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## **DAIWA ASSOCIATE HOLDINGS LIMITED**

**台和商事控股有限公司\***

*(incorporated in Bermuda with limited liability)*

**(Stock code: 1037)**

### **INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012**

#### **PRESIDENT'S STATEMENT**

On behalf of the Board of Directors, I would like to present to shareholders the unaudited interim results of Daiwa Associate Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the six months ended 30 September 2012. The unaudited interim accounts have been reviewed by the Company's Audit Committee.

#### **Results and Dividend**

For the six months ended 30 September 2012, due to elimination of some low profit margin business, the Group's turnover was reported as HK\$604.3 million (2011: HK\$801.8 million), representing a decrease of 24.6% when compared with last corresponding period.

- The earnings before interest, tax, amortization and depreciation (EBITDA) were HK\$12.6 million (2011: HK\$17.6 million), representing a decrease of HK\$5.0 million when compared to the last corresponding period.
- The operating profit (EBIT) of the Group was HK\$7.1 million (2011: HK\$10.3 million), representing a decrease of HK\$3.2 million when compared to the last corresponding period.
- Profit attributable to equity holders of the Company for the period was HK\$2.5 million (2011: HK\$4.0 million), representing a decrease of HK\$1.5 million when compared to the last corresponding period.
- Basic earnings per share was HK0.79 cents (2011: HK1.32 cents).

The Board of Directors has resolved not to declare an interim dividend.

\* *For identification purpose only*

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 September 2012, the Group's net current assets amounted to HK\$184.5 million (31 March 2012: HK\$179.4 million) and the shareholders' funds were HK\$381.5 million (31 March 2012: HK\$378.5 million). The total amount of loans and finance lease was HK\$286.1 million (31 March 2012: HK\$266.6 million) and the net gearing ratio, which is defined as total borrowings after netting off cash and cash equivalents, to shareholders' funds was 0.13. The cash and bank balances were HK\$235.6 million (31 March 2012: HK\$105.4 million). The substantial increase in cash was mainly due to the receipt of HK\$133.0 million for applications and excess applications of rights issue in September of 2012. Meanwhile, the Group recorded the same amount in the accruals and other payables as at 30 September 2012.

On 17 August 2012, the Company announced a rights issue to raise approximately HK\$15.8 million, on the basis of one rights shares for every four shares involving the issue of 78,847,889 rights shares at a rights price of HK\$0.2 each per share.

On 26 September 2012, being the latest time for acceptance of and payment for rights shares of a total of 608 valid acceptances of provisional allotments and excess applications had been received for a total of 655,088,231 rights shares, representing approximately 830.8% of the total number of 78,847,889 rights shares available for subscription. Share certificates and refund cheques of HK\$117.3 million in respect of wholly or partially unsuccessful excess applications were sent to applicants on 4 October 2012.

The total available banking facilities of the Group were HK\$380.0 million of which HK\$43.4 million was available for use. The Group's assets were mostly financed by shareholders' funds, trade payables and bank borrowings. The borrowings, cash and cash equivalents were mainly denominated in Hong Kong dollars, US dollars, Canadian dollars and Renminbi. The Group's borrowings bear at floating interest rates.

## **BUSINESS REVIEW AND PROSPECT**

During the period under review, global economies were negatively affected by the Eurozone debt crisis and the slow recovery of the U.S. economy. The slow market for electronic products triggered intensified competition among industry players. To control the operational risk in this unsteady market sentiment environment, the Group eliminated some low profitability products which resulted in the decreased turnover of the Group.

The Group mainly engaged in the following major businesses:

- EMS (Contract Electronic Manufacturing Services);
- Personal Computer Products Distribution;
- Electronic Components Distribution; and
- Consumer Electronics and Electronic Components & Parts Manufacturing.

### **EMS (Contract Electronic Manufacturing Service)**

Cost of production continued to increase in China. In order to maintain profitability of this segment, the Group terminated a considerable amount of non-profitable business. Although turnover of this segment recorded HK\$48.1 million (2011: HK\$120.2 million), representing a decrease of 60.0% when compared to the last corresponding period, the profit contribution from this segment increased by 5.6% to HK\$3.8 million (2011: HK\$3.6 million).

