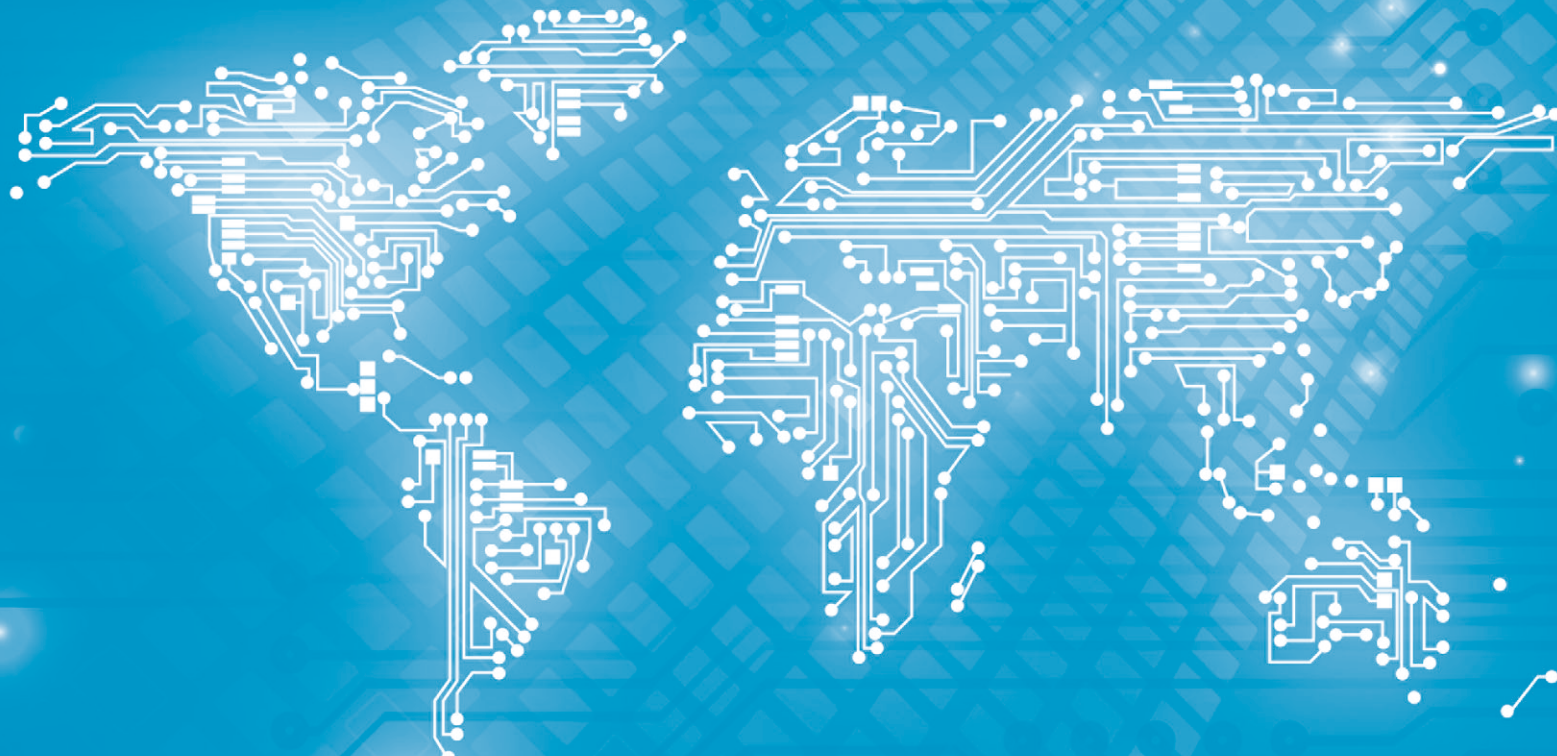




DAISHO MICROLINE HOLDINGS LIMITED

大昌微綫集團有限公司

Stock Code : 0567



Interim Report

**2012-2013**

## 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 2012 as reviewed by the Audit Committee of the Company as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	(Unaudited)	
		6 months ended 30 September	
		2012	2011
		HK\$'000	HK\$'000
REVENUE	3	179,000	188,983
Cost of sales		<u>(163,852)</u>	<u>(195,061)</u>
Gross profit/(loss)		15,148	(6,078)
Other income and gains	3	7,170	5,251
Selling and distribution costs		(3,186)	(7,247)
Administrative expenses		(14,288)	(15,382)
Other expenses		(1,750)	(3,682)
Fair value gains/(losses), net on:			
Other financial assets at fair value through profit or loss		2,396	(6,056)
Derivative financial instruments		(112)	(1,015)
Finance costs	4	(2,315)	(1,908)
Share of profit/(loss) of a jointly-controlled entity		<u>117</u>	<u>(151)</u>
PROFIT/(LOSS) BEFORE TAX	4	3,180	(36,268)
Income tax expense	5	<u>–</u>	<u>–</u>
PROFIT/(LOSS) FOR THE PERIOD		<u>3,180</u>	<u>(36,268)</u>
Attributable to owners of the Company		<u>3,180</u>	<u>(36,268)</u>
INTERIM DIVIDEND	6	<u>–</u>	<u>–</u>
EARNINGS/(LOSS) PER SHARE			
ATTRIBUTABLE TO ORDINARY			
EQUITY HOLDERS OF THE COMPANY	7		
– Basic		<u>HK0.66 cents</u>	<u>HK(7.55) cents</u>
– Diluted		<u>HK0.66 cents</u>	<u>HK(7.55) cents</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited)	
	6 months ended 30 September	
	2012	2011
	HK\$'000	HK\$'000
PROFIT/(LOSS) FOR THE PERIOD	3,180	(36,268)
OTHER COMPREHENSIVE INCOME:		
Exchange differences on translation of foreign operations	<u>(4,618)</u>	<u>15,882</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u><u>(1,438)</u></u>	<u><u>(20,386)</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	(Unaudited) 30 September 2012 HK\$'000	(Audited) 31 March 2012 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	149,293	163,871
Prepaid land lease payments		14,443	14,719
