



DAISHO MICROLINE HOLDINGS LIMITED

大昌微綫集團有限公司

Stock Code : 0567

Interim Report
2009-2010

UNAUDITED INTERIM REPORT

The Board of Directors (the "Board") of Daisho Microline Holdings Limited (the "Company") presents the unaudited interim report of the Company and its subsidiaries (the "Group") for the 6 months ended 30 September 2009 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	(Unaudited)	
		6 months ended 30 September	
		2009	2008
		HK\$'000	HK\$'000
REVENUE	3	167,824	262,221
Cost of sales		<u>(150,449)</u>	<u>(224,103)</u>
Gross profit		17,375	38,118
Other income and gains		4,787	5,758
Selling and distribution costs		(7,884)	(19,642)
Administrative expenses		(14,976)	(15,907)
Other expenses		(369)	(1,987)
Fair value gains/(losses), net on:			
Other financial assets at fair value through profit or loss	4	14,458	(2,191)
Derivative financial instruments	4	8,756	(1,842)
Finance costs	4	<u>(960)</u>	<u>(1,273)</u>
PROFIT BEFORE TAX	4	21,187	1,034
Tax	5	<u>(1,860)</u>	<u>2,300</u>
PROFIT FOR THE PERIOD		<u>19,327</u>	<u>3,334</u>
Attributable to equity holders of the Company		<u>19,327</u>	<u>3,334</u>
INTERIM DIVIDEND	6	<u>–</u>	<u>–</u>
EARNINGS PER SHARE			
ATTRIBUTABLE TO ORDINARY			
EQUITY HOLDERS OF THE COMPANY	7		
– Basic		<u>HK4.02 cents</u>	<u>HK0.69 cents</u>
– Diluted		<u>HK4.02 cents</u>	<u>HK0.69 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited)	
	6 months ended 30 September	
	2009	2008
Notes	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	19,327	3,334
OTHER COMPREHENSIVE INCOME:		
Exchange differences on translation of foreign operations	<u>4,418</u>	<u>12,123</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>23,745</u></u>	<u><u>15,457</u></u>
Attributable to equity holders of the Company	<u><u>23,745</u></u>	<u><u>15,457</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) 30 September 2009 HK\$'000	(Audited) 31 March 2009 HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment	8	333,104	351,341
Prepaid land lease payments		4,336	4,403
Deposits paid for acquisition of items of property, plant and equipment		<u>5,483</u>	<u>5,379</u>
Total non-current assets		<u>342,923</u>	<u>361,123</u>
CURRENT ASSETS			
Inventories		24,021	26,124
Trade and bills receivables	9	66,254	33,143
Other financial assets at fair value through profit or loss	10	55,525	24,242
Derivative financial instruments	11	645	572
Sundry debtors, prepayments & deposits		16,801	7,464
Tax recoverable		–	67
Restricted bank balance	12	37,452	4,746
Cash and cash equivalents	12	<u>94,728</u>	<u>117,275</u>
Total current assets		<u>295,426</u>	<u>213,633</u>
CURRENT LIABILITIES			
Trade creditors	13	52,377	34,316
Other creditors and accruals		22,635	23,366
Derivative financial instruments	11	2,984	10,757
Interest-bearing bank and other borrowings	14	68,699	29,406
Tax payable		<u>1,533</u>	<u>–</u>
Total current liabilities		<u>148,228</u>	<u>97,845</u>
NET CURRENT ASSETS		<u>147,198</u>	<u>115,788</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		490,121	476,911
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	14	12,792	23,587
Deferred tax liabilities		<u>5,555</u>	<u>5,295</u>
Total non-current liabilities		<u>18,347</u>	<u>28,882</u>
Net assets		<u>471,774</u>	<u>448,029</u>
EQUITY			
Equity attributable to equity holders of the Company			
Issued share capital		48,024	48,024
Reserves		<u>423,750</u>	<u>400,005</u>
Total equity		<u>471,774</u>	<u>448,029</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	(Unaudited)						
	6 months ended 30 September 2009						
	Issued share capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Exchange equalisation reserve HK\$'000	Retained profits HK\$'000	Proposed final dividend HK\$'000	Total equity HK\$'000
At 1 April 2009	48,024	91,483*	9,379*	70,947*	228,196*	–	448,029
Total comprehensive income for the period	–	–	–	4,418	19,327	–	23,745
At 30 September 2009	48,024	91,483*	9,379*	75,365*	247,523*	–	471,774

