



DAISHO MICROLINE HOLDINGS LIMITED

大昌微綫集團有限公司

Stock Code : 0567

Interim Report  
**2011-2012**

## 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 2011 as reviewed by the Audit Committee of the Company as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

		(Unaudited)	
		6 months ended 30 September	
		2011	2010
	Notes	HK\$'000	HK\$'000
REVENUE	3	188,983	241,663
Cost of sales		<u>(195,061)</u>	<u>(205,921)</u>
Gross profit/(loss)		(6,078)	35,742
Other income and gains	3	5,251	5,175
Selling and distribution costs		(7,247)	(10,322)
Administrative expenses		(15,382)	(15,442)
Other expenses		(3,682)	(2,663)
Fair value gains/(losses), net on:			
Other financial assets at fair value through profit or loss		(6,056)	12,216
Derivative financial instruments		(1,015)	(2,826)
Finance costs	4	(1,908)	(739)
Share of loss of a jointly-controlled entity		<u>(151)</u>	<u>–</u>
PROFIT/(LOSS) BEFORE TAX	4	(36,268)	21,141
Income tax expense	5	<u>–</u>	<u>(2,500)</u>
PROFIT/(LOSS) FOR THE PERIOD		<u>(36,268)</u>	<u>18,641</u>
Attributable to owners of the Company		<u>(36,268)</u>	<u>18,641</u>
INTERIM DIVIDEND	6	<u>–</u>	<u>–</u>
EARNINGS/(LOSS) PER SHARE			
ATTRIBUTABLE TO ORDINARY			
EQUITY HOLDERS OF THE COMPANY	7		
– Basic		<u>HK(7.55) cents</u>	<u>HK3.88 cents</u>
– Diluted		<u>HK(7.55) cents</u>	<u>HK3.88 cents</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited)	
	6 months ended 30 September	
	2011	2010
	HK\$'000	HK\$'000
PROFIT /(LOSS) FOR THE PERIOD	(36,268)	18,641
OTHER COMPREHENSIVE INCOME:		
Exchange differences on translation of foreign operations	<u>15,882</u>	<u>11,311</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u>(20,386)</u>	<u>29,952</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) 30 September 2011 HK\$'000	(Audited) 31 March 2010 HK\$'000
	Notes		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	228,335	241,259
Prepaid land lease payments		14,731	14,487
Deposits paid for acquisition of items of property, plant and equipment		564	513
Deferred tax assets		2,300	2,300
Available-for-sale investment		19,281	–
Investment in a jointly-controlled entity		52,592	51,295
		<u>317,803</u>	<u>309,854</u>
<b>Total non-current assets</b>			
<b>CURRENT ASSETS</b>			
Inventories		32,978	43,992
Trade debtors and bills receivable	9	71,160	64,929
Other financial assets at fair value through profit or loss	10	19,784	27,558
Derivative financial instruments	11	–	24
Sundry debtors, prepayments and deposits		11,530	18,600
Tax recoverable		211	211
Pledged bank balance	12	63,461	23,750
Cash and cash equivalents	12	159,954	157,720
		<u>359,078</u>	<u>336,784</u>
<b>Total current assets</b>			
<b>CURRENT LIABILITIES</b>			
Trade creditors	13	60,770	43,056
Other creditors and accruals		32,015	28,287
Derivative financial instruments	11	1,678	922
Interest-bearing bank and other borrowings	14	101,256	82,438
		<u>195,719</u>	<u>154,703</u>
<b>Total current liabilities</b>			
<b>NET CURRENT ASSETS</b>		<u>163,359</u>	<u>182,081</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>481,162</u>	<u>491,935</u>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	14	26,221	16,608
Deferred tax liabilities		2,000	2,000
		<u>28,221</u>	<u>18,608</u>
<b>Total non-current liabilities</b>			
<b>Net assets</b>		<u>452,941</u>	<u>473,327</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued share capital		48,024	48,024
Reserves		404,917	425,303
		<u>452,941</u>	<u>473,327</u>
<b>Total equity</b>			

