403
Au-Yeung Wai Hung	–	762	38	800
Yoshio Handa^	–	–	–	–
Shozo Sugaya^	–	–	–	–
Independent non-executive directors				
Chan Yuk Tong#	83	–	–	83
Chong Chi Wah##	120	–	–	120
Li Chi Kwong	200	–	–	200
Yeung Chi Shing, Bret	200	–	–	200
	603	6,860	343	7,806

11. Directors' Emoluments (continued)

For the year ended 31 March 2013

	Group			
Name of director	Directors' fees HK$'000	Salaries, allowance and benefits-in-kind HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors				
Chan Sik Ming, Harry (Note(b))	–	6,098	305	6,403
Au-Yeung Wai Hung	–	680	34	714
Yoshio Handa^	–	–	–	–
Shozo Sugaya^	–	–	–	–
Hiroto Sasaki###	–	–	–	–
Hiroyuki Kikuchi###	–	–	–	–
Independent non-executive directors				
Chan Yuk Tong#	200	–	–	200
Li Chi Kwong	200	–	–	200
Yeung Chi Shing, Bret	200	–	–	200
	600	6,778	339	7,717

Resigned on 26 August 2013.

Appointed on 26 August 2013.

Resigned on 11 July 2012.

^ Appointed on 11 July 2012.

a) For the years ended 31 March 2014 and 2013, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Company or as compensation for loss of office. None of the directors waived or agreed to waive any remuneration for the years ended 31 March 2014 and 2013.

b) Being the Executive Director, Chairman and Chief Executive Officer of the Group.

12. Individuals With Highest Emoluments

The five highest paid individuals of the Group during the year included two directors *(2013: two)* of the Company whose emoluments are disclosed in note 11 above. Details of the emoluments paid by the Group to the remaining three *(2013: three)* non-director individuals during the year are as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Salaries and other benefits	**1,428**	1,372
Retirement scheme contributions	**63**	63
	1,491	1,435

The emoluments fell within the following band:

	2014 Number of individuals	2013 Number of individuals
Nil and up to HK$1,000,000	**3**	3

For the years ended 31 March 2014 and 2013, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Company or as compensation for loss of office.

13. Segment Reporting

For management purposes, the Group has only one reportable segment, which is the manufacturing and trading of printed circuit boards. Revenue and operating results are the two key indicators provided to the Group's chief operating decision maker to make decision about resource allocation and performance assessment.

Geographical information

(a) Revenue from external customers

	Group	
	2014	2013
	HK$'000	HK$'000
PRC	**83,684**	126,238
Hong Kong (place of domicile)	**45,754**	80,511
North America	**41,130**	14,534
Japan	**38,556**	39,760
Europe	**27,163**	21,503
Other countries	**8,085**	13,384
	244,372	295,930

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

13. Segment Reporting (continued)

Geographical information (continued)

(b) Non-current assets

	Group	
	2014	2013
	HK$'000	HK$'000
Hong Kong (place of domicile)	**452**	2,516
PRC (Note)	**94,171**	162,086
	94,623	164,602

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

Notes:

(i) An impairment loss of HK$13,512,000 *(2013: HK$36,000,000)* was recognised on machinery and equipment located in the PRC during the year. Further details are set out in note 16 to the financial statements.

(ii) Share of profit of a joint venture of HK$293,000 *(2013: loss of HK$29,000)* was recognised during the year. The joint venture is operating in the PRC. Further details are set out in note 19 to the financial statements.

Information of major customers

Revenue of approximately HK$38,382,000 *(2013: HK$39,410,000)* was derived from sales of printed circuit boards to a subsidiary of Daisho Denshi Co., Ltd ("Daisho Denshi"). Daisho Denshi is a substantial shareholder of the Company holding 10.41% equity interests in the Company and is also a company in which the Group has 7.46% equity interest.

	Group	
	2014	2013
	HK$'000	HK$'000
Customer A	**52,076**	51,539
Customer B	**40,439**	Note
Customer C	**38,382**	39,410
Customer D	**Note**	33,406

Note: Less than 10 percent of the Group's revenue for the year ended 31 March 2014 or 2013.

Revenue from each of the above four customers accounted for 10 percent or more of the Group's revenue for the years ended 31 March 2014 and 2013.

14. Loss Attributable to Owners of the Company

The consolidated loss attributable to owners of the Company for the year ended 31 March 2014 includes a loss of approximately HK$267,000 *(2013: HK$283,000)* which has been dealt with in the financial statements of the Company.

15. Basic and Diluted Loss Per Share

a) Basic loss per share

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

(i) Loss attributable to owners of the Company

	2014	2013
	HK$'000	HK$'000
Loss used in calculating basic loss per share (loss attributable to owners of the Company)	**37,545**	68,518

(ii) Weighted average number of ordinary shares

	Number of shares	
	2014	2013
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**480,243,785**	480,243,785

b) Diluted loss per share

There were no dilutive potential ordinary shares in issue during the year. The diluted loss per share is the same as the basic loss per share during the years ended 31 March 2014 and 2013.

