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## **DAISHO MICROLINE HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 0567)

### **INTERIM RESULTS ANNOUNCEMENT**

**FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2010**

## UNAUDITED INTERIM RESULTS

The Board of Directors (the “Board”) of Daisho Microline Holdings Limited (the “Company”) presents the unaudited interim results of the Company and its subsidiaries (the “Group”) for the 6 months ended 30 September 2010 as reviewed by the Audit Committee of the Company as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

		<b>(Unaudited)</b>	
		<b>6 months ended 30 September</b>	
		<b>2010</b>	<b>2009</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE	3	<b>241,663</b>	167,824
Cost of sales		<b>(205,921)</b>	(150,449)
Gross profit		<b>35,742</b>	17,375
Other income and gains		<b>5,175</b>	4,787
Selling and distribution costs		<b>(10,322)</b>	(7,884)
Administrative expenses		<b>(15,442)</b>	(14,976)
Other expenses		<b>(2,663)</b>	(369)
Fair value gains/(losses), net on :			
Other financial assets at fair value through profit or loss		<b>12,216</b>	14,458
Derivative financial instruments		<b>(2,826)</b>	8,756
Finance costs	4	<b>(739)</b>	(960)
PROFIT BEFORE TAX	4	<b>21,141</b>	21,187
Income tax expenses	5	<b>(2,500)</b>	(1,860)
PROFIT FOR THE PERIOD		<b>18,641</b>	19,327
Attributable to owners of the Company		<b>18,641</b>	19,327
INTERIM DIVIDEND	6	-	-
EARNINGS PER SHARE			
ATTRIBUTABLE TO ORDINARY			
EQUITY HOLDERS OF THE COMPANY	7		
- Basic		<b>HK3.88 cents</b>	HK4.02 cents
- Diluted		<b>HK3.88 cents</b>	HK4.02 cents

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>(Unaudited)</b>	
	<b>6 months ended 30 September</b>	
	<b>2010</b>	<b>2009</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
PROFIT FOR THE PERIOD	<b>18,641</b>	19,327
OTHER COMPREHENSIVE INCOME :		
Exchange differences on translation of foreign operations	<u><b>11,311</b></u>	<u>4,418</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><b>29,952</b></u>	<u>23,745</u>
Attributable to owners of the Company	<u><b>29,952</b></u>	<u>23,745</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) 30 September 2010 <i>HK\$'000</i>	(Audited) 31 March 2010 <i>HK\$'000</i>
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	<b>242,025</b>	249,796
Prepaid land lease payments		<b>14,308</b>	14,168
Deposits paid for acquisition of items of property, plant and equipment		<b>3,229</b>	2,806
Deferred tax assets		<b>3,300</b>	5,800
		<hr/>	<hr/>
Total non-current assets		<b>262,862</b>	272,570
<b>CURRENT ASSETS</b>			
Inventories		<b>36,688</b>	30,176
Trade debtors	9	<b>73,787</b>	71,384
Bills receivables		<b>23,606</b>	-
Other financial assets at fair value through profit or loss	10	<b>64,706</b>	59,328
Derivative financial instruments	11	<b>1,512</b>	3,415
Sundry debtors, prepayments and deposits		<b>9,842</b>	8,791
Tax recoverable		-	67
Pledged time deposits	12	<b>34,818</b>	43,221
Cash and cash equivalents	12	<b>111,042</b>	111,374
		<hr/>	<hr/>
Total current assets		<b>356,001</b>	327,756
<b>CURRENT LIABILITIES</b>			
Trade creditors	13	<b>64,615</b>	50,525
Other creditors and accruals		<b>26,746</b>	29,853
Derivative financial instruments	11	<b>4,788</b>	299
Interest-bearing bank and other borrowings	14	<b>63,341</b>	88,230
		<hr/>	<hr/>
Total current liabilities		<b>159,490</b>	168,907
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>196,511</b>	158,849