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited)

6 months ended 30 September 2011

	Issued share capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Exchange equalisation reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
At 1 April 2011	48,024	91,483*	9,379*	103,813*	220,628*	473,327
Total comprehensive income/(loss) for the period	–	–	–	15,882	(36,268)	(20,386)
<b>At 30 September 2011</b>	<b>48,024</b>	<b>91,483*</b>	<b>9,379*</b>	<b>119,695*</b>	<b>184,360*</b>	<b>452,941</b>

(Unaudited)

6 months ended 30 September 2010

	Issued share capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Exchange equalisation reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
At 1 April 2010	48,024	91,483	9,379	76,403	203,932	429,221
Total comprehensive income for the period	–	–	–	11,311	18,641	29,952
<b>At 30 September 2010</b>	<b>48,024</b>	<b>91,483</b>	<b>9,379</b>	<b>87,714</b>	<b>222,573</b>	<b>459,173</b>

\* These reserve accounts comprise the consolidated reserves of HK\$404,917,000 (31 March 2011: HK\$425,303,000) in the consolidated statement of financial position.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	(Unaudited)	
	6 months ended 30 September	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash flows from operating activities	24,675	20,076
Net cash flows from/(used in) investing activities	(58,007)	4,167
Net cash flows from/(used in) financing activities	<u>30,339</u>	<u>(26,887)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,993)	(2,644)
Cash and cash equivalents at beginning of the period	157,720	111,374
Effect of foreign exchange rate changes, net	<u>5,227</u>	<u>2,312</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u><u>159,954</u></u>	<u><u>111,042</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	<u><u>159,954</u></u>	<u><u>111,042</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 2011, 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 2011.

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

The application of these 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.

HKFRS 1 Amendments	Amendment to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters <sup>1</sup>
HKFRS 7 Amendments	Amendment to HKFRS 7 Financial Instruments: Disclosure – Transfers of Financial Assets <sup>1</sup>
HKFRS 9	Financial Instruments <sup>4</sup>
HKFRS 10	Consolidated Financial Statements <sup>4</sup>
HKFRS 11	Joint Arrangements <sup>4</sup>
HKFRS 12	Disclosure of interests in Other Entities <sup>4</sup>
HKFRS 13	Fair Value Measurement <sup>4</sup>
HKAS 1 (revised) Amendments	Amendments to HKAS 1 (Revised) Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income <sup>3</sup>
HKAS 12 Amendments	Amendments to HKFRS 12 Income Taxes: Deferred Tax: Recovery of Underlying Assets <sup>2</sup>
HKAS 19 (2011)	Employee Benefits <sup>4</sup>
HKAS 27 (2011)	Separate Financial Statement <sup>4</sup>
HKAS 28 (2011)	Investments in Associates and Joint Ventures <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2011

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2012

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2013

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, AND OTHER INCOME AND GAINS

For management purposes, the Group has only one reportable segment, which is the manufacturing and trading of printed circuit boards. Revenue and operating results are the two key indicators provided to the Group's chief operating decision maker to make decisions about resources allocation and performance assessment. Revenue represents the net invoiced value of goods sold, after allowances for goods returns and trade discounts.

#### Geographical information

	(Unaudited)	
	6 months ended 30 September	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
(a) Revenue from external customers		
Mainland China	102,209	160,107
Hong Kong (place of domicile)	37,627	35,915
Japan	24,964	25,785
Europe	11,567	10,585
Other countries	<u>12,616</u>	<u>9,271</u>
	<u>188,983</u>	<u>241,663</u>
	(Unaudited)	(Audited)
	30 September	31 March
	2011	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
(b) Non-current assets:		
Hong Kong (place of domicile)	668	657
Japan	19,281	–
Mainland China	<u>295,554</u>	<u>306,897</u>
	<u>315,503</u>	<u>307,554</u>

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

### 3. REVENUE AND SEGMENT INFORMATION, AND OTHER INCOME AND GAINS *(continued)*

An analysis of other income and gains is as follows:

	(Unaudited)	
	6 months ended 30 September	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Other income and gains:		
Bank interest income	1,256	996
Dividend income from listed equity investments	581	–
Gain on disposal of scrap materials	3,246	3,576
Others	168	603
	<u>5,251</u>	<u>5,175</u>

### 4. PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax is arrived at after charging:

	(Unaudited)	
	6 months ended 30 September	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
(a) Finance costs:		
Interest on:		
Bank loans and other loans wholly repayable within five years	<u>(1,908)</u>	<u>(739)</u>
(b) Other items:		
Depreciation	(20,087)	(19,879)
Amortization of land lease payments	(155)	(147)
Cost of inventories sold	(193,741)	(205,921)
Staff costs (including directors' remuneration)	<u>(26,501)</u>	<u>(28,132)</u>

## 5. INCOME TAX

No provision for Hong Kong and PRC profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong and Mainland China. In last period, no provision for Hong Kong and PRC profits tax has been made as the Group has available tax losses brought forward from prior years to offset the assessable profits generated during the period.

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

	(Unaudited)	
	6 months ended 30 September	
	2011	2010
	HK\$'000	HK\$'000
Group:		
Current – Hong Kong		
Charge for the period	–	–
Deferred	–	2,500
	<u>–</u>	<u>2,500</u>
Total tax charge for the period	<u>–</u>	<u>2,500</u>

## 6. INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the year ending 31 March 2012 to the shareholders (2011: Nil).

## 7. EARNINGS/(LOSS) PER SHARE

### (a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the loss for the period attributable to ordinary equity holders of the Company of HK\$36,268,000 (2010: profit of HK\$18,641,000) and the weighted average number of 480,243,785 (2010: 480,243,785) ordinary shares in issue during the period.

(b) No adjustment has been made to the basic earnings/(loss) per share amounts presented for the 6 months ended 30 September 2011 and 2010 in respect of a dilution as the Group has no potentially dilutive ordinary shares in issue during the period.

## 8. PROPERTY, PLANT AND EQUIPMENT

	(Unaudited)	
	6 months ended 30 September	
	2011	2010
	HK\$'000	HK\$'000
Purchase of property, plant and equipment	<u>631</u>	<u>6,009</u>

## 9. TRADE DEBTORS AND BILLS RECEIVABLE

	(Unaudited) 30 September 2011 HK\$'000	(Audited) 31 March 2011 HK\$'000
Trade debtors	62,158	60,166
Impairment	<u>(1,700)</u>	<u>(2,680)</u>
	60,458	57,486
Bills receivable	<u>10,702</u>	<u>7,443</u>
	<u><u>71,160</u></u>	<u><u>64,929</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 debtors as at the period end, based on the payment due date, is as follows:

	(Unaudited) 30 September 2011 HK\$'000	(Audited) 31 March 2011 HK\$'000
Current to 1 month	49,807	46,663
1 to 2 months	5,902	5,349
2 to 3 months	1,848	778
Over 3 months	<u>4,601</u>	<u>7,376</u>
	<u><u>62,158</u></u>	<u><u>60,166</u></u>

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

	(Unaudited) 30 September 2011 HK\$'000	(Audited) 31 March 2011 HK\$'000
Hong Kong listed equity investments, at market value	17,373	26,373
Equity investments listed elsewhere, at market value	<u>2,411</u>	<u>1,185</u>
	<u><u>19,784</u></u>	<u><u>27,558</u></u>

At 30 September 2011, all of the Hong Kong listed equity investments amounting to HK\$17,373,000 (31 March 2011: HK\$26,373,000) were pledged to secure certain of the Group's bank loans.

## 11. DERIVATIVE FINANCIAL INSTRUMENTS

	(Unaudited)		(Audited)	
	30 September 2011		31 March 2011	
	Assets	Liabilities	Assets	Liabilities
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Forward currency contracts	-	-	-	206
Interest rate swaps	-	304	-	301
Equity contracts	-	1,374	24	415
	<u>-</u>	<u>1,678</u>	<u>24</u>	<u>922</u>

The carrying amounts of derivative financial instruments are the same as their fair values.