The Group engaged in the production of high frequency telecommunication modules in base stations of mobile phones, radar parts, PCB and finished product assembly for commercial and industrial products. The factory is equipped with high speed SMT production lines with nitrogen filled reflow furnaces and precise solder paste screen printer. The Group also employs the in-house RoHS Scanning Systems and X-Ray Inspection Machine to ensure the high process reliability.

Given the rapid cost increase in China, the Group is delighted that strategic customers have accepted most of our price increases. Further, the Group has also successfully discontinued most of the low margin products which allow the Group to focus its efforts in higher margin products which demand high quality standards and in-depth engineering inputs.

The Group has gained recognitions from customers for our devotion to engineering and quality consciousness. The New Product Introduction team (NPI) has further enabled customers to save substantial engineering efforts and helps the Group gain new orders from current customers and secure new customers from competitors.

After the slow market in the reported period, demand from customers is recovering and the Group is now preparing to increase resources to cater for the expected growth need.

### **Personal Computer Products Distribution**

In the reported period, turnover of the segment slightly increased by 1.4% to HK\$132.9 million (2011: HK\$131.1 million). The profit contribution from this segment was increased by 1.7% from the last corresponding period to HK\$2.98 million (2011: HK\$2.93 million).

This segment is engaged in the distribution of personal computer systems, peripherals and computer parts such as notebooks and desktop computers, motherboards, add-on cards, hard drives, memory storage devices, computer cases, power supplies, software and other accessories.

The core customer base of this segment comprises of the wholesale market, the mass merchants and the department stores in North America. Although the market sentiment in North America is slow, demand and turnover in the wholesale market of the Group is still steady. In the mass merchant business segment, the Group has extended its clientele to Canadian Tire, Best Buy and Bargain Shop which operates hundreds of stores in North America and is expected to bring growth for this segment.

### **Electronic Components Distribution**

Due to the decrease in global demand of semiconductors, turnover of this segment recorded HK\$373.3 million (2011: HK\$471.6 million) representing a decrease of 20.8% when compared to the last corresponding period. The profit contribution from this segment decreased by 69.7% to HK\$5.7 million (2011: HK\$18.8 million).

In this segment, the Group mainly acts as an authorized distributor of electronic components of various renowned brands such as Toshiba, ON Semiconductor, Arnold Magnetics, On Bright, COS, Chino-Excel Technology Corp (CET), Devechip Microelectronics Co. Ltd., Diodes, Rohm, Lite-on, Everlight, AEM and Abilis Systems. Products in distribution include diodes, transistors, integrated circuits (IC), power modules, MCU, MCP, and memory storage devices etc. Applications of these components include mobile phones and smartphones, audios, Wi-Fi and routers, household and public LED illuminations, power supplies, electronic toys, TVs, handheld electronic devices, consumer electronics and white goods.

In addition to the Group's solid base in Hong Kong, the Group is one of the pioneers to penetrate the PRC market. Beijing, Shanghai and Shenzhen sales divisions are important contributors to this segment.

As a long term development of this segment, the Group will focus more efforts in running higher margin products with lower turnovers instead of the large turnovers with lower profit margins. The Group has further strengthened its engineering capability in providing total solutions to customers and will continue to bring in new principal suppliers to enhance further business growth.

### **Consumer Electronics, Electronic Components and Parts Manufacturing**

Turnover of this segment was HK\$50.0 million (2011: HK\$78.9 million) representing a decrease of 36.6% when compared to the last corresponding period. The contribution from this segment recorded a loss of HK\$15.7 million (2011: loss of HK\$9.4 million).

In the beginning of this reported period, due to the relocation of the factory from Donguang to Heyuan, there were a lot of additional expenses including custom clearance, compensation and extra reward to workers, dual management expenses incurred in the two locations and excess workers in transition period. Together with the rapid increase of operating cost in China and the volatile increase in material prices, the segment result show a loss in this reported period.