Deposits paid for acquisition of items of property, plant and equipment		536	1,215
Investment in a jointly-controlled entity		52,789	53,107
Available-for-sale investment		19,281	19,281
Deferred tax assets		2,300	2,300
<b>Total non-current assets</b>		<b>238,642</b>	<b>254,493</b>
<b>CURRENT ASSETS</b>			
Inventories		33,800	37,215
Trade debtors and bills receivable	9	60,915	55,577
Other financial assets at fair value through profit or loss	10	24,544	23,410
Derivative financial instruments	11	–	143
Sundry debtors, prepayments and deposits		17,869	14,444
Tax recoverable		211	211
Pledged bank balance	12	185,591	64,090
Cash and cash equivalents	12	101,440	160,157
<b>Total current assets</b>		<b>424,370</b>	<b>355,247</b>
<b>CURRENT LIABILITIES</b>			
Trade creditors	13	44,602	60,775
Other creditors and accruals		23,677	30,141
Derivative financial instruments	11	309	341
Interest-bearing bank and other borrowings	14	186,597	97,390
<b>Total current liabilities</b>		<b>255,185</b>	<b>188,647</b>
<b>NET CURRENT ASSETS</b>		<b>169,185</b>	<b>166,600</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>407,827</b>	<b>421,093</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	14	6,705	18,533
<b>Total non-current liabilities</b>		<b>6,705</b>	<b>18,533</b>
<b>Net assets</b>		<b>401,122</b>	<b>402,560</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued share capital		48,024	48,024
Reserves		353,098	354,536
<b>Total equity</b>		<b>401,122</b>	<b>402,560</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	(Unaudited)					
	6 months ended 30 September 2012					
	Issued	Share	Contributed	Exchange	Retained	Total
	share	premium	surplus	equalisation	profits	equity
capital	account	surplus	reserve	profits	equity	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2012	48,024	91,483*	9,379*	125,345*	128,329*	402,560
Total comprehensive income/(loss) for the period	–	–	–	(4,618)	3,180	(1,438)
<b>At 30 September 2012</b>	<b>48,024</b>	<b>91,483*</b>	<b>9,379*</b>	<b>120,727*</b>	<b>131,509*</b>	<b>401,122</b>