16. Property, Plant and Equipment

Group

	Buildings HK$'000	Leasehold improvements HK$'000	Machinery and equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Computers HK$'000	Total HK$'000
31 March 2014							
At 31 March 2013 and at 1 April 2013:							
Cost (as restated)	53,902	32,891	621,549	8,452	2,208	3,390	722,392
Accumulated depreciation and Impairment (as restated)	(21,842)	(27,982)	(566,605)	(8,438)	(1,995)	(2,916)	(629,778)
Carrying amount	32,060	4,909	54,944	14	213	474	92,614
At 1 April 2013, net of accumulated depreciation and impairment	32,060	4,909	54,944	14	213	474	92,614
Additions	–	–	15,667	107	–	31	15,805
Depreciation provided during the year	(1,075)	(775)	(14,468)	(17)	(69)	(141)	(16,545)
Impairment	–	–	(13,512)	–	–	–	(13,512)
Exchange realignment	602	91	249	–	1	8	951
At 31 March 2014, net of accumulated depreciation and impairment	31,587	4,225	42,880	104	145	372	79,313
At 31 March 2014:							
Cost	54,917	33,507	636,126	8,678	2,226	3,447	738,901
Accumulated depreciation and impairment	(23,330)	(29,282)	(593,246)	(8,574)	(2,081)	(3,075)	(659,588)
Carrying amount	31,587	4,225	42,880	104	145	372	79,313

16. Property, Plant and Equipment (continued)

Group (continued)

	Buildings HK$'000	Leasehold improvements HK$'000	Machinery and equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Computers HK$'000	Total HK$'000
31 March 2013							
At 31 March 2012 and at 1 April 2012:							
Cost	53,667	32,748	730,836	8,587	2,631	3,385	831,854
Accumulated depreciation and impairment	(20,695)	(26,950)	(606,708)	(8,540)	(2,350)	(2,740)	(667,983)
Carrying amount	32,972	5,798	124,128	47	281	645	163,871
At 1 April 2012, net of accumulated depreciation and impairment	32,972	5,798	124,128	47	281	645	163,871
Additions	–	–	5,716	5	–	6	5,727
Disposals	–	–	(13,469)	–	–	–	(13,469)
Depreciation provided during the year	(1,048)	(907)	(25,780)	(38)	(68)	(178)	(28,019)
Impairment	–	–	(36,000)	–	–	–	(36,000)
Exchange realignment	136	18	349	–	–	1	504
At 31 March 2013, net of accumulated depreciation and impairment	32,060	4,909	54,944	14	213	474	92,614
At 31 March 2013 and at 1 April 2013:							
Cost (as previously reported)	53,902	32,891	728,380	8,452	2,208	3,390	829,223
Prior period adjustment (note d)	–	–	(106,831)	–	–	–	(106,831)
Cost (as restated)	53,902	32,891	621,549	8,452	2,208	3,390	722,392
Accumulated depreciation and impairment (as previously reported)	(21,842)	(27,982)	(673,436)	(8,438)	(1,995)	(2,916)	(736,609)
Prior period adjustment (note d)	–	–	106,831	–	–	–	106,831
Accumulated depreciation and impairment (as restated)	(21,842)	(27,982)	(566,605)	(8,438)	(1,995)	(2,916)	(629,778)
Carrying amount	32,060	4,909	54,944	14	213	474	92,614

16. Property, Plant and Equipment (continued)

Notes:

a) All buildings are situated on land in the PRC under medium-term leases and are held for the Group's own use.

b) At 31 March 2013, the Group's machinery and equipment with an aggregated carrying amount of HK$5,229,000 were pledged to secure a loan facility granted to the Group (note 33).

c) The present value of the future cash flows expected to be derived from the Group's property, plant and equipment based on their existing use would likely decrease due to the reduction in turnover and the existence of operating losses for both years ended 31 March 2014 and 2013.

During the year ended 31 March 2014, the directors considered that the existence of the above conditions indicated that non-current assets of the Group might be impaired. In view of this, the directors estimated the recoverable amount of the cash-generating units by comparing the higher of the fair value less costs of disposal and the value in use of the cash-generating unit based on the valuation report prepared by an independent professional valuer. The cash-generating unit consisted of the Group's Printed Circuit Board ("PCB") manufacturing facility, which composed of prepaid land lease payments and buildings, leasehold improvements, machinery and equipment, furniture and fixtures, motor vehicles and computers.

The estimates of the recoverable amount of the cash-generating unit as at 31 March 2014 were determined based on a fair value less costs of disposal calculation using cash flow projections based on the five-year financial forecast approved by the directors.

Key assumptions used for the fair value less costs of disposal calculation as at 31 March 2014:
Sales volume growth rate: 6%
Gross profit margin rate: 13%
Discount rate: 12%

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

An impairment provision of HK$13,512,000 *(2013: HK$36,000,000)* was recognised in the consolidated statement of profit or loss for the year.

d) During the course of preparing the consolidated financial statements for the year ended 31 March 2014, it has come to the attention of the Company that in prior year the cost of approximately HK$106,831,000 and related accumulated depreciation of approximately HK$93,901,000 of certain machinery and equipment disposed of during the year ended 31 March 2013 has not been properly eliminated from the related cost and aggregated depreciation accounts. Instead, an amount of HK$12,930,000, representing the carrying amount of the disposed assets, was credited to the accumulated depreciation account.

Adjustments were therefore made to restate the related amounts disclosed above.