	(Unaudited)						
	6 months ended 30 September 2008						
	Issued share capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Exchange equalisation reserve HK\$'000	Retained profits HK\$'000	Proposed final dividend HK\$'000	Total equity HK\$'000
At 1 April 2008	48,024	91,483	9,379	59,101	248,260	–	456,247
Total comprehensive income for the period	–	–	–	12,123	3,334	–	15,457
At 30 September 2008	48,024	91,483	9,379	71,224	251,594	–	471,704

* These reserve accounts comprise the consolidated reserves of HK\$423,750,000 (31 March 2009: HK\$400,005,000) in the consolidated statement of financial position.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	(Unaudited)	
	6 months ended 30 September	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	21,187	1,034
Net adjustments for non-cashflow items	<u>706</u>	<u>24,215</u>
Operating profit before working capital changes	21,893	25,249
Net increase in working capital	<u>(38,863)</u>	<u>(24,380)</u>
Cash generated from operations	(16,970)	869
Net interest payment	(398)	(632)
Net tax payment	<u>-</u>	<u>(2,407)</u>
Net cash outflow from operating activities	(17,368)	(2,170)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash (outflow)/inflow from investing activities	(1,048)	7,312
CASH FLOWS FROM FINANCING ACTIVITIES		
Net cash (outflow)/inflow from financing activities	<u>(4,209)</u>	<u>41,218</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(22,625)	46,360
Cash and cash equivalents at beginning of the period	117,275	82,646
Effect of foreign exchange rate changes, net	<u>78</u>	<u>925</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u><u>94,728</u></u>	<u><u>129,931</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	94,728	94,905
Non-pledged time deposits with original maturity of less than three months when acquired	<u>-</u>	<u>35,026</u>
Cash and cash equivalents	<u><u>94,728</u></u>	<u><u>129,931</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

This interim report has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

The accounting policies and methods of computation used in the preparation of this interim report are the same as those adopted in preparing the annual audited financial statements for the year ended 31 March 2009, except for the adoption of the following new/revised Hong Kong Financial Reporting Standards (“HKFRSs”), HKASs and Interpretations (hereinafter collectively referred to as the “new HKFRSs”) which are effective for accounting periods beginning on or after 1 April 2009.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 First-time Adoption of HKFRS and HKAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment – Vesting Conditions and Cancellations
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosure Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
HK(IFRIC) – Int 9 and HKAS 39 Amendments	Amendment to HK(IFRIC)-Int 9 Reassessment of Embedded Derivatives and HKAS 39 Financial Instruments: Recognition and Measurement Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HKFRSs (Amendments)	Improvements to HKFRSs

HKFRS 8, which replaces HKAS 14 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocation resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group’s major customers. The adoption of this Standard did not have any effect on the financial position or performance of the Group. The Group determined that the operating segments were the same as the business segments previously identified under HKAS 14 Segment Reporting.

1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

(continued)

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

The application of the other new HKFRSs did not have any material impact on how the financial statements of the Group are prepared and presented for the current or prior accounting period. Accordingly, no prior period adjustments are required.

2. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but not yet effective, in this interim report.

HKAS 27 (Revised)	Consolidated and Separate Financial Instruments ¹
HKAS 39 Amendment	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items ¹
HKFRS 1 (Revised)	First-time Adoption of HKFRSs ¹
HKFRS 3 (Revised)	Business Combination ¹
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners ¹
HK(IFRIC) – Int 18	Transfer of Assets from Customers ¹

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

The Group anticipates that the applications of these new or revised standard, amendment and interpretations would not have significant impact on the result and financial position of the Group.