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**(Continued)**

	<b>(Unaudited)</b>	(Audited)
	<b>30 September</b>	31 March
	<b>2010</b>	2010
<i>Notes</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
TOTAL ASSETS LESS CURRENT LIABILITIES	<b>459,373</b>	431,419
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing bank and other borrowings 14	-	1,998
Deferred tax liabilities	<u>200</u>	<u>200</u>
Total non-current liabilities	<u>200</u>	<u>2,198</u>
Net assets	<u><b>459,173</b></u>	<u>429,221</u>
<b>EQUITY</b>		
<b>Equity attributable to owners of the Company</b>		
Issued share capital	<b>48,024</b>	48,024
Reserves	<u>411,149</u>	<u>381,197</u>
Total equity	<u><b>459,173</b></u>	<u>429,221</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(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><u>48,024</u></b>	<b><u>91,483*</u></b>	<b><u>9,379*</u></b>	<b><u>87,714*</u></b>	<b><u>222,573*</u></b>	<b><u>459,173</u></b>

(Unaudited)

6 months ended 30 September 2009

	Issued share capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Exchange equalisation reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
At 1 April 2009	48,024	91,483	9,379	70,947	228,196	448,029
Total comprehensive income for the period	-	-	-	4,418	19,327	23,745
At 30 September 2009	<u>48,024</u>	<u>91,483</u>	<u>9,379</u>	<u>75,365</u>	<u>247,523</u>	<u>471,774</u>

\* These reserve accounts comprise the consolidated reserves of HK\$411,149,000 (31 March 2010: HK\$381,197,000) in the consolidated statement of financial position.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<b>(Unaudited)</b>	
	<b>6 months ended 30 September</b>	
	<b>2010</b>	<b>2009</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Net cash flows from /(used in) operating activities	<b>20,076</b>	(17,368)
Net cash flows from /(used in) investing activities	<b>4,167</b>	(1,048)
Net cash flows used in financing activities	<u><b>(26,887)</b></u>	<u>(4,209)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<b>(2,644)</b>	(22,625)
Cash and cash equivalents at beginning of the period	<b>111,374</b>	117,275
Effect of foreign exchange rate changes, net	<u><b>2,312</b></u>	<u>78</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u><b>111,042</b></u>	<u>94,728</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u><b>111,042</b></u>	<u>94,728</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 2010, 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 2010.

HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 Amendment	Amendment to HKAS 32 Financial Instruments : Presentation – Classification of Rights Issues
HKAS 39 Amendment	Amendment to HKAS 39 Financial Instruments : Recognition and Measurement – Eligible Hedged Items
HK(IFIC)-Int 17	Distribution of Non-cash Assets to Owners
Amendments to HKFRS 5 included in improvements to HKFRSs issued in October 2008	Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary
HK Interpretation 4 (Revised in December 2009)	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

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 – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters <sup>1</sup>
HKFRS 9	Financial Instruments <sup>2</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>3</sup>
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 Prepayments of a Minimum Amendments Funding Requirement <sup>3</sup>
HK(IFRIC)-Int 19	Extinguishing financial Liabilities with Equity Instruments <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2010

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2011

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

### 3. REVENUE AND SEGMENT INFORMATION

For management purposes, the Group has 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

	<b>(Unaudited)</b>	
	<b>6 months ended 30 September</b>	
	<b>2010</b>	<b>2009</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
(a) Revenue from external customers		
Mainland China	<b>160,107</b>	105,653
Hong Kong (place of domicile)	<b>35,915</b>	26,598
Japan	<b>25,785</b>	23,295
Europe	<b>10,585</b>	3,551
Other countries	<b>9,271</b>	8,727
	<b><u>241,663</u></b>	<b><u>167,824</u></b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>30 September</b>	<b>31 March</b>
	<b>2010</b>	<b>2010</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
(b) Non-current assets:		
Hong Kong (place of domicile)	<b>711</b>	977
Mainland China	<b>258,851</b>	265,793
	<b><u>259,562</u></b>	<b><u>266,770</u></b>

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

#### 4. PROFIT BEFORE TAX

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

	<b>(Unaudited)</b>	
	<b>6 months ended 30 September</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
(a) Finance costs:		
Interest on:		
Bank loans and other loans wholly repayable within five years	<b>(739)</b>	(944)
Finance leases and hire purchase contracts	<u>-</u>	<u>(16)</u>
	<u><b>(739)</b></u>	<u>(960)</u>
(b) Other items:		
Depreciation	<b>(19,879)</b>	(23,457)
Amortization of land lease payments	<b>(147)</b>	(69)
Staff costs (including directors' remuneration)	<b>(28,132)</b>	(21,726)
Bank interest income	<u><b>996</b></u>	<u>566</u>

#### 5. INCOME TAX

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. In last period, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong and no provision for PRC profits tax has been made as the Group did not generate any assessable profits arising in Mainland China.