17. Prepaid Land Lease Payments

	Group	
	2014	2013
	HK$'000	HK$'000
The Group's prepaid land lease payments comprise:		
Land in the PRC:		
Medium-term lease	**14,737**	14,783
Analysed for reporting purposes as:		
Non-current assets	**14,413**	14,465
Current assets included in prepayments	**324**	318
	14,737	14,783
At beginning of year	**14,783**	15,036
Amortisation charge for the year	**(324)**	(316)
Exchange adjustment	**278**	63
At end of year	**14,737**	14,783

18. Investments in Subsidiaries

	Company	
	2014	2013
	HK$'000	HK$'000
Unlisted share, at cost	**70,916**	70,916
Amount due from a subsidiary	**154,689**	155,037

Amount due from a subsidiary is unsecured, interest-free and repayable on demand.

18. Investments in Subsidiaries (continued)

The following list contains only the particulars of those subsidiaries which principally affect the results, assets and liabilities of the Group. The class of shares held, unless otherwise-stated, is ordinary.

Name of subsidiary	Class of shares held	Place of incorporation and business	Attributable equity interest held by the Company		Issued/registered and fully paid-up capital	Principal activities	Legal form of corporate existence
			Directly	Indirectly			
Daisho Microline Limited	Ordinary	Hong Kong	–	100%	HK$2	Trading of printed circuit broads	Private limited liability company
Daisho Microline Investment Limited	Ordinary	Hong Kong	–	100%	HK$100,000	Investment holding	Private limited liability company
Frequent Luck Limited	Ordinary	British Virgin Islands/ Hong Kong	100%	–	US$1	Investment holding	Private limited liability company
Huafeng Microline (Huizhou) Circuits Limited	Registered	PRC	–	100%	US$62,000,000	Manufacture of printed circuit boards	Wholly foreign-owned enterprise

19. Investment in a Joint Venture

	Group	
	2014	2013
	HK$'000	HK$'000
Share of net assets	**–**	53,316

As at 31 March 2013, in the opinion of the directors, the amount of RMB40,000,000 (equivalent to approximately HK$49,516,000) included in the Group's share of net assets was a quasi-equity loan to the joint venture.

19. Investment in a Joint Venture (continued)

Particulars of the joint venture, which is held indirectly by the Company are as follows:

Name of joint venture	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
惠州市華瑞房地產開發有限公司	PRC	RMB8,000,000	50%	–	50%	Real estate development

The above joint venture is an unlisted corporate entity whose quoted market price is not available and is accounted for using the equity method in the consolidated financial statements.

The investment in the joint venture with an aggregate carrying amount of HK$54,634,000 has been transferred to non-current asset classified as held for sale as at 31 March 2014 (note 27).

Summarised financial information of the joint venture, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	2013 HK$'000
Current assets	51,900
Non-current assets	54,800
Current liabilities	(68)
Equity	106,632
Included in the above assets and liabilities:	
Cash and cash equivalents	793
Revenue	–
Total loss for the year	(58)
Included in the above loss:	
Depreciation	132
Reconciled to the Group's interest in the joint venture	
Gross amounts of joint venture's net assets	106,632
Group's effective interest	50%
Group's share of joint venture's net assets	53,316

20. Available-for-Sale Investment

	Group	
	2014	2013
	HK$'000	HK$'000
Unlisted investments, at cost:		
Equity securities	**19,281**	19,281

The above investment represents investment in unlisted equity securities which are designated as available-for-sale financial assets and has no fixed maturity date or coupon rate.

As at 31 March 2014, the Group's unlisted equity securities were stated at cost less impairment, if any, because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

21. Inventories

	Group	
	2014	2013
	HK$'000	HK$'000
Raw materials	**8,405**	10,560
Work-in-progress	**11,860**	13,174
Finished goods	**6,320**	5,597
	26,585	29,331

22. Trade and Bills Receivables

	Group 2014 HK$'000	Group 2013 HK$'000
Trade receivables	**37,530**	30,898
Impairment	**(1,683)**	(1,278)
	35,847	29,620
Bills receivable	**–**	309
	35,847	29,929

The Group's business with its trade debtors are mainly on credit basis, 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 minimize credit risk. Overdue balances are reviewed regularly by senior management. In view of the above mentioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over these balances. Trade debtors are non-interest-bearing.

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

	Group 2014 HK$'000	Group 2013 HK$'000
Current to 1 month	**34,587**	25,746
1 to 2 months	**196**	1,149
2 to 3 months	**–**	879
Over 3 months	**2,747**	3,124
	37,530	30,898

22. Trade and Bills Receivables (continued)

b) Movements in the allowance account for doubtful debts

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

The movements in the allowance account for doubtful debts are as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
At beginning of year	**1,278**	1,200
Impairment loss recognised	**381**	823
Receivables written off during the year as uncollectible	**–**	(823)
Exchange adjustment	**24**	78
At end of year	**1,683**	1,278

Impairment of trade receivables are considered individually by reference to their ageing and their recoverability. The Group does not hold any collateral over these balances.

c) The ageing analysis of trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Neither past due nor impaired	**32,071**	22,656
Less than 1 month past due	**2,516**	3,090
1 to 2 months past due	**196**	1,149
2 to 3 months past due	**–**	879
Over 3 months past due	**1,064**	1,846
	35,847	29,620

22. Trade and Bills Receivables (continued)

c) The ageing analysis of trade receivables that are not impaired (continued)

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

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the management of the Group believes that no 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 over these balances.