Upon awareness of the situation, the Group decisively adopted policies to reject orders with risky pricing, eliminated low efficiency workers and outsourced the labor intensive work processes to nearby low cost small factories. The Group retained the high value-added final assembling and testing procedures to its in-house manufacturing. After some months of implementation of such policies, the losses in this segment have been controlled. The management is confident to eliminate this operating loss by the end of this fiscal year. Going forward, the Group aims to target medium size orders with high margins.

In the area of new product development, the Group has developed with strategic partners on Bluetooth solutions. The design has been successfully incorporated into high-end multimedia sound systems and smartphone dockings. It is exciting that the design has already attracted positive reactions from renowned customers to employ the Group's Bluetooth core to their product lines of the coming years. The management expects that the achievement would make reasonable contribution to this segment in the future.

In Electronic Components and Parts Manufacturing segment, to cater for the demand from customers, the Group will put more effort in the new packages of SOD323 diode. Business in wire and harnesses segment is also recovering.

## **FUTURE PROSPECT**

With the Group's experienced production capability, commitment to quality management, intelligent engineering input, coupled with high performance equipment and controlled workshops in the EMS segment, the Group has successfully gained high recognition from customers. Although the market sentiment is not favorable, demand in the EMS segment is recovering. The Group is keeping on the customer products re-engineering and replacing US and Europe parts with Asian supplies so as to lower production cost and improve in profit contribution and to be more competitive.

For the segment of Personal Computer Products Distribution, the operation will focus more efforts in the growing market of tablet PC as well as smartphone accessories. Other than the general wholesale market, after years of effort in the mass merchants and department stores, new business partnerships have been established. The contributions from such mass merchants will become more significant and will have considerable growth in the coming year.

In the segment of Electronic Component Distribution, in order to explore new business opportunities, the Group has further strengthened its engineering capability in providing total solution to customers. The Group is negotiating with principal suppliers to bring in new opportunities with better profit margins.

In consumer electronics manufacturing, the Group will continue to avoid from low margin labor intensive products and will focus its deeper engineering effort to launch in the Bluetooth audio market and the Group expects to have reasonable growth in this segment.

## **Employees**

At 30 September 2012, after the elimination of some labor intensive manufacturing, the Group employed a total of approximately 1,100 employees (30 September 2011: 2,300 employees) located in Hong Kong, Canada and PRC.

The Group's remuneration policy is in line with the prevailing market practices and is determined on the basis of performance and experience of the individual. Sales personnel are remunerated by salaries and incentives in accordance with the achievement of their sales target. General staff are offered year-end discretionary bonus, which are based on the divisional performance and individual appraisals. The Group also provides a Mandatory Provident Fund or ORSO scheme and medical benefits to all Hong Kong employees.

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2012

		Unaudited	
		Six months ended	
		30 September	
		2012	2011
	Note	HK\$'000	HK\$'000
Revenue	2	604,284	801,796
Cost of sales		<u>(553,942)</u>	<u>(726,990)</u>
<b>Gross profit</b>		<b>50,342</b>	<b>74,806</b>
Other income	3	18,259	1,895
Selling and distribution expenses		(10,837)	(11,298)
General and administrative expenses		<u>(50,633)</u>	<u>(55,127)</u>
<b>Operating profit</b>		<b>7,131</b>	<b>10,276</b>
Finance costs — net		<u>(2,932)</u>	<u>(2,648)</u>
<b>Profit before income tax</b>		<b>4,199</b>	<b>7,628</b>
Income tax expense	4	<u>(1,692)</u>	<u>(3,549)</u>
<b>Profit for the period</b>		<b><u>2,507</u></b>	<b><u>4,079</u></b>
Attributable to:			
Equity holders of the Company		2,507	4,032
Non-controlling interests		<u>—</u>	<u>47</u>
		<b><u>2,507</u></b>	<b><u>4,079</u></b>
<b>Dividends</b>	5	<u>—</u>	<u>—</u>
<b>Earnings per share for profit attributable to equity holders of the Company</b>			
— Basic	6	<b><u>HK0.79 cents</u></b>	<b><u>HK1.32 cents</u></b>
— Diluted	6	<b><u>HK0.79 cents</u></b>	<b><u>HK1.28 cents</u></b>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***For the six months ended 30 September 2012*