3. REVENUE AND SEGMENT INFORMATION

For management purposes, the Group has a single operating and reportable segment – the manufacture and trading of printed circuit boards. Revenue represents the net invoiced value of goods sold, after allowances for goods returns and trade discounts.

The following table presents the Group's revenue information regarding geographical segments for the six months ended 30 September 2009 and 2008.

	(Unaudited)	
	6 months ended 30 September	
	2009	2008
	HK\$'000	HK\$'000
Segment revenue:		
Sales to external customers		
Mainland China	105,653	161,265
Hong Kong	26,598	47,517
Japan	23,295	43,462
Europe	3,551	3,621
Others	8,727	6,356
	<u>167,824</u>	<u>262,221</u>

The Group's non-current assets of HK\$342,923,000 at 30 September 2009 and HK\$361,123,000 at 31 March 2009 were both situated in the Mainland China region.

4. PROFIT BEFORE TAX

Profit before tax is arrived at after crediting and (charging):

	(Unaudited)	
	6 months ended 30 September	
	2009	2008
	HK\$'000	HK\$'000
(a) Finance costs:		
Interest on:		
Bank loans and other loans wholly repayable within five years	(944)	(834)
Finance leases and hire purchase contracts	<u>(16)</u>	<u>(439)</u>
	<u>(960)</u>	<u>(1,273)</u>

4. PROFIT BEFORE TAX *(continued)*

(b) Other items:

	(Unaudited)	
	6 months ended 30 September	
	2009	2008
	HK\$'000	HK\$'000
Depreciation	(23,457)	(23,017)
Amortization of land lease payments	(69)	(69)
Staff costs (including directors' remuneration)	(21,726)	(26,211)
Bank interest income	566	550
Reversal of impairment of trade debtors	–	1,000
Fair value gains/(losses), net on:		
Derivative financial instruments – transactions not qualifying as hedges	8,756	(1,842)
Fair value gains/(losses), net on:		
Other financial assets at fair value through profit or loss	<u>14,458</u>	<u>(2,191)</u>

5. TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the current period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Deferred tax has been provided on temporary differences using the current applicable rate.

	(Unaudited)	
	6 months ended 30 September	
	2009	2008
	HK\$'000	HK\$'000
Group:		
Current – Hong Kong		
Charge for the period	1,600	–
Deferred	<u>260</u>	<u>(2,300)</u>
Total tax charge/(credit) for the period	<u>1,860</u>	<u>(2,300)</u>

6. INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the year ending 31 March 2010 to the shareholders (2009: Nil).

7. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$19,327,000 (2008: HK\$3,334,000) and the weighted average number of 480,243,785 (2008: 480,243,785) ordinary shares in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$19,327,000 (2008: HK\$3,334,000) and the weighted average number of 480,575,608 (2008: 481,405,887) ordinary shares after adjusting for the effects of all dilutive potential ordinary shares.

(c) Reconciliation

	(Unaudited)	
	6 months ended 30 September	
	2009	2008
	<i>Number of shares</i>	<i>Number of shares</i>
Weighted average number of ordinary shares used in calculating basic earnings per share	480,243,785	480,243,785
Deemed issue of ordinary shares for no consideration arising from share options	<u>331,823</u>	<u>1,162,102</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u><u>480,575,608</u></u>	<u><u>481,405,887</u></u>

8. PROPERTY, PLANT AND EQUIPMENT

	(Unaudited)	
	6 months ended 30 September	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Purchase of property, plant and equipment	<u><u>976</u></u>	<u><u>7,244</u></u>

9. TRADE AND BILLS RECEIVABLES

	(Unaudited) 30 September 2009 HK\$'000	(Audited) 31 March 2009 HK\$'000
Trade receivables	58,419	34,943
Impairment	<u>(1,800)</u>	<u>(1,800)</u>
	56,619	33,143
Bills receivable	<u>9,635</u>	<u>-</u>
	<u><u>66,254</u></u>	<u><u>33,143</u></u>