Included in the Group's trade receivables is a receivable of HK$5,970,000 *(2013: HK$3,033,000)* due from a related party, which is a subsidiary of a substantial shareholder of the Company, arising from the sales of printed circuit boards, which is repayable in accordance with the credit terms granted to the related party.

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

	Group	
	2014	2013
	HK$'000	HK$'000
Hong Kong listed equity investments, at market value	**6,541**	17,430
Equity investments listed elsewhere, at market value	**2,083**	2,616
	8,624	20,046

The above investments as at 31 March 2014 and 2013 were classified as held for trading.

All of the Hong Kong listed equity investments amounting to HK$6,541,000 *(2013: HK$17,430,000)* have been pledged to secure certain of the Group's bank borrowings (note 33).

24. Other Receivables, Deposits and Prepayments

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**6,578**	1,315	**137**	206
Deposits and other receivables (note a)	**31,439**	3,639	**–**	–
Bank interest receivable on time deposits	**7,159**	4,737	**–**	–
Value added tax recoverable	**5,573**	5,586	**–**	–
	50,749	15,277	**137**	206

a) Included in deposits and other receivables was a payment of HK$15,008,000 for a services contract which was subsequently cancelled on 31 March 2014 and the same amount was fully refunded to the Group after 31 March 2014.

25. Pledged Bank Deposits

The bank deposits were placed with banks in the PRC and have been pledged to banks to secure banking facilities granted to the Group. The bank deposits amounting to approximately HK$269,342,000 *(2013: HK$169,319,000)* have been pledged to secure short-term bank loans and are therefore classified as current assets.

The interest rates on the pledged bank deposits range from 3.30% to 3.75% *(2013: 3.40% to 3.57%)* per annum.

26. Cash and Cash Equivalents

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and cash equivalents in the consolidated statement of financial position and the consolidated statement of cash flows	**70,786**	109,482	**29**	28

Bank balances carry interest at market rates ranging from 0.52% to 1.31% *(2013: 0.52% to 1.31%)* per annum.

As at 31 March 2014, the balances that were placed with banks in the PRC amounted to HK$37,234,000 *(2013: HK$72,812,000)*. Remittance of funds out of the PRC is subject to the exchange controls imposed by the PRC government.

27. Non-Current Asset Classified as Held for Sale

As of the date of approval of these financial statements, an equity transfer and shareholder's loan repayment agreement is expected to be entered into by the Group in July 2014 to dispose of the Group's entire interest in the joint venture to a third party and to obtain the repayment of the shareholder's loan as previously injected by the Group to the joint venture at a total consideration of RMB44,000,000 (equivalent to approximately HK$55,429,000). The investment in the joint venture with an aggregate carrying amount of HK$54,634,000 has been transferred to non-current asset classified as held for sale as at 31 March 2014. Cumulative income recognised in other comprehensive income relating to the non-current asset classified as held for sale was amounted to HK$3,243,000 as at 31 March 2014, representing foreign exchange translation adjustments.

28. Deferred Tax

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

Deferred tax assets

Group

	Depreciation allowance in excess of related depreciation and impairment HK$'000	Loss available for offsetting against future taxable profits HK$'000	Total HK$'000
At 1 April 2012	8,648	(10,948)	(2,300)
Deferred tax (credited)/charged to the consolidated statement of profit or loss during the year (note 10)	(8,648)	10,948	2,300
At 31 March 2013, 1 April 2013 and 31 March 2014	–	–	–

As at 31 March 2014, deferred tax assets have not been recognised for deductible temporary differences in respect of property, plant and equipment amounted to HK$39,191,000 *(2013: HK$18,960,000)* and tax losses amounted to HK$127,991,000 *(2013: HK$192,428,000)* as they have arisen in subsidiaries that have been loss making for some time or it is not considered probable that taxable profits will be available against which the deductible temporary differences and the tax losses can be utilised. Estimated tax losses arising in Hong Kong of approximately HK$73,522,000 *(2013: approximately HK$54,761,000)* are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose, and estimated tax losses arising in the PRC of approximately HK$54,469,000 *(2013: HK$137,667,000)* will expire in one to five years.

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

29. Trade Payables

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

	Group	
	2014	2013
	HK$'000	HK$'000
Current to 1 month	**32,529**	20,372
1 to 2 months	**6,703**	7,349
2 to 3 months	**6,103**	1,992
Over 3 months	**12,429**	4,213
	57,764	33,926

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

30. Other Payables and Accruals

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Receipts in advance (note 7)	**12,612**	–	**–**	–
Other payables	**5,293**	12,706	**8**	165
Accruals	**6,475**	9,575	**143**	135
	24,380	22,281	**151**	300

The other payables are unsecured, interest free and have an average term of three months.

31. Provision

Provision for tax payable and tax penalty

With respect to the violation of PRC Customs regulations by a wholly-owned subsidiary of the Company, as more fully explained in note 42 and following the issue of the notices of assessment by the Huizhou Customs and obtaining a legal advice, a provision totaling HK$4,468,000 was made for (a) the tax payable of HK$2,234,000, representing HK$516,000 and HK$1,718,000 for customs duty and import value-added tax which was correspondingly included in cost of sales and value added tax recoverable respectively, and (b) the tax penalty of HK$2,234,000.