	(Unaudited)					
	6 months ended 30 September 2011					
	Issued	Share	Contributed	Exchange	Retained	Total
	share	premium	surplus	equalisation	profits	equity
capital	account	surplus	reserve	profits	equity	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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>

\* These reserve accounts comprise the consolidated reserves of HK\$353,098,000 (31 March 2012: HK\$354,536,000) in the consolidated statement of financial position.



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	(Unaudited)	
	6 months ended 30 September	
	2012	2011
	HK\$'000	HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/(loss) before tax	3,180	(36,268)
Adjustments for:		
Bank interest income	(2,648)	(1,256)
Dividend income from listed equity investments	(554)	(581)
Fair value losses/(gains), net on:		
Other financial assets at fair value through profit or loss	(2,396)	6,056
Derivative financial instruments – transactions not Qualifying as hedges	112	1,015
Depreciation	14,148	20,087
Reversal of impairment of trade debtors, net	–	(980)
Provision/(Reversal of provision) against obsolete inventories	(1,313)	4,730
Recognition of prepaid land lease payments	157	155
Finance costs	2,315	1,908
Share of loss/(profit) of a jointly-controlled entity	(117)	151
	<u>12,884</u>	<u>(4,983)</u>
Decrease in inventories	4,345	7,879
Increase in trade debtors & bills receivable	(5,425)	(3,709)
Decrease in other financial assets at fair value through profit or loss	1,261	1,784
Decrease/(increase) in sundry debtors, prepayment & deposits	(1,730)	7,416
Decrease in derivative financial instruments, net	–	(234)
Increase/(decrease) in trade creditors	(15,885)	11,720
Increase/(decrease) in other creditors & accruals	(6,428)	3,546
	<u>(10,978)</u>	<u>23,419</u>
Cash generated from/(used in) operations	(10,978)	23,419
Interest received	820	1,256
	<u>(10,158)</u>	<u>24,675</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividend income from listed equity investments	554	581
Acquisition of items of property, plant & equipment	(610)	(682)
Acquisition of an available-for-sale investment	–	(19,281)
Increase in pledged bank balances	(121,500)	(38,625)
	<u>(121,556)</u>	<u>(58,007)</u>
Net cash flows used in investing activities	(121,556)	(58,007)

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

	<b>(Unaudited)</b>	
	<b>6 months ended 30 September</b>	
	<b>2012</b>	<b>2011</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase/(decrease) in trust receipt loans	2,536	(7,611)
New bank & other loans, net	74,842	39,858
Interest paid	(2,315)	(1,908)
Net cash flows from financing activities	<u>75,063</u>	<u>30,339</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(56,651)</b>	<b>(2,993)</b>
Cash and cash equivalents at beginning of year	160,157	157,720
Effect of foreign exchange rate changes, net	(2,066)	5,227
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b><u>101,440</u></b>	<b><u>159,954</u></b>
<b>ANALYSIS OF BALANCES OF CASH &amp; CASH EQUIVALENTS</b>		
Cash and balance balances	<u>101,440</u>	<u>159,954</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 2012, 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 2012.