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

	<b>(Unaudited)</b>	
	<b>6 months ended 30 September</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Group:		
Current – Hong Kong		
Charge for the period	-	1,600
Deferred	<u><b>2,500</b></u>	<u>260</u>
Total tax charge for the period	<u><b>2,500</b></u>	<u>1,860</u>

## 6. INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the year ending 31 March 2011 to the shareholders (2010: Nil).

## 7. EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$18,641,000 (2009: HK\$19,327,000) and the weighted average number of 480,243,785 (2009: 480,243,785) ordinary shares in issue during the period.

### (b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$18,641,000 (2009: HK\$19,327,000) and the weighted average number of 480,243,785 (2009: 480,575,608) ordinary shares after adjusting for the effects of all dilutive potential ordinary shares.

### (c) Reconciliation

	<b>(Unaudited)</b>	
	<b>6 months ended 30 September</b>	
	<b>2010</b>	2009
	<i>Number of shares</i>	<i>Number of shares</i>
Weighted average number of ordinary shares used in calculating basic earnings per share	<b>480,243,785</b>	480,243,785
Deemed issue of ordinary shares for no consideration arising from share options	<u>-</u>	<u>331,823</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u><b>480,243,785</b></u>	<u>480,575,608</u>

## 8. PROPERTY, PLANT AND EQUIPMENT

	<b>(Unaudited)</b>	
	<b>6 months ended 30 September</b>	
	<b>2010</b>	<b>2009</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Purchase of property, plant and equipment	<u><b>6,009</b></u>	<u>976</u>

## 9. TRADE DEBTORS

	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>30 September</b>	<b>31 March</b>
	<b>2010</b>	<b>2010</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Trade debtors	<b>76,467</b>	74,064
Impairment	<u><b>(2,680)</b></u>	<u>(2,680)</u>
	<u><b>73,787</b></u>	<u>71,384</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:

	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>30 September</b>	<b>31 March</b>
	<b>2010</b>	<b>2010</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Current to 1 month	<b>66,801</b>	68,068
1 to 2 months	<b>3,251</b>	1,572
2 to 3 months	<b>1,468</b>	674
Over 3 months	<u><b>4,947</b></u>	<u>3,750</u>
	<u><b>76,467</b></u>	<u>74,064</u>

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

	(Unaudited) 30 September 2010 HK\$'000	(Audited) 31 March 2010 HK\$'000
Hong Kong listed equity investments, at market value	64,706	51,292
Unlisted debt security, at fair value	-	8,036
	<u>64,706</u>	<u>59,328</u>

At 30 September 2010, all of the Hong Kong listed equity investments and unlisted debt security with an aggregate fair value of HKD64,706,000 (31 March 2010: HK\$59,328,000) were pledged to secure certain of the Group's bank loans.

## 11. DERIVATIVE FINANCIAL INSTRUMENTS

	(Unaudited) 30 September 2010		(Audited) 31 March 2010	
	Assets HK\$'000	Liabilities HK\$'000	Assets HK\$'000	Liabilities HK\$'000
Forward currency contracts	1,512	1,089	479	299
Equity contracts	-	3,699	2,936	-
	<u>1,512</u>	<u>4,788</u>	<u>3,415</u>	<u>299</u>

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

## 12. CASH AND CASH EQUIVALENTS

	<b>(Unaudited)</b>	(Audited)
	<b>30 September</b>	31 March
	<b>2010</b>	2010
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Cash and bank balances	<b>111,042</b>	111,374
Time deposits	<b>34,818</b>	43,221
	<b>145,860</b>	154,595
Less : Time deposits pledged for short term bank loans	<b>(34,818)</b>	(43,221)
Cash and cash equivalents	<b>111,042</b>	111,374