32. Derivative Financial Instruments

	Group			
	2014		2013	
	Assets HK$'000	Liabilities HK$'000	Assets HK$'000	Liabilities HK$'000
Equity contracts	–	–	71	210

33. Interest-Bearing Bank and Other Borrowings

	Group					
	2014			2013		
	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Current						
Trust receipt loans	–	–	–	LIBOR + 2.25%	2013	3,845
Bank loans						
– secured	HIBOR + 1.1% to LIBOR + 2.25%	2014	92,324	HIBOR + 1.1% to HIBOR + 3.2%	2013	150,730
– secured	1.8% to 2.3%	2014	145,000	–	–	–
Other loans						
– secured	–	–	–	Prime - 1%	2013–2014	7,170
			237,324			161,745
Non-current						
Other loans						
– secured	–	–	–	Prime - 1%	2013–2014	3,081
			–			3,081
			237,324			164,826

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

	Group	
	2014	2013
	HK$'000	HK$'000
Analysed into:		
Bank and other loans repayable:		
Within one year or on demand	**237,324**	161,745
In the second year	**–**	3,081
	237,324	164,826

At the end of the reporting period, except for certain bank and other loans denominated in United States dollars ("US$") equivalent to HK$87,824,000 *(2013: HK$60,000,000)*, all the bank and other loans were denominated in Hong Kong dollars.

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

i) pledge of the Group's bank deposits amounting to HK$269,342,000 *(2013: HK$169,319,000)*;

ii) pledge of all of the Group's Hong Kong listed equity investments amounting to HK$6,541,000 *(2013: HK$17,430,000)*; and

iii) pledge of certain of the Group's machinery and equipment located in the PRC, which had an aggregated carrying amount of HK$5,229,000 in respect of other loans as at 31 March 2013.

34. Share Capital

Company

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 April 2012, 31 March 2013, 1 April 2013 and 31 March 2014	600,000,000	60,000
Issued and fully paid:		
At 1 April 2012, 31 March 2013, 1 April 2013 and 31 March 2014	480,243,785	48,024

35. 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 Scheme has expired on 27 August 2013.

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

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

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

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

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

No share options had been granted, exercised or lapsed during the year ended 31 March 2014 and there were no outstanding share options as at 31 March 2014 and 31 March 2013.

36. Reserves

Group

The capital and reserves of the Group attributable to the owners of the Company are set out in the consolidated statement of changes in equity on page 28.

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.

Company

	Share premium HK$'000 (note a)	Contributed surplus HK$'000 (note b)	Retained profits HK$'000	Total HK$'000
At 1 April 2012	91,483	38,295	48,368	178,146
Loss and total comprehensive loss for the year	–	–	(283)	(283)
At 31 March 2013	91,483	38,295	48,085	177,863
At 1 April 2013	91,483	38,295	48,085	177,863
Loss and total comprehensive loss for the year	–	–	(267)	(267)
At 31 March 2014	91,483	38,295	47,818	177,596

Notes:

a) Share premium
The application of share premium is governed by section 40 of the Bermuda Companies Act 1981.

b) Contributed surplus
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 share issued pursuant to the same reorganisation described above. Under the Bermuda Companies Act 1981, a company may make contribution to its shareholders out of the contributed surplus under certain circumstances.

c) Exchange translation reserves
Exchange translation reserve comprises all foreign exchange difference arising from the translation of functional currency to presentation currency. The reserve is dealt with in accordance with the accounting policy.

d) Retained profits
The Group's retained profits included an amount of HK$17,742,000 (2013: HK$17,742,000) reserved by a subsidiary in the PRC in accordance with the relevant PRC regulations. The PRC laws and regulations require companies registered in the PRC to provide for certain statutory reserves, which are to be appropriated from the net profit (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holder. All statutory reserves are created for specific purposes. PRC company is required to appropriate 10% of statutory net profits to statutory surplus reserves, upon distribution of its post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the company, to expand the company's production operations, or to increase the capital of the company. In addition, a company may make further contribution to the discretional surplus reserve using its post-tax profits in accordance with resolutions of the board of directors.

37. Financial Instruments by Category

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

2014

Financial assets

		Group			
	Notes	Loans and receivables HK$'000	Available-for-sale investment HK$'000	Financial assets at fair value through profit or loss – held for trading HK$'000	Total HK$'000
Available-for-sale investment	20	–	19,281	–	19,281
Trade and bills receivables	22	35,847	–	–	35,847
Other financial assets at fair value through profit or loss	23	–	–	8,624	8,624
Financial assets included in other receivables, deposits and prepayments	24	38,598	–	–	38,598
Pledged bank balances	25	269,342	–	–	269,342
Cash and cash equivalents	26	70,786	–	–	70,786
		414,573	19,281	8,624	442,478

Financial liabilities

	Notes	Group Financial liabilities at amortised cost HK$'000
Trade payables	29	57,764
Financial liabilities included in other payables and accruals	30	5,293
Interest-bearing bank and other borrowings	33	237,324
		300,381