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2012</b>	<b>2011</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Comprehensive income:</b>		
Profit for the period	2,507	4,079
<b>Other comprehensive income/(loss):</b>		
— Currency translation differences	572	(4,166)
— Fair value loss on available-for-sale financial assets, net of tax	(28)	(124)
<b>Other comprehensive income/(loss) for the period</b>	544	(4,290)
<b>Total comprehensive income/(loss) for the period</b>	3,051	(211)
<b>Total comprehensive income/(loss) attributable to:</b>		
— Equity holders of the Company	3,051	(258)
— Non-controlling interests	—	47
	3,051	(211)



## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2012

	Unaudited 30 September 2012 HK\$'000	Audited 31 March 2012 HK\$'000
<b>Non-current assets</b>		
Goodwill	29,059	28,781
Property, plant and equipment	145,847	149,994
Land use rights	10,445	10,574
Other intangible assets	2,397	2,959
Rental deposits	641	621
Deferred income tax assets	575	514
Available-for-sale financial assets	14,897	14,759
	<u>203,861</u>	<u>208,202</u>
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<b>Current assets</b>		
Inventories	260,959	261,986
Trade and notes receivables	233,338	207,509
Prepayments, deposits and other receivables	38,378	34,372
Cash and cash equivalents	235,585	105,444
	<u>768,260</u>	<u>609,311</u>
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<b>Total assets</b>	<u><u>972,121</u></u>	<u><u>817,513</u></u>
<b>Equity</b>		
<b>Capital and reserves attributable to equity holders of the Company</b>		
Share capital	31,539	31,539
Share premium	218,476	218,476
Reserves	131,500	128,500
	<u>381,515</u>	<u>378,515</u>
<b>Non-controlling interests</b>	<u>—</u>	<u>(51)</u>
	-----	-----
<b>Total equity</b>	<u>381,515</u>	<u>378,464</u>
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	<b>Unaudited</b> <b>30 September</b> <b>2012</b> <i>HK\$'000</i>	Audited 31 March 2012 <i>HK\$'000</i>
<b>Non-current liabilities</b>		
Deferred income tax liabilities	1,656	1,652
Borrowings	<u>5,149</u>	<u>7,461</u>
	<u>6,805</u>	<u>9,113</u>
<b>Current liabilities</b>		
Borrowings	280,956	259,184
Trade payables	142,737	143,380
Accruals and other payables	159,355	25,903
Tax payable	<u>753</u>	<u>1,469</u>
	<u>583,801</u>	<u>429,936</u>
<b>Total liabilities</b>	<u><u>590,606</u></u>	<u><u>439,049</u></u>
<b>Total equity and liabilities</b>	<u><u>972,121</u></u>	<u><u>817,513</u></u>
<b>Net current assets</b>	<u><u>184,459</u></u>	<u><u>179,375</u></u>
<b>Total assets less current liabilities</b>	<u><u>388,320</u></u>	<u><u>387,577</u></u>

Note:

## 1. Basis of preparation and accounting policies

This unaudited condensed consolidated interim financial information for the six months ended 30 September 2012 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 (“HKICPA”).

This unaudited condensed consolidated interim financial information should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2012.

- (a) The following new standards, amendments and interpretations to existing standards are mandatory for the accounting period beginning on or after 1 January 2012, but do not have material impact to the Group:

HKAS 12 (Amendment)	Deferred Tax – Recovery of Underlying Assets
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendment)	Disclosures – Transfer of Financial Assets

- (b) The following new standards, amendments and interpretations to existing standards have been issued, but are not effective and have not been early adopted:

HKAS 1 (Amendment)	Presentation of Financial Statements on other Comprehensive income (effective for annual period beginning on or after 1 January 2013)
HKAS 19 (Revised 2011)	Employee Benefits (effective for annual period beginning on or after 1 January 2013)
HKAS 27 (Revised 2011)	Separate Financial Statements (effective for annual period beginning on or after 1 January 2013)
HKAS 28 (Revised 2011)	Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2013)
HKAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities (effective for annual period beginning on or after 1 January 2014)
HKFRS 1 (Amendment)	First-time Adoption of Hong Kong Financial Standards — Government Loans (effective for annual period beginning on or after 1 January 2013)
HKFRS 7 (Amendment)	Disclosures — Offsetting Financial Assets and Financial Liabilities (effective for annual period beginning on or after 1 January 2013)
HKFRS 9	Financial Instruments (effective for annual period beginning on or after 1 January 2015)

HKFRS 10	Consolidated Financial Statements (effective for annual period beginning on or after 1 January 2013)
HKFRS 11	Joint Arrangements (effective for annual period beginning on or after 1 January 2013)
HKFRS 12	Disclosure of Interests in Other Entities (effective for annual period beginning on or after 1 January 2013)
HKFRS 13	Fair Value Measurements (effective for annual period beginning on or after 1 January 2013)
HK(IFRIC) — Int 20	Stripping Costs in the Production Phase of a Surface Mine (effective for annual period beginning on or after 1 January 2013)

The directors anticipate that the adoption of the above new standards, amendments and interpretation to existing standards will not result in a significant impact on the results and financial position of the Group.

The Group will adopt the above new standards, amendments and interpretations when they become effective.

## 2. Turnover and segment information

The Group is principally engaged in the distribution of personal computer products, contract electronic manufacturing services, design, development, manufacturing and distribution of electronic components, and manufacturing of consumer electronics.

An analysis of the Group's turnover and contribution to operating profit by operating segments for the period is as follows:

	Six months ended 30 September 2012				Total <i>HK\$'000</i>
	Electronic Components Distribution <i>HK\$'000</i>	Contract Electronic Manufacturing Services <i>HK\$'000</i>	Consumer Electronics and Components and Parts Manufacturing <i>HK\$'000</i>	Personal Computer Products Distribution <i>HK\$'000</i>	
<b>Turnover</b>					
Sales of goods	<u>373,338</u>	<u>48,070</u>	<u>49,974</u>	<u>132,902</u>	<u>604,284</u>
<b>Results of reportable segments</b>	<u>5,745</u>	<u>3,832</u>	<u>(15,720)</u>	<u>2,979</u>	<u>(3,164)</u>
A reconciliation of results of reportable segments to profit for the year is as follows:					
<b>Results of reportable segments</b>					(3,164)
Unallocated income					17,950
Unallocated expenses					<u>(7,655)</u>
<b>Operating results</b>					7,131
Finance costs — net					<u>(2,932)</u>
<b>Profit before income tax</b>					4,199
Income tax expense					<u>(1,692)</u>
<b>Profit for the year</b>					<u><u>2,507</u></u>

## Six months ended 30 September 2011

	Electronic Components Distribution <i>HK\$'000</i>	Contract Electronic Manufacturing Services <i>HK\$'000</i>	Consumer Electronics and Electronic Components and Parts Manufacturing <i>HK\$'000</i>	Personal Computer Products Distribution <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Turnover</b>					
Sales of goods	<u>471,599</u>	<u>120,193</u>	<u>78,862</u>	<u>131,142</u>	<u>801,796</u>
<b>Results of reportable segments</b>	<u>18,848</u>	<u>3,584</u>	<u>(9,371)</u>	<u>2,937</u>	<u>15,998</u>
A reconciliation of results of reportable segments to profit for the year is as follows:					
<b>Results of reportable segments</b>					15,998
Unallocated income					69
Unallocated expenses					<u>(5,791)</u>
<b>Operating results</b>					10,276
Finance costs — net					<u>(2,648)</u>
<b>Profit before income tax</b>					7,628
Income tax expense					<u>(3,549)</u>
<b>Profit for the year</b>					<u><u>4,079</u></u>