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
HKFRS 7 Amendment	Amendments to HKFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets
HKAS 12 Amendments	Amendments to HKAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets

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 9	Financial Instruments <sup>1</sup>
HKFRS 10	Consolidated Financial Statements <sup>1</sup>
HKFRS 11	Joint Arrangements <sup>1</sup>
HKFRS 12	Disclosure of interests in Other Entities <sup>1</sup>
HKFRS 13	Fair Value Measurement <sup>1</sup>
HKAS 19 (2011)	Employee Benefits <sup>1</sup>
HKAS 27 (2011)	Separate Financial Statement <sup>1</sup>
HKAS 28 (2011)	Investments in Associates and Joint Ventures <sup>1</sup>

<sup>1</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	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
(a) Revenue from external customers		
Mainland China	73,347	102,209
Hong Kong (place of domicile)	56,873	37,627
Japan	22,232	24,964
Europe	10,511	11,567
Other countries	16,037	12,616
	<u>179,000</u>	<u>188,983</u>
	(Unaudited)	(Audited)
	30 September	31 March
	2012	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
(b) Non-current assets:		
Hong Kong (place of domicile)	181	463
Mainland China	216,880	232,449
	<u>217,061</u>	<u>232,912</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	
	2012	2011
	HK\$'000	HK\$'000
Other income and gains:		
Bank interest income	2,648	1,256
Dividend income from listed equity investments	554	581
Gain on disposal of scrap materials	3,788	3,246
Others	180	168
	<u>7,170</u>	<u>5,251</u>

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

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

	(Unaudited)	
	6 months ended 30 September	
	2012	2011
	HK\$'000	HK\$'000
(a) Finance costs:		
Interest on:		
Bank loans and other loans wholly repayable within five years	<u>(2,315)</u>	<u>(1,908)</u>
(b) Other items:		
Depreciation	(14,148)	(20,087)
Amortization of land lease payments	(157)	(155)
Cost of inventories sold	(165,162)	(193,741)
Staff costs (including directors' remuneration)	<u>(23,185)</u>	<u>(26,501)</u>

## 5. INCOME TAX

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

Deferred tax has been provided on temporary differences using the current applicable rate. Deferred tax assets have not been recognized in respect of certain tax losses as they have arisen in subsidiaries that have been loss-making for some time or it is not considered probable that taxable profits will be available against which the tax losses can be utilized.

## 6. INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the year ending 31 March 2013 to the shareholders (2012: Nil).

## 7. EARNINGS/(LOSS) PER SHARE

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

The calculation of basic earnings/(loss) per share is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$3,180,000 (2011: loss of HK\$36,268,000) and the weighted average number of 480,243,785 (2011: 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 2012 and 2011 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	
	2012	2011
	HK\$'000	HK\$'000
Purchase of property, plant and equipment	<u>1,289</u>	<u>631</u>

## 9. TRADE DEBTORS AND BILLS RECEIVABLE

	(Unaudited) 30 September 2012 HK\$'000	(Audited) 31 March 2012 HK\$'000
Trade debtors	59,781	53,047
Impairment	<u>(1,200)</u>	<u>(1,200)</u>
	58,581	51,847
Bills receivable	<u>2,334</u>	<u>3,730</u>
	<u><u>60,915</u></u>	<u><u>55,577</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 2012 HK\$'000	(Audited) 31 March 2012 HK\$'000
Current to 1 month	52,188	47,373
1 to 2 months	3,388	2,323
2 to 3 months	951	728
Over 3 months	<u>3,254</u>	<u>2,623</u>
	<u><u>59,781</u></u>	<u><u>53,047</u></u>

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

	(Unaudited) 30 September 2012 HK\$'000	(Audited) 31 March 2012 HK\$'000
Hong Kong listed equity investments, at market value	21,679	20,931
Equity investments listed elsewhere, at market value	<u>2,865</u>	<u>2,479</u>
	<u><u>24,544</u></u>	<u><u>23,410</u></u>

At 30 September 2012, all of the Hong Kong listed equity investments amounting to HK\$21,679,000 (31 March 2012: HK\$20,931,000) were pledged to secure certain of the Group's bank loans.