## 12. CASH AND CASH EQUIVALENTS

	(Unaudited)	(Audited)
	30 September 2011	31 March 2011
	HK\$'000	HK\$'000
Cash and bank balances	223,415	181,470
Less : Bank balance pledged for bank loans repayable within one year	<u>(63,461)</u>	<u>(23,750)</u>
Cash and cash equivalents	<u>159,954</u>	<u>157,720</u>

## 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)	(Audited)
	30 September 2011	31 March 2011
	HK\$'000	HK\$'000
Current to 1 month	52,718	39,344
1 to 2 months	2,021	1,899
2 to 3 months	3,264	161
Over 3 months	<u>2,767</u>	<u>1,652</u>
	<u>60,770</u>	<u>43,056</u>

## 14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	(Unaudited) 30 September 2011 HK\$'000	(Audited) 31 March 2011 HK\$'000
Current liabilities		
Trust receipt loans	–	7,611
Bank loans – unsecured	8,314	9,500
Bank loans – secured	86,239	65,327
Other loans – secured	6,703	–
	<u>101,256</u>	<u>82,438</u>
Non-current liabilities		
Bank loans – unsecured	12,471	16,608
Other loans – secured	13,750	–
	<u>26,221</u>	<u>16,608</u>
Total	<u><u>127,477</u></u>	<u><u>99,046</u></u>
Analysed into:		
Originally repayable:		
Within 1 year	86,239	74,134
More than 1 year	41,238	24,912
	<u><u>127,477</u></u>	<u><u>99,046</u></u>

The borrowings were all denominated in either Hong Kong dollars, United States dollars or Renminbi and subjected to floating interest rates.

The Group has made use of an interest rate hedging tool to hedge against the interest rate risk relating to the borrowings with original tenor of 3 years and outstanding balance as at 30 September 2011 amounting to HK\$20,785,000.

## 14. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

Certain of the Group's interest-bearing bank and other borrowings are secured by:

- (i) pledge of certain of the Group's bank balances amounting to HK\$63,461,000 (31 March 2011: HK\$23,750,000);
- (ii) pledge of all the Group's Hong Kong listed equity investments amounting to HK\$17,373,000 (31 March 2011: HK\$26,373,000);
- (iii) mortgages over the Group's buildings located in the PRC, which had an aggregate carrying value at the end of the reporting period of HK\$33,169,000 (31 March 2011: HK\$32,867,000);
- (iv) mortgages over the Group's prepaid land lease payments located in the PRC, which had an aggregate carrying value at the end of the reporting period of HK\$15,045,000 (31 March 2011: HK\$14,792,000); and
- (v) pledge of certain of the Group's machinery and equipment with a net book of HK\$17,496,000 (31 March 2011: Nil).

## 15. CAPITAL COMMITMENTS

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

	(Unaudited) 30 September 2011 HK\$'000	(Audited) 31 March 2011 HK\$'000
Capital commitments, Contracted but not provided for, in respect of acquisition of items of property, plant and equipment	<u>335</u>	<u>–</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.

No share option was granted or exercised under the Scheme during the period and there was no outstanding share option at 30 September 2011 and 31 March 2011.

## 17. RELATED PARTY TRANSACTIONS

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

	(Unaudited)	
	6 months ended 30 September	
	2011	2010
	HK\$'000	HK\$'000
Sale of printed circuit boards to a related party	<u>24,964</u>	<u>25,771</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 and also a company in which the Group has an equity interests of 9.57%. 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	
	2011	2010
	HK\$'000	HK\$'000
Short term employee benefits	3,420	3,584
Post-employment benefits	<u>169</u>	<u>155</u>
Total compensation paid to key management personnel	<u>3,589</u>	<u>3,739</u>



## MANAGEMENT DISCUSSION AND ANALYSIS

### Business and Financial Review

The Group's revenue for the current period was about HK\$189 million, down 22% from last corresponding period. The Group's net loss after tax for the current period was about HK\$36 million in contrast with the net profit of about HK\$19 million for last corresponding period. The Group's earnings before interest expenses, tax, depreciation and amortization charges ("EBITDA") for the current period was a loss of about HK\$14 million in contrast with the EBITDA of about HK\$42 million for last corresponding period.

