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## DAISHO MICROLINE HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 0567)

### ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2011

The Board of Directors (the “Board”) of Daisho Microline Holdings Limited (the “Company”) is pleased to announce the preliminary consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2011 as follows:

#### CONSOLIDATED INCOME STATEMENT

		Year ended 31 March	
		2011	2010
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE	3	<b>442,395</b>	348,192
Cost of sales		<b>(387,188)</b>	(302,074)
Gross profit		<b>55,207</b>	46,118
Other income and gains		<b>10,508</b>	7,956
Selling and distribution costs		<b>(19,415)</b>	(16,504)
Administrative expenses		<b>(29,446)</b>	(30,277)
Other expenses		<b>(3,669)</b>	(1,614)
Impairment of items of property, plant and equipment	8	-	(65,000)
Fair value gains/(losses), net on:			
other financial assets at fair value through profit or loss		<b>13,436</b>	14,246
derivative financial instruments		<b>(3,624)</b>	12,012
Finance costs	5	<b>(1,546)</b>	(2,096)
Share of loss of a jointly-controlled entity		<b>(955)</b>	-
PROFIT/(LOSS) BEFORE TAX	4	<b>20,496</b>	(35,159)
Income tax credit/(expense)	6	<b>(3,800)</b>	10,895
PROFIT/(LOSS) FOR THE YEAR		<b>16,696</b>	(24,264)
Attributable to owners of the Company		<b>16,696</b>	(24,264)

## CONSOLIDATED INCOME STATEMENT (continued)

		Year ended 31 March	
		2011	2010
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
- Basic and diluted		<u><b>HK3.48 cents</b></u>	<u>HK(5.05) cents</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 March	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
PROFIT/(LOSS) FOR THE YEAR	<b>16,696</b>	(24,264)
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	<u>27,410</u>	<u>5,456</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>27,410</u>	<u>5,456</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u><b>44,106</b></u>	<u>(18,808)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 March 2011 <i>HK\$'000</i>	31 March 2010 <i>HK\$'000</i>
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>241,259</b>	249,796
Prepaid land lease payments		<b>14,487</b>	14,168
Deposits paid for acquisition of items of property, plant and equipment		<b>513</b>	2,806
Deferred tax assets		<b>2,300</b>	5,800
Investments in a jointly-controlled entity		<b>51,295</b>	-
Total non-current assets		<b><u>309,854</u></b>	<u>272,570</u>
<b>CURRENT ASSETS</b>			
Inventories		<b>43,992</b>	30,176
Trade debtors and bills receivable	9	<b>64,929</b>	71,384
Other financial assets at fair value through profit or loss		<b>27,558</b>	59,328
Derivative financial instruments		<b>24</b>	3,415
Sundry debtors, prepayments and deposits		<b>18,600</b>	8,791
Tax recoverable		<b>211</b>	67
Pledged bank balance		<b>23,750</b>	43,221
Cash and cash equivalents		<b>157,720</b>	111,374
Total current assets		<b><u>336,784</u></b>	<u>327,756</u>
<b>CURRENT LIABILITIES</b>			
Trade creditors	10	<b>43,056</b>	50,525
Other creditors and accruals		<b>28,287</b>	29,853
Derivative financial instruments		<b>922</b>	299
Interest-bearing bank and other borrowings		<b>82,438</b>	88,230
Total current liabilities		<b><u>154,703</u></b>	<u>168,907</u>
<b>NET CURRENT ASSETS</b>		<b><u>182,081</u></b>	<u>158,849</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b><u>491,935</u></b>	<u>431,419</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	<b>31 March</b>	31 March
	<b>2011</b>	2010
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing bank and other borrowings	<b>16,608</b>	1,998
Deferred tax liabilities	<b>2,000</b>	200
Total non-current liabilities	<b>18,608</b>	2,198
Net assets	<b>473,327</b>	429,221
<b>EQUITY</b>		
<b>Equity attributable to owners of the Company</b>		
Issued share capital	<b>48,024</b>	48,024
Reserves	<b>425,303</b>	381,197
Total equity	<b>473,327</b>	429,221

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **1. BASIS OF PREPARATION**

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for other financial assets at fair value through profit or loss and derivative financial instruments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand except when otherwise indicated.

The accounting policies and methods of computation used in the preparation of these financial statements are the same as those adopted in preparing the annual financial statements for the year ended 31 March 2010, except that the Group has adopted the new/revised HKFRSs which are effective for the current year's financial statements as detailed in note 2 below.