## 11. DERIVATIVE FINANCIAL INSTRUMENTS

	(Unaudited)		(Audited)	
	30 September 2012		31 March 2012	
	Assets	Liabilities	Assets	Liabilities
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest rate swaps	-	-	-	204
Equity contracts	-	309	143	137
	-	309	143	341

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

## 12. CASH AND CASH EQUIVALENTS

	(Unaudited)	(Audited)
	30 September 2012	31 March 2012
	HK\$'000	HK\$'000
Cash and bank balances	287,031	224,247
Less: Bank balances pledged for bank loans repayable within one year	(185,591)	(64,090)
Cash and cash equivalents	101,440	160,157

## 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 2012	31 March 2012
	HK\$'000	HK\$'000
Current to 1 month	37,294	39,765
1 to 2 months	1,374	13,766
2 to 3 months	2,206	2,056
Over 3 months	3,728	5,188
	44,602	60,775

## 14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	(Unaudited) 30 September 2012 HK\$'000	(Audited) 31 March 2012 HK\$'000
Current liabilities		
Trust receipt loans	9,087	6,551
Bank loans – unsecured	–	8,282
Bank loans – secured	170,489	75,685
Other loans – secured	7,021	6,872
	<u>186,597</u>	<u>97,390</u>
Non-current liabilities		
Bank loans – unsecured	–	8,282
Other loans – secured	6,705	10,251
	<u>6,705</u>	<u>18,533</u>
Total	<u><u>193,302</u></u>	<u><u>115,923</u></u>
Analysed into:		
Bank and other loans repayable:		
Within one year or on demand	186,597	97,390
In the second year	6,705	15,452
In the third to fifth years, inclusive	–	3,081
Total	<u><u>193,302</u></u>	<u><u>115,923</u></u>

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

At the period end, except for certain bank and other loans denominated in United States dollars (“US\$”) equivalent to HK\$52,859,000 (31 March 2012: HK\$52,000,000), all the bank and other loans were denominated in Hong Kong dollars.



## 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\$185,591,000 (31 March 2012: HK\$64,090,000);
- (ii) pledge of all the Group's Hong Kong listed equity investments amounting to HK\$21,679,000 (31 March 2012: HK\$20,931,000); and
- (iii) pledge of certain of the Group's machinery and equipment located in the PRC, which had an aggregate carrying value of HK\$10,282,000 (31 March 2012: 16,056,000) at the period end.

## 15. CAPITAL COMMITMENTS

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

	(Unaudited) 30 September 2012 HK\$'000	(Audited) 31 March 2012 HK\$'000
Capital commitments, Contracted but not provided for, in respect of acquisition of items of property, plant and equipment	<u>93</u>	<u>440</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 2012 and 31 March 2012.

## 17. RELATED PARTY TRANSACTIONS

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

	(Unaudited)	
	6 months ended 30 September	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sale of printed circuit boards to a related party	<u>22,175</u>	<u>24,964</u>

Printed circuit boards were sold to a subsidiary of Daisho Denshi Co., Ltd., a substantial shareholder of the Company who has 10.41% equity interest in the Company and also a company in which the Group has 7.46% equity interest. The products sold were unique and tailor-made according to the customer's requirements and specifications. The transactions have been entered into on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties and in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

	(Unaudited)	
	6 months ended 30 September	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Short term employee benefits	3,389	3,420
Post-employment benefits	<u>169</u>	<u>169</u>
Total compensation paid to key management personnel	<u>3,558</u>	<u>3,589</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business and Financial Review

The Group's revenue for the current period was about HK\$179 million, down 5% from last corresponding period. The Group's net profit after tax for the current period was about HK\$3 million in contrast with the net loss of about HK\$36 million for last corresponding period.

The decrease in the Group's revenue for the current period was mainly caused by the reduction in average selling price of the Group's printed circuit boards ("PCB"). The Group's gross profit margin for the current period was about 8% in contrast with the gross loss margin of about 3% for last corresponding period. The improvement in the Group's operating results for the current period was mainly resulted from the implementation of various cost-savings measures and the improvement in production efficiency along with the reduction in the purchase prices of certain non-ferrous metals by double digit in percentage terms since September 2011.