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

The Group's gross loss margin for the current period was about 3% in contrast with the gross profit margin of about 15% for last corresponding period. Apart from the reduction in the sales orders volume as mentioned above and the increase in the raw material costs during the current period due to the jump in the prices of non-ferrous metals such as copper and gold etc. and the worldwide inflation, the increase in the production overheads during the current period due to the appreciation of the Renminbi ("RMB") currency and the rise of the minimum wages level in the PRC also caused the gross loss margin.

Furthermore, there were fair value losses on listed equity investments and equity contracts for the current period amounting to about HK\$7 million, due to the decline of the Hong Kong stock market since April 2011. There were fair value gains on listed equity investments and equity contracts for the last corresponding period amounting to about HK\$9 million.

The Group's gearing ratios (defined as interest-bearing bank and other borrowings divided by total equity) at 30 September 2011 was 28% (31 March 2011: 21%). The Group's current ratio at 30 September 2011 and 31 March 2011 was 1.83 times and 2.18 times respectively. The Group's PCB operations generated net cash inflow of about HK\$25 million during the current period.

The interest rate structure, maturity profile, currency structure and underlying security of the Group's interest-bearing bank and other borrowings as at 30 September 2011 and 31 March 2011 are detailed in note 14 of this interim report.

As at 30 September 2011, the Group's total cash and bank balances were approximately HK\$223 million and the Group's total interest-bearing bank and other borrowings amounting to approximately HK\$127 million. As a result, the Group have a net cash balance of approximately HK\$96 million. Besides, the total credit facilities available to the Group were approximately HK\$375 million and, therefore, the unutilized credit facilities were approximately HK\$248 million. Accordingly, the Group is capable of financing its operation by its own internal resources and available banking facilities.

As at 30 September 2011, 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\$.

## Employee Benefits

As at 30 September 2011, the Group had 1,206 (31 March 2011: 1,243) employees, including directors, working mainly in Mainland China. For the period ended 30 September 2011, the Group's total staff costs including directors' remuneration were HK\$26,501,000 (2010: HK\$28,132,000).

According to the Group's staff remuneration policy, the remuneration of all employee are determined from time to time with reference to their performance and duties and the prevailing market conditions.

## Outlook

The year 2011 was definitely a difficult year for the Group. The sales orders amount in the second half of the current financial year is expected to be similar to that in the first half of the current financial year if the current economic environment surrounding the Group remains unchanged. In order to aim at restoring the EBITDA into positive figure as soon as possible, the Group has continued to implement various cost savings measures and improve the production efficiency. It is noteworthy that the unit material consumption of certain non-ferrous metals have been reduced by double digit in percentage terms as a result of these measures since July 2011. Besides, the reduction in the purchase prices of certain non-ferrous metals by double digit in percentage terms since September 2011 has further lowered the Group's costs of sales.

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

The Group is aware that certain significant economic issues such as the Europe's sovereign debt crisis and the continuous appreciation of RMB 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.

## 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 2011, 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.

Two independent non-executive directors of the Company, namely, Mr. Chan Yuk Tong and Dr. Li Chi Kwong 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 2011, 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
Hiroto Sasaki	2,950,000	–	2,950,000	0.61
Au-Yeung Wai Hung	1,300,000	–	1,300,000	0.27

\* 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 2011, 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 2011, 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.

## 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 2011.

By Order of the Board  
**Chan Sik Ming, Harry**  
*Chairman*

Hong Kong, 28 November 2011

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

*Executive directors:*

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

*Independent non-executive directors:*

CHAN Yuk Tong  
LI Chi Kwong  
YEUNG Chi Shing, Bret