The Group has a policy which allows an average credit period of 60 days to its customers. An aged analysis of the trade receivables as at the period end, based on the payment due date and net of provisions, is as follows:

	(Unaudited) 30 September 2009 HK\$'000	(Audited) 31 March 2009 HK\$'000
Current to 1 month	61,863	28,888
1 to 2 months	964	2,416
2 to 3 months	1,620	322
Over 3 months	<u>1,807</u>	<u>1,517</u>
	<u><u>66,254</u></u>	<u><u>33,143</u></u>

10. OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	(Unaudited) 30 September 2009 HK\$'000	(Audited) 31 March 2009 HK\$'000
Hong Kong listed equity investments, at market value	47,538	18,352
Unlisted debt security, at fair value	<u>7,987</u>	<u>5,890</u>
	<u><u>55,525</u></u>	<u><u>24,242</u></u>

Hong Kong listed equity investments and unlisted debt security with an aggregate fair value of HK\$55,525,000 were pledged to a financial institution to secure facilities granted to a subsidiary. At 30 September 2009, the facilities were utilised to the extent of HK\$13,000,000 (Note 14).

11. DERIVATIVE FINANCIAL INSTRUMENTS

	(Unaudited)		(Audited)	
	30 September 2009		31 March 2009	
	Assets	Liabilities	Assets	Liabilities
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Forward currency contracts	585	998	–	–
Equity contracts	–	1,986	572	10,737
Options	60	–	–	20
	<u>645</u>	<u>2,984</u>	<u>572</u>	<u>10,757</u>

The carrying amounts of forward currency contracts, equity contracts and options are the same as their fair values.

12. CASH AND CASH EQUIVALENTS

	(Unaudited)	(Audited)
	30 September	31 March
	2009	2009
	HK\$'000	HK\$'000
Cash and bank balances	132,180	114,192
Time deposits	–	7,829
	<u>132,180</u>	<u>122,021</u>
Less: Restricted bank balance	<u>(37,452)</u>	<u>(4,746)</u>
Cash and cash equivalents	<u>94,728</u>	<u>117,275</u>

Total banking facilities of HK\$30,000,000 available to one of the Company's subsidiaries in Hong Kong required the time deposits of its subsidiary in PRC of RMB33,000,000, as prerequisite condition for utilization. At 30 September 2009, those facilities mentioned above were utilized to the extent of HK\$29,958,000 and therefore the time deposits of RMB33,000,000 are not available for use by the Group until the settlement of related bank loans.

For the year ended 31 March 2009, one of the Company's subsidiaries in the PRC is a plaintiff in a lawsuit and has applied an application to freeze certain bank accounts of a defendant. As a result of the application, a bank balance of HK\$4,746,000 of that subsidiary was frozen by the court in the PRC and are not available for general use by the Group until 19 August 2009.

13. TRADE CREDITORS

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

	(Unaudited) 30 September 2009 HK\$'000	(Audited) 31 March 2009 HK\$'000
Current to 1 month	49,287	30,979
1 to 2 months	225	1,748
2 to 3 months	1,373	271
Over 3 months	<u>1,492</u>	<u>1,318</u>
	<u>52,377</u>	<u>34,316</u>

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	(Unaudited) 30 September 2009 HK\$'000	(Audited) 31 March 2009 HK\$'000
Current liabilities		
Bank loans – unsecured	51,549	21,591
Other loans – secured	13,000	–
Finance lease and hire purchase contract payables	–	4,200
Trust receipt loans	<u>4,150</u>	<u>3,615</u>
	<u>68,699</u>	<u>29,406</u>
Non-current liabilities		
Bank loans – unsecured	<u>12,792</u>	<u>23,587</u>
	<u>12,792</u>	<u>23,587</u>
Total	<u>81,491</u>	<u>52,993</u>

At 30 September 2009, other secured loans of HK\$13,000,000 were secured by Hong Kong listed equity investments and unlisted debt security with an aggregate fair value of HK\$55,525,000 (note 10).