Furthermore, there were fair value gains on listed equity investments and equity contracts for the current period amounting to about HK\$2 million. There were fair value losses on listed equity investments and equity contracts for the last corresponding period amounting to about HK\$7 million.

The Group's gearing ratios (defined as interest-bearing bank and other borrowings divided by total equity) at 30 September 2012 was 48% (31 March 2012: 29%). The Group's current ratio at 30 September 2012 and 31 March 2012 was 1.66 times and 1.88 times respectively. The Group's PCB operations had a net cash outflow of about HK\$10 million during the current period ended 30 September 2012 (2011: net cash inflow HK\$25 million) mainly due to the early settlement of trade payables in return for purchase discount.

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 2012 and 31 March 2012 are detailed in note 14 of this interim report.

As at 30 September 2012, the Group's total cash and bank balances were approximately HK\$287 million (31 March 2012: HK\$224 million) and the Group's total interest-bearing bank and other borrowings amounting to approximately HK\$193 million (31 March 2012: HK\$116 million). Therefore, the Group had a net cash balance of approximately HK\$94 million (31 March 2012: HK\$108 million). Besides, the total credit facilities available to the Group were approximately HK\$353 million (31 March 2012: HK\$243 million) and, therefore, the unutilized credit facilities were approximately HK\$160 million (31 March 2012: HK\$127 million). Accordingly, the Group is capable of financing its operation by its own internal resources and available banking facilities.

Most of the Group's bank balances were denominated in RMB while all of the Group's borrowings were denominated in either US\$ or HK\$. During the current period ended 30 September 2012, some of the Group's lenders required either the pledge of the Group's bank balances or the issue of a letter-of-credit by a PRC bank as a security for the Group's borrowings. Accordingly, the Group's pledged bank balance along with the Group's borrowings increased during the current period.

As at 30 September 2012, the Group's assets and liabilities were mostly denominated in either HK\$, US\$ or RMB. Because the exchange rate for US\$ against HK\$ is relatively stable in Hong Kong for the moment, the Group has not adopted any hedging tool against its assets or liabilities denominated in US\$. Also because the Group's subsidiary in Mainland China had net assets as at 30 September 2012 and RMB is expected to appreciate gradually, there is only a remote possibility that the Group will suffer exchange loss on the translation of these net assets and so the Group has not adopted any hedging tool against these net assets denominated in RMB.

## Employee Benefits

As at 30 September 2012, the Group had 894 (31 March 2012: 976) employees, including directors, working mainly in Mainland China. For the period ended 30 September 2012, the Group's total staff costs including directors' remuneration were HK\$23,185,000 (2011: HK\$26,501,000).

## Outlook

In light of the sluggish global economic environment at present, the Group expects that the momentum for revenue growth in the second half of the current financial year will remain weak. In order to explore more business opportunities, the Group is currently canvassing business from new customers of whom the creditworthiness would be under its scrutiny. The Group will continue to initiate new cost savings measures in the months ahead so as to further improve its operating results.

As at 30 September 2012, Daisho Denshi Co., Ltd. ("Daisho Denshi") was one of the Company's substantial shareholders with 10.41% equity interest in the Company and also a company in which the Group had 7.46% equity interest. 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. Given the close relationship with Daisho Denshi, the Group will continue to benefit from obtaining further technical support and sales orders for highly delicate PCB from Daisho Denshi.

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 2012, 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.

Except for Mr. Yeung Chi Shing, Bret whose term of service with the Company is three years, other 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 2012, 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	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 2012, 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 2012, 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 2012.

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

Hong Kong, 26 November 2012

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

*Executive directors:*

CHAN Sik Ming, Harry (*Chairman & CEO*)  
AU-YEUNG Wai Hung  
HANDA Yoshio  
SUGAYA Shozo

*Independent non-executive directors:*

CHAN Yuk Tong  
LI Chi Kwong  
YEUNG Chi Shing, Bret