As at 30 September 2012

	Consumer Electronics and				
	Electronic Components Distribution <i>HK\$'000</i>	Contract Electronic Manufacturing Services <i>HK\$'000</i>	Electronic Components and Parts Manufacturing <i>HK\$'000</i>	Personal Computer Products Distribution <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Total segment assets</b>	<b>318,559</b>	<b>119,657</b>	<b>155,403</b>	<b>90,692</b>	<b>684,311</b>
Available-for-sale financial assets					14,897
Deferred income tax assets					575
Other unallocated assets					272,338
<b>Total assets per consolidated balance sheet</b>					<b>972,121</b>
<b>Total segment liabilities</b>	<b>308,066</b>	<b>22,856</b>	<b>72,223</b>	<b>32,414</b>	<b>435,559</b>
Tax payable					753
Deferred income tax liabilities					1,656
Other unallocated liabilities					152,638
<b>Total liabilities per consolidated balance sheet</b>					<b>590,606</b>

	As at 31 March 2012				
	Electronic Components Distribution <i>HK\$'000</i>	Contract Electronic Manufacturing Services <i>HK\$'000</i>	Consumer Electronics and Electronic Components and Parts Manufacturing <i>HK\$'000</i>	Personal Computer Products Distribution <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Total segment assets</b>	<u>302,642</u>	<u>127,958</u>	<u>183,939</u>	<u>94,183</u>	708,722
Available-for-sale financial assets					14,759
Deferred income tax assets					514
Other unallocated assets					93,518
<b>Total assets per consolidated balance sheet</b>					<u>817,513</u>
<b>Total segment liabilities</b>	<u>271,780</u>	<u>30,472</u>	<u>80,649</u>	<u>32,684</u>	415,585
Tax payable					1,469
Deferred income tax liabilities					1,652
Other unallocated liabilities					20,343
<b>Total liabilities per consolidated balance sheet</b>					<u>439,049</u>

The entity is domiciled in Hong Kong, the revenue from external customers attributed to Hong Kong and other locations are analysed as follows:

	Six Months ended 30 September	
	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Hong Kong	173,039	247,734
Mainland China	225,815	272,983
North America	155,932	165,682
Europe	45,509	108,026
Other Asian countries	3,989	7,371
	<u>604,284</u>	<u>801,796</u>



### 3. Other Income

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2012</b>	2011
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Other income includes:		
Net Gain on disposals of land use rights, and property, plant and equipment	17,847	—
Rental Income	215	212
Others	197	1,683
	<u>18,259</u>	<u>1,895</u>

On 17 July 2012, the Company entered into the sale and purchase agreement with an independent purchaser to dispose a property located in Hong Kong for a consideration of HK20,503,000.

### 4. Income tax expense

The Company is exempted from taxation in Bermuda. Hong Kong profits tax has been provided for at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong. Companies established and operating in Mainland China are subject to PRC Corporate income tax at the rate of 25% (2011: 25%). Companies established and operating in Canada are subject to Canadian income tax at the rate of 35% (2011: 35%).

The amount of taxation charged to the condensed consolidated income statement represents:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2012</b>	2011
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Current taxation:		
— Hong Kong profits tax	480	682
— PRC corporate income tax	792	2,182
— Canadian income tax	478	540
	<u>1,750</u>	<u>3,404</u>
Deferred taxation — relating to the origination and reversal of temporary differences	<u>(58)</u>	<u>145</u>
	<u>1,692</u>	<u>3,549</u>

## 5. Dividends

	Six months ended	
	30 September	
	2012	2011
	HK\$'000	HK\$'000
2011/2012 Final dividend Nil (2010/2011 final: Nil) per ordinary share ( <i>Note (i)</i> )	—	3,154
2012/2013 Interim dividend Nil (2011/2012: Nil) per ordinary share ( <i>Note (ii)</i> )	—	—
	<u>—</u>	<u>—</u>
	<u>—</u>	<u>3,154</u>

*Note (i):* At a meeting held on 28 June 2012, no final dividend is declared by the Company's directors for the year ended 31 March 2012.

*Note (ii):* At a meeting held on 30 November 2012, no interim dividend is declared by the Company's directors for the six months ended 30 September 2012.