15. CAPITAL COMMITMENTS

The Group had the following capital commitments as at the period end:

	(Unaudited) 30 September 2009 HK\$'000	(Audited) 31 March 2009 HK\$'000
Capital commitments, Contracted but not provided for, in respect of acquisition of items of property, plant and equipment	<u>3,398</u>	<u>3,518</u>

16. SHARE OPTION SCHEME

The Company operates a share option 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 allows the eligible participants to enjoy the results of the Company attained through their effort and contribution. Eligible participants of the share option scheme include any full-time employees, directors or professional advisers of the Company or any of its subsidiaries or associated companies. The share option scheme became effective on 28 August 2003 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The share options previously granted by the Company were vested at the date of grant and will be settled by shares.

The movement of the share options under the Scheme during the period is as follows:

Name or category of participant	Number of share options				Date of grant of share options	Exercise period of share options	*Exercise price of share options HK\$	Price of Company's Shares **At grant date of options HK\$
	At 1 April 2009	Granted during the period	Lapsed during the period	At 30 Sep 2009				
Director: Hiroto Sasaki	<u>1,650,000</u>	<u>-</u>	<u>(1,650,000)</u>	<u>-</u>	15-6-04	15-6-04 to 14-6-09	0.20	0.192

Notes

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

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

17. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with related parties during the period:

	(Unaudited)	
	6 months ended 30 September	
	2009	2008
	HK\$'000	HK\$'000
Sale of printed circuit boards to a related party	<u>23,295</u>	<u>43,437</u>

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

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

	(Unaudited)	
	6 months ended 30 September	
	2009	2008
	HK\$'000	HK\$'000
Short term employee benefits	3,394	3,105
Post-employment benefits	<u>162</u>	<u>136</u>
Total compensation paid to key management personnel	<u>3,556</u>	<u>3,241</u>



MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's revenue for the current period fell short of that in the last corresponding period by 36%. The decrease in the Group's revenue was mainly caused by the reduction in the sales orders and the decrease in the average selling price for the Group's printed circuit boards ("PCB") due to the economic downturn as caused by the global financial tsunami since October 2008. The Group's PCB average selling price for non high density inter-connect ("HDI") PCB and HDI PCB for the current period decreased by 8% and 12% respectively as compared to the last corresponding period.

The Group's gross profit margin decreased from about 15% in last corresponding period to about 10% in the current period. Apart from the decrease in the Group's PCB average selling price as mentioned above, the Group further suffered from higher average fixed overhead cost per unit resulting from the significant decrease in production volume during the current period. However, through the negotiation with suppliers to reduce the purchase price of almost all major raw material items and implementation of cost savings proposal during the current period, the effect on the Group's gross profit margin from the above factors mentioned had been partly mitigated.

Furthermore, the fair value gains of listed equity investments and equity contracts for the current period was about HK\$23 million, due to the sharp recovery of the Hong Kong stock market since April 2009.

Financial Review

The Group's gearing ratio (defined as net debt divided by capital plus net debts) at 30 September 2009 was 6% (31 March 2009: N/A) while the Group's current ratio at 30 September 2009 and 31 March 2009 was 1.99 times and 2.18 times respectively.

As at 30 September 2009, the Group's interest-bearing bank and other borrowings amounting to HK\$81,491,000 (31 March 2008: HK\$52,993,000) out of which HK\$68,699,000 (31 March 2009: HK\$29,406,000) were repayable within the next 12 months. These borrowings were all denominated in either Hong Kong dollars ("HK\$") or United States dollars ("US\$"), originally repayable monthly over 3 years (except for the bank borrowings at as 30 September 2009 totalling HK\$42,958,000 (31 March 2009: HK\$3,615,000) which were originally repayable within 3 months) and subjected to floating interest rates for all (31 March 2009: all) of them. The Group has not adopted any interest rate hedging tool for these borrowings. None of the machinery and equipment of the Group at 30 September 2009 were pledged to secure these borrowings (31 March 2009: with net book value of HK\$38,572,000).