37. Financial Instruments by Category (continued)

2013

Financial assets

	Notes	Group Loans and receivables HK$'000	Available-for-sale investment HK$'000	Financial assets at fair value through profit or loss – held for trading HK$'000	Total HK$'000
Available-for-sale investment	20	–	19,281	–	19,281
Trade and bills receivables	22	29,929	–	–	29,929
Other financial assets at fair value through profit or loss	23	–	–	20,046	20,046
Derivative financial instruments	32	–	–	71	71
Financial assets included in other receivables, deposits and prepayments	24	9,225	–	–	9,225
Pledged bank balances	25	169,319	–	–	169,319
Cash and cash equivalents	26	109,482	–	–	109,482
		317,955	19,281	20,117	357,353

Financial liabilities

	Notes	Group 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 payables	29	–	33,926	33,926
Financial liabilities included in other payables and accruals	30	–	18,502	18,502
Derivative financial instruments	32	210	–	210
Interest-bearing bank and other borrowings	33	–	164,826	164,826
		210	217,254	217,464

37. Financial Instruments by Category (continued)

Financial assets

	Notes	Company Loans and receivables 2014 HK$'000	 2013 HK$'000
Amount due from a subsidiary	18	**154,689**	155,037
Cash and cash equivalents	26	**29**	28
		154,718	155,065

Financial liabilities

	Notes	Company Financial liabilities at amortised cost 2014 HK$'000	 2013 HK$'000
Financial liabilities included in other payables and accruals	30	**8**	300

38. Fair Value and Fair Value Hierarchy of Financial Instruments

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

Group

	Carrying amounts		Fair values	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Cash and cash equivalents	**70,786**	109,482	**70,786**	109,482
Pledged bank balances	**269,342**	169,319	**269,342**	169,319
Trade and bills receivables	**35,847**	29,929	**35,847**	29,929
Financial assets included in other receivables, deposits and prepayments	**38,598**	9,225	**38,598**	9,225
Other financial assets at fair value through profit or loss	**8,624**	20,046	**8,624**	20,046
Derivative financial instruments	**–**	71	**–**	71
	423,197	338,072	**423,197**	338,072
Financial liabilities				
Trade payables	**57,764**	33,926	**57,764**	33,926
Financial liabilities included in other payables and accruals	**5,293**	18,502	**5,293**	18,502
Derivative financial instruments	**–**	210	**–**	210
Interest-bearing bank and other borrowings	**237,324**	164,826	**237,324**	164,826
	300,381	217,464	**300,381**	217,464

38. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

Company

	Carrying amounts		Fair values	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Amount due from a subsidiary	**154,689**	155,037	**154,689**	155,037
Cash and cash equivalents	**29**	28	**29**	28
	154,718	155,065	**154,718**	155,065
Financial liabilities				
Financial liabilities included in other payables and accruals	**8**	300	**8**	300

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

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

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

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

38. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

As at 31 March 2014

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Other financial assets at fair value through profit or loss	**8,624**	**–**	**–**	**8,624**

As at 31 March 2013

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Other financial assets at fair value through profit or loss	20,046	–	–	20,046
Derivative financial instruments	–	71	–	71
	20,046	71	–	20,117

38. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

Liabilities measured at fair value

As at 31 March 2014

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

As at 31 March 2013

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Derivative financial instruments	–	210	–	210

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 *(2013: Nil)*.

The Company did not have any financial assets and liabilities measured at fair value as at 31 March 2014 *(2013: Nil)*.

39. Financial Risk Management Objectives and Policies

The Group's principal financial instruments, other than other financial assets at fair value through profit or loss and derivative financial instruments, comprise interest-bearing bank and other borrowings, pledged bank deposits 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 and bills receivable and trade payables, which arise directly from its operations.

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 derivative financial instruments are set out in note 2(o) to the consolidated financial statements.

39. Financial Risk Management Objectives and Policies (continued)

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings with floating interest rates. The interest rates and terms of repayment of the interest-bearing bank and other borrowings of the Group are disclosed in note 33 to the consolidated financial statements.

The Group's policy is to minimise the interest rate risk for interest-bearing bank and other borrowings with an original tenor of more than one year by fixing the interest rate at the commencement of the tenor. The Group may make use of interest rate swaps transactions in order to effect fixed interest rates for such borrowings if required.

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

	Group		
	Increase/ (decrease) in basis points	**Increase/ (decrease) in loss before tax HK$'000**	**Increase/ (decrease) in equity* HK$'000**
2014			
Interest rate	**100**	**923**	**–**
Interest rate	**(100)**	**(923)**	**–**
2013			
Interest rate	100	1,624	–
Interest rate	(100)	(1,624)	–

* Excluding retained profits

39. 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 currencies. The Group operates in Hong Kong and the PRC with most of the transactions denominated and settled in either United States dollars ("USD"), Hong Kong dollars ("HKD") or Renminbi ("RMB"). As HKD is pegged to USD, 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.

The Group may enter into forward currency contracts with reference to the estimated cash flows in foreign currencies in order to manage the foreign currency exposures.