## 6. Earnings per share

The calculation of basic earnings per share are based on the Group's profit attributable to shareholders of approximately HK\$2,507,000 (2011: HK\$4,032,000). The basic earnings per share is based on 315,391,559 (2011: 306,597,321) shares which is the weighted average of ordinary shares in issue during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all the Company's outstanding warrants. Dilutive earnings per share for the period ended 30 September 2011 equal basic earnings per share as the exercise of the outstanding warrants would be anti-dilutive, whereas there is no outstanding warrants as at 30 September 2012.

## 7. Events after the balance sheet date

- (a) On 17 August 2012, the Company carried out a rights issue to raise approximately HK\$15.8 million, by way of rights of the rights shares to the shareholders on the base of one rights share for every four shares. The rights issue involved the issue of 78,847,889 rights shares at a price of HK\$0.2 per rights share. On 4 October 2012, after the completion of the rights issue, the number of ordinary shares was enlarged by 78,847,889 to 394,239,448 and the share capital of the Company increased to HK\$39,423,944. The Group applied the net proceeds of HK\$15.1 million as the general working capital of the Group.

- (b) On 23 November 2012, the Company entered into the sale and purchase agreement with an independent purchaser to dispose the entire equity interests of five subsidiaries (“Disposal Companies”) which are the members of the Group’s electronic components distribution segment (including three Hong Kong subsidiary companies and two PRC subsidiary companies). The total consideration was HK\$67,287,724, being the aggregate of the sum of HK\$60,000,000 and the estimated net assets value of the Disposal Companies at 31 October 2012, subject to certain adjustments to the net assets value to be ascertained at time of completion. The completion of the disposal transaction is under the satisfactory of certain precedent conditions. If the completion takes place, the Disposal Companies will cease to be subsidiaries of the Group. The management estimated to record a gain from disposal of approximately HK\$58.8 million.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 to the Listing Rules throughout the six months ended 30 September 2012, save for the following deviations:

### **Code Provision A.2.1**

Under this code provision, the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual.

Mr. Lau Tak Wan is the Chairman of the Board and the president of the Company. In the opinion of the Board, the role of the president and the chief executive officer is the same. The Board considers that the present structure provides the Group with strong and consistent leadership and allows for efficient and effective business planning and execution. Hence, the Board believes that it is in the best interest of the shareholders of the Company that Mr. Lau Tak Wan will continue to assume the roles of the Chairman of the Board and the president of the Company. However, the Company will review the current structure as and when it becomes appropriate in future.

### **Code Provision A.4.1**

Under this code provision, non-executive directors should be appointed for a specific term and subject to re-election.

None of the existing non-executive directors of the Company is appointed for a specific term. However, relevant amendments to the Company’s bye-laws were proposed and approved by the shareholders at the annual general meeting of the Company held on 1 September 2006, that all directors of the Company (whether appointed for specific terms or not) shall retire from office by rotation at least once every three years. As such, the Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those in the Code.

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, the directors have confirmed compliance with the required standard set out in the Model Code as provided in Appendix 10 of the Listing Rules for the six months ended 30 September 2012.

## **AUDIT COMMITTEE**

The Audit Committee 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 condensed accounts for the six months ended 30 September 2012 with the directors.

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

Neither the Company nor any of its subsidiaries purchased, sold and redeemed any of the Company's listed securities during the six months ended 30 September 2012.

## **PUBLICATION OF INTERIM RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE**

This announcement will be published on the website of the Stock Exchange and the Company. The Interim Report of the Company containing all the information required by the Listing Rules will be despatched to the shareholders and published on the website of the Stock Exchange and the Company in due course.

By order of the Board  
**LAU TAK WAN**  
*President*

Hong Kong, 30 November 2012

*As at the date of this announcement, the Board comprises four executive directors, namely Mr. Lau Tak Wan, Ms. Chan Yuen Mei, Pinky, Mr. Wan Chor Fai and Mr. Mak Hoi Kai, Stanly and three independent non-executive directors, namely, Mr. Barry John Buttifant, Mr. Choi Yuk Fan and Dr. Liu Ngai Wing.*