As at 30 September 2009, the total credit facilities available to the Group were approximately HK\$231 million, of which HK\$81 million were utilized, and the cash and cash equivalents were HK\$95 million. Accordingly, the Group is capable of financing its operation by its own internal resources and available banking facilities.

As at 30 September 2009, the Group's assets and liabilities were mostly denominated in either HK\$, US\$ or Renminbi ("RMB"). Because the exchange rate for US\$ against HK\$ is relatively stable in Hong Kong for the moment, the Group has not adopted any hedging tool against its assets or liabilities denominated in US\$. However, the Group has made use of foreign exchange forward contracts during the current period to mitigate the effect on the increase of operating expenses to be paid in RMB due to the expected appreciation of RMB.

Employee Benefits

As at 30 September 2009, the Group had 1,114 (31 March 2009: 1,179) employees, including directors, working mainly in Mainland China. For the period ended 30 September 2009, the Group's total staff costs including directors' remuneration were HK\$21,726,000 (2008: HK\$26,211,000).

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

Outlook

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

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

The Group is aware that the outbreak of global financial tsunami 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 is capable of confronting them in view of its healthy financial position and ample experience in the manufacture of highly delicate PCB.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the year ending 31 March 2010 to the shareholders (2009: NIL).

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the 6 months ended 30 September 2009, except for the following deviations:

Chairman and Chief Executive Officer

According to the Code Provision A.2.1, the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and CEO should be clearly established and set out in writing. The Company does not have a separate Chairman and CEO, and Mr. Chan Sik Ming, Harry currently holds both positions. The Board believes that vesting the roles of both Chairman and CEO in the same person ensures consistent leadership within the Group and enables more effective and efficient planning of long-term strategies and implementation of business plans. The Board believes that the balance of power and authority will not be impaired and is adequately ensured by an effective Board which comprises experienced and high calibre individuals with a sufficient number thereof being independent non-executive directors.

Non-executive directors

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

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

Re-election of directors

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

The Company is subject to a 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 has agreed to retire on a voluntary basis at least once every three years at the annual general meeting of the Company.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2009, the interests and short positions of the directors in the shares 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 (the "Stock Exchange") pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers", were as follows:

Long positions in ordinary shares of the Company:

Name of director	Directly beneficially owned	Beneficiary of a trust	Total	Percentage of the Company's issued share capital
Chan Sik Ming, Harry	39,680,000	103,921,417*	143,601,417	29.90
Au-Yeung Wai Hung	4,200,000	N/A	4,200,000	0.87
Hiroto Sasaki	2,950,000	N/A	2,950,000	0.61

* Chan Sik Ming, Harry and his family are the objects of a discretionary trust, which has appointed Earnwell (PTC) Limited as its trustee. At 30 September 2009, Earnwell (PTC) Limited held 103,921,417 shares representing approximately 21.64% of the issued share capital of the Company.

Save as disclosed above, 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 under 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".

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 September 2009, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

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

Save as disclosed above, 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the current period, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee of the Company comprises the three independent non-executive directors of the Company. It was established in compliance with the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls.

The Audit Committee of the Company has reviewed with management the accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters including a review of the unaudited interim report for the 6 months ended 30 September 2009.

CHANGES OF BIOGRAPHICAL INFORMATION OF DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Mr. Chan Yuk Tong, an independent non-executive director of the Company, became an Independent Non-Executive Director of Ausnutria Dairy Corporation Limited, which is a listed company in Hong Kong, on 19 September 2009.

His other biographical information as set out in the latest Annual Report of the Company remains unchanged.

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 during the 6 months ended 30 September 2009.

By Order of the Board
Chan Sik Ming, Harry
Chairman

Hong Kong, 14 December 2009

As at the date of this Interim Report, the Board comprises the following members:

Executive directors:

CHAN Sik Ming, Harry (*Chairman & CEO*)
Motofumi TSUMURA
Hiroto SASAKI
Hiroyuki KIKUCHI
AU-YEUNG Wai Hung

Independent non-executive directors:

Kohu KASHIWAGI
CHAN Yuk Tong
LI Chi Kwong