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

	Group		
	Increase/ (decrease) in exchange rates	**Increase/ (decrease) in loss before tax**	**Increase/ (decrease) in equity***
	%	**HK$'000**	**HK$'000**
2014			
If Hong Kong dollar weakens against RMB	**10.0**	**4,198**	**–**
If Hong Kong dollar strengthens against RMB	**(1.0)**	**(420)**	**–**
2013			
If Hong Kong dollar weakens against RMB	10.0	2,602	–
If Hong Kong dollar strengthens against RMB	(1.0)	(260)	–

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

* Excluding retained profits

39. Financial Risk Management Objectives and Policies (continued)

Credit risk

The Group

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, pledged bank deposits, available-for-sale investment, other financial assets at fair value through profit or loss, other receivables and certain derivative financial instruments, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. In order to minimise the credit risk, the management of the Group continuously monitors the level of exposure to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Since the Group trades only with recognised and creditworthy customers, there is no requirement for collateral. Concentrations of credit risk are managed by customer. At the end of the reporting period, the Group had certain concentrations of credit risk as 17% *(2013: 6%)* and 56% *(2013: 55%)* of the Group's trade receivables 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.

The credit risk in bank balances and deposits is limited because the counterparties are banks with high credit ratings.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 22 to the consolidated financial statements.

The Company

The directors consider that there is no significant credit risk on receivables from a subsidiary given its strong financial background and good credibility.

The Company is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 42(b) 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 liabilities and financial assets (e.g. trade debtors) and projected cash flows from operations.

The Group's policy is to regularly monitor its current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and cash equivalents as well as adequate banking facilities to meet its operation needs at any time.

39. Financial Risk Management Objectives and Policies (continued)

Liquidity risk (continued)

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

Group

	2014		
	Less than 12 months HK$'000	**1 to 5 years HK$'000**	**Total HK$'000**
Trade payables	**57,764**	**–**	**57,764**
Financial liabilities included in other payables and accruals	**5,293**	**–**	**5,293**
Interest-bearing bank and other borrowings	**237,629**	**–**	**237,629**
	300,686	**–**	**300,686**

	2013		
	Less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Trade payables	33,926	–	33,926
Financial liabilities included in other payables and accruals	18,502	–	18,502
Derivative financial instruments	210	–	210
Interest-bearing bank and other borrowings	162,445	3,114	165,559
	215,083	3,114	218,197

39. Financial Risk Management Objectives and Policies (continued)

Company

	2014		
	Less than 12 months HK$'000	**1 to 5 years HK$'000**	**Total HK$'000**
Financial liabilities included in other payables and accruals	**8**	**–**	**8**
Financial guarantees issued:			
Maximum amount guaranteed (Note 42(b))	**232,824**	**–**	**232,824**

	2013		
	Less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Financial liabilities included in other payables and accruals	300	–	300
Financial guarantees issued:			
Maximum amount guaranteed (Note 42(b))	164,826	–	164,826

39. Financial Risk Management Objectives and Policies (continued)

Market price risk

Market price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to market price risk arising from individual equity investments classified as trading equity investments (note 23) as at 31 March 2014. Most of the Group's listed investments are listed on the Stock Exchange and are valued at quoted market prices at the end of the reporting period.

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

	31 March 2014	**High/low 2014**	31 March 2013	High/low 2013
Hong Kong – Hang Seng Index	**22,151**	**24,039/ 19,814**	22,300	23,945/ 18,056

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

	Carrying amount HK$'000	**Increase/ decrease in loss before tax HK$'000**	**Increase/ decrease in equity* HK$'000**
2014			
Equity investments	**8,624**	**431**	**–**
2013			
Equity investments	20,046	1,002	–

* Excluding retained profits

39. Financial Risk Management Objectives and Policies (continued)

Market price risk (continued)

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

	Increase/ (decrease) in equity market price %	Increase/ (decrease) in loss before tax HK$'000	Increase/ (decrease) in equity* HK$'000
2014			
Derivative financial instruments	**10**	**–**	**–**
	(10)	**–**	**–**
2013			
Derivative financial instruments	10	1,405	–
	(10)	(236)	–

* Excluding retained profits

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirement.

39. Financial Risk Management Objectives and Policies (continued)

Capital management (continued)

The Group monitors capital using a gearing ratio, which is the interest-bearing bank and other borrowings divided by total capital. Capital includes equity attributable to owners of the Company. The Group's policy is to maintain the gearing ratio below 100%. The gearing ratios as at the end of the reporting period were as follows:

	2014 **HK$'000**	2013 HK$'000
Interest-bearing bank and other borrowings	**237,324**	164,826
Equity attributable to owners of the Company	**306,746**	336,306
Gearing ratio	**77%**	49%

40. Commitments

a) Capital commitments

At 31 March 2014, capital commitments not provided for in the consolidated financial statements were as follows:

	Group	
	2014 **HK$'000**	2013 HK$'000
Contracted but not provided for in respect of – plant and equipment	**4,328**	272
Authorised, but not contracted for in respect of – plant and equipment	**–**	4,834

b) Operating lease commitments

At 31 March 2014, the total future minimum lease payables under non-cancellable operating leases in respect of premises are as follows:

	Group	
	2014 **HK$'000**	2013 HK$'000
Within one year	**290**	99
After one year but within five years	**290**	–
	580	99

Operating lease payments represent rentals payable by the Group for its office. Leases are negotiated for terms of 2 years.