## 13. TRADE CREDITORS

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

	<b>(Unaudited)</b>	(Audited)
	<b>30 September</b>	31 March
	<b>2010</b>	2010
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Current to 1 month	<b>59,154</b>	45,218
1 to 2 months	<b>515</b>	3,521
2 to 3 months	<b>3,547</b>	231
Over 3 months	<b>1,399</b>	1,555
	<b>64,615</b>	50,525

#### 14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	<b>(Unaudited)</b>	(Audited)
	<b>30 September</b>	31 March
	<b>2010</b>	2010
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current liabilities		
Bank loans – unsecured	<b>12,796</b>	21,600
Bank loans – secured	<b>50,545</b>	66,630
	<b>63,341</b>	88,230
Non-current liabilities		
Bank loans – unsecured	-	1,998
	-	1,998
Total	<b>63,341</b>	90,228

At 30 September 2010, certain of the Group's bank loans are secured by the pledged of the Group's time deposits, Hong Kong listed equity investments and unlisted debt security amounting to HK\$99,524,000 (31 March 2010: HK\$102,549,000) (notes 10 and 12).

#### 15. CAPITAL COMMITMENTS

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

	<b>(Unaudited)</b>	(Audited)
	<b>30 September</b>	31 March
	<b>2010</b>	2010
	<b>HK\$'000</b>	<b>HK\$'000</b>
Capital commitments,		
Contracted but not provided for,		
in respect of		
acquisition of items of property,		
plant and equipment	<b>4,049</b>	914



## **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 2010 and 31 March 2010.

## 17. RELATED PARTY TRANSACTIONS

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

	<b>(Unaudited)</b>	
	<b>6 months ended 30 September</b>	
	<b>2010</b>	<b>2009</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Sale of printed circuit boards to a related party	<u>25,771</u>	<u>23,295</u>

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

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

	<b>(Unaudited)</b>	
	<b>6 months ended 30 September</b>	
	<b>2010</b>	<b>2009</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Short term employee benefits	<b>3,584</b>	3,394
Post-employment benefits	<u>155</u>	<u>162</u>
Total compensation paid to key management personnel	<u>3,739</u>	<u>3,556</u>

## **18. EVENTS AFTER THE REPORTING DATE**

On 5 October 2010, a wholly-owned subsidiary of the Company paid RMB4,000,000 (equivalent to approximately HK\$4,672,000) in cash for acquiring a 50% interests in a joint venture enterprise incorporated in the People's Republic of China ("P.R.C."). The joint venture enterprise has not undertaken any real estate development project but it will be principally engaged in the business of real estate development in the P.R.C.

On 21 October 2010, the Group resolved to invest RMB40,000,000 (equivalent to approximately HK\$46,720,000) in cash into the joint venture enterprise for the purpose of acquiring land for real estate development in Huizhou, P.R.C.(the "Investment"). The Investment constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules and is therefore not subject to Shareholders' approval under the Listing Rules but subject to the reporting and announcement requirements under Rule 14.34 of the Listing Rules. Details of the Investment are disclosed in the announcement issued by the Company on 21 October 2010.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

The Group's revenue for the current period was about HK\$242 million, up 44% from last corresponding period. The increase in the sales orders for the Group's printed circuit boards ("PCB") was resulted from the execution of the strategic plan to enlarge the customer base and to meet the customer requirements. The Group's PCB average selling price for non high density inter-connect ("HDI") PCB and HDI PCB for the current period increased by 3% and decreased by 6% respectively as compared to the last corresponding period.

The Group's gross profit margin increased from about 10% in last corresponding period to about 15% in the current period. The Group's average purchase price of certain major raw material items such as laminate and precious metals during the period significantly increased by more than 20% as compared to the last corresponding period. Despite the increase in the Group's average purchase price of certain major raw material items and decrease in Group's PCB average selling price as mentioned above, the Group's gross profit margin for the current period increased by about 5 percentage points resulting from the significant increase in production volume and the implementation of cost savings proposal during the current period.