41. Related Party Transactions

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

	Group	
	2014	2013
	HK$'000	HK$'000
Sales of printed circuit boards to a related party	**38,382**	39,410

Printed circuit boards were sold to a subsidiary of Daisho Denshi Co., Ltd., a substantial shareholder of the Company who has 10.41% equity interests in the Company and also a company in which the Group has 7.46% equity interest. The products sold were unique and tailor-made according to the customer's requirements and specifications. The selling price of the printed circuit boards were determined based on the complexity of the specifications and were agreed between the respective parties.

b) Outstanding balance with a related party

Details of the Group's trade balance with its related party as at the end of the reporting period are disclosed in note 22 to the consolidated financial statements.

c) Key management compensation

Remuneration for key management personnel of the Group representing amounts paid to the Company's directors as disclosed in note 11, is as follows:

	2014	2013
	HK$'000	HK$'000
Short-term employee benefits	**7,463**	7,378
Post-employment benefits	**343**	339
	7,806	7,717

Notes:

The remuneration were based on the terms mutually agreed between the Group and the related parties. In the opinion of the Company's directors, these related party transactions were conducted in the ordinary course of business of the Group.

42. Contingent Liabilities

a) In January 2014, the Huizhou Customs came to the premises of Huafeng Microline (Huizhou) Circuits Limited ("Huafeng"), a wholly-owned subsidiary of the Company in Huizhou, PRC to investigate suspected violation of PRC Customs regulations by Huafeng. The investigation by the Huizhou Customs is pending for handing over to the PRC Procuratorate. Up to the date of this report, Huafeng still operates as usual and none of Huafeng's assets has been seized or frozen by the Huizhou Customs.

Such investigation was brought to the attention of the board of directors of the Company and an internal investigation committee, composed of all executive directors, independent non-executive directors and a PRC legal advisor, was formed to investigate the circumstances which may constitute violation of PRC Customs regulations by Huafeng. Based on the findings of the internal investigation, the committee concluded that there were certain violation of the PRC Customs regulations by Huafeng but the committee is of the view that the net effect of the potential amount of tax payable, and tax penalty as a result of such violation is not significant.

In June 2014, the Huizhou Customs issued two notices of assessment to Huafeng on the relevant tax evaded, including customs duty and import value-added tax, of totaling approximately RMB1,771,000 (equivalent to about HK$2,234,000) in respect of certain spare parts imported by Huafeng without declaration and bonded materials used by Huafeng for domestic sales in the PRC. A provision of HK$2,234,000 for such tax payable has been made in the consolidated financial statements for the year ended 31 March 2014.

Under the existing PRC laws and regulations, the PRC court may impose a tax penalty of an amount equal to 1 to 5 times of the tax evaded by Huafeng and so the potential amount of tax penalty payable by Huafeng would be in the range of approximately RMB1,771,000 to RMB8,855,000 (equivalent to about HK$2,234,000 to HK$11,170,000). The directors sought a legal advice on this matter and considered that a provision of HK$2,234,000 for the tax penalty which has been made in the consolidated financial statements for the year ended 31 March 2014 is appropriate.

As the investigation by the Huizhou Customs has not been concluded, it is not possible to determine with any degree of reasonable certainty on (a) the amount of tax penalty which may finally be imposed by the PRC court against Huafeng, and (b) whether the Huizhou Customs will issue further notice of assessment to Huafeng. Should additional tax penalty in excess of the amount provided of HK$2,234,000 be imposed against Huafeng, the directors are of the opinion that the Group would have adequate net assets and resources to continue its operation.

As of the date of this report, no further action has been taken by the Huizhou Customs against Huafeng and there have been no further claims made against Huafeng, accordingly, based on the current available information, no further provision for the tax penalty and other claims or liabilities has been made in the consolidated financial statements.

b) The Company has provided certain banks with corporate guarantees of HK$244 million *(2013: HK$212 million)* to secure banking facilities granted to subsidiaries. At 31 March 2014, the facilities were utilized to the extent of HK$232,824,000 *(2013: HK$154,575,000)*. The Company has provided a financial institution with corporate guarantees of HK$21 million to secure credit facilities granted to a subsidiary and the facilities were utilized to the extent of HK$10,251,000 as at 31 March 2013.

43. Possible Impact of Amendments, New Standards and Interpretations Issued But Not Yet Effective for the Year Ended 31 March 2014

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2014 and which have not been adopted in these financial statements.

Amendments to HKFRSs	*Annual Improvements to HKFRSs 2010-2012 Cycle*[2]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2011-2013 Cycle*[3]
HKFRS 9	*Financial Instruments*[4]
HKFRS 14	*Regulatory Deferral Accounts*[5]
Amendments to HKFRS 9 and HKFRS 7	*Mandatory Effective Date of HKFRS 9 and Transition Disclosures*[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	*Investment Entities*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[6]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[6]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[3]
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*[1]
Amendments to HKAS 36	*Recoverable amount disclosures for non-financial assets*[1]
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC) – Int 21	*Levies*[1]

1. Effective for annual periods beginning on or after 1 January 2014.
2. Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.
3. Effective for annual periods beginning on or after 1 July 2014.
4. Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.
5. Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.
6. Effective for annual periods beginning on or after 1 January 2016.

The Group is in the process of making an assessment of what the impact of these new and revised HKFRSs is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

44. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 27 June 2014.