Furthermore, there were fair value gains on listed equity investments and equity contracts for the current period amounting to about HK\$9 million, due to the recovery of the Hong Kong stock market since April 2010.

### Financial Review

The Group's gearing ratio (defined as net debt divided by capital plus net debts) at 30 September 2010 was 1.9% (*31 March 2010: 3.6%*) while the Group's current ratio at 30 September 2010 and 31 March 2010 was 2.23 times and 1.94 times respectively. The Group's PCB operations generated net cash inflow of about HK\$20 million during the current period.

### **Financial Review (continued)**

As at 30 September 2010, the Group's interest-bearing bank and other borrowings amounting to HK\$63,341,000 (*31 March 2010: HK\$90,228,000*) were repayable within the next 12 months for all (*31 March 2010: HK\$88,230,000*) of them. These borrowings were all denominated in either Hong Kong dollars ("HK\$") or United States dollars ("US\$") and subjected to floating interest rates. Except for the bank borrowings as at 30 September 2010 amounting to HK\$50,545,000 (*31 March 2010: HK\$66,630,000*) which were originally repayable within 3 months, the remaining amount of these borrowings were originally repayable monthly over 3 years. The Group has not adopted any interest rate hedging tool for these borrowings. None of the machinery and equipment of the Group at 30 September 2010 were pledged to secure these borrowings (*31 March 2010: Nil*).

As at 30 September 2010, the total credit facilities available to the Group were approximately HK\$245 million, of which HK\$63 million were utilized, and the cash and cash equivalents were HK\$111 million. Accordingly, the Group is capable of financing its operation by its own internal resources and available banking facilities.

As at 30 September 2010, the Group's assets and liabilities were mostly denominated in either HK\$, US\$ or Renminbi ("RMB"). Because the exchange rate for US\$ against HK\$ is relatively stable in Hong Kong for the moment, the Group has not adopted any hedging tool against its assets or liabilities denominated in US\$. However, the Group has made use of foreign exchange forward contracts during the current period to mitigate the effect on the increase of operating expenses to be paid in RMB due to the expected appreciation of RMB.

### **Employee Benefits**

As at 30 September 2010, the Group had 1,332 (*31 March 2010: 1,190*) employees, including directors, working mainly in Mainland China. For the period ended 30 September 2010, the Group's total staff costs including directors' remuneration were HK\$28,132,000 (*2009: HK\$21,726,000*).

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

## **Outlook**

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

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

The Group is aware that certain significant economic issues such as the worldwide inflationary pressure 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.

## **INTERIM DIVIDEND**

The Board has resolved not to declare any interim dividend for the year ending 31 March 2011 to the shareholders (2010: *NIL*).

## **CORPORATE GOVERNANCE**

In the opinion of the directors, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the 6 months ended 30 September 2010, except for the following deviations:

**Chairman and Chief Executive Officer**

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

**Non-executive directors**

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

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

### **Re-election of directors**

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

The Company is subject to a private act known as “The Juko Laboratories Holdings Limited Company Act 1990” which is an Act of the Company’s former name of Juko Laboratories Holdings Limited when it was first established. The Chairman of the Company is not required to be subject to rotation in accordance with the Bye-Laws of the Company. However, in the spirit of good corporate governance practice, the existing Chairman of the Company has agreed to retire on a voluntary basis at least once every three years at the annual general meeting of the Company.

### **DIRECTORS’ INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

At 30 September 2010, 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:**

<b>Name of director</b>	<b>Directly beneficially owned</b>	<b>Beneficiary of a trust</b>	<b>Total</b>	<b>Percentage of the Company’s issued share capital</b>
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 2010, 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 2010, 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 :**

<b>Name</b>	<b>Capacity and nature of interest</b>	<b>Number of ordinary shares held</b>	<b>Percentage of the Company's issued share capital</b>
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 2010.

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

Hong Kong, 19 November 2010

*As at the date of this announcement, the Board comprises the following members:*

***Executive directors:***

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

***Independent non-executive directors:***

Kohu KASHIWAGI  
CHAN Yuk Tong  
LI Chi Kwong