## 2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

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

The adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements.

## 2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 Amendment	Amendment to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i> <sup>1</sup>
HKFRS 1 Amendment	Amendment to HKFRS 1 <i>First-time Adoption of HKFRSs – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i> <sup>1</sup>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments : Disclosures – Transfers of Financial Assets</i> <sup>3</sup>
HKFRS 9	<i>Financial Instruments</i> <sup>5</sup>
HKAS 12 Amendments	<i>Deferred tax : Recovery of underlying assets</i> <sup>4</sup>
HKAS 24 (Revised)	<i>Related Party Disclosures</i> <sup>2</sup>
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i> <sup>2</sup>
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i> <sup>1</sup>

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

- <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 2011  
<sup>3</sup> Effective for annual periods beginning on or after 1 July 2011  
<sup>4</sup> Effective for annual periods beginning on or after 1 January 2012  
<sup>5</sup> Effective for annual periods beginning on or after 1 January 2013



### 3. REVENUE AND SEGMENT INFORMATION

The principal activities of the Group are the manufacture and trading of printed circuit boards. There was no change in the nature of the Group's principal activities during the year.

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts during the year.

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.

#### Geographical information

##### (a) Revenue from external customers

	<b>Year ended 31 March</b>	
	<b>2011</b>	<b>2010</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Mainland China	<b>290,921</b>	217,080
Hong Kong (place of domicile)	<b>69,598</b>	54,316
Japan	<b>46,607</b>	50,692
Europe	<b>19,237</b>	10,218
Other countries	<b>16,032</b>	15,886
	<b><u>442,395</u></b>	<b><u>348,192</u></b>

The revenue information above is based on the location of the customers.

### 3. REVENUE AND OTHER SEGMENT INFORMATION (continued)

#### (b) Non-current assets

	<b>31 March 2011 HK\$'000</b>	31 March 2010 HK\$'000
Hong Kong (place of domicile)	<b>657</b>	977
Mainland China	<b>306,897</b>	265,793
	<b>307,554</b>	266,770

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

#### Information about a major customer

Revenue of approximately HK\$46,593,000 (2010: HK\$50,659,000) was derived from sales of printed circuit boards to a subsidiary of Daisho Denshi Co., Ltd., a substantial shareholder of the Company who has significant influence over the Group.

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

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	<b>Year ended 31 March</b>	
	<b>2011 HK\$'000</b>	2010 HK\$'000
Gain on disposal of scrap materials	<b>(6,184)</b>	(2,831)
Bank interest income	<b>(1,581)</b>	(1,172)
Investment income	-	(426)
Dividend income from listed equity investments	<b>(2,101)</b>	(2,329)
Gain on disposal of items of property, plant and equipment	<b>(15)</b>	(74)
Cost of inventories sold	<b>386,478</b>	306,641
Provision/(reversal of provision) against obsolete inventories	<b>710</b>	(4,567)
Depreciation	<b>38,124</b>	46,954
Foreign exchange differences, net	<b>3,318</b>	432

## 5. FINANCE COSTS

	Year ended 31 March	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:		
Bank loans wholly repayable within five years	<b>1,546</b>	2,080
Finance lease and hire purchase contract payables	<u>-</u>	<u>16</u>
Total interest expense on financial liabilities not at fair value through profit or loss	<u><b>1,546</b></u>	<u>2,096</u>

## 6. INCOME TAX

No provision for Hong Kong 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 year (2010: Nil). No provision for the People's Republic of China ("the 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 year (2010: Nil).

	Year ended 31 March	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current – the PRC		
Charge for the year	-	-
Overprovision in prior years	<b>(1,500)</b>	-
Deferred	<u><b>5,300</b></u>	<u>(10,895)</u>
Total tax charge/(credit) for the year	<u><b>3,800</b></u>	<u>(10,895)</u>

**7. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY**

The calculation of basic and diluted earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the year.

Since no share options were issued during the years ended 31 March 2011 and 2010, there was no potentially dilutive ordinary shares in existence, no adjustment has been made to the basic earnings/(loss) per share amounts presented for these years.

	<b>Year ended 31 March</b>	
	<b>2011</b>	<b>2010</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b><u>Earnings/(Loss)</u></b>		
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic and diluted earnings/(loss) per share calculation	<b><u>16,696</u></b>	<b><u>(24,264)</u></b>
	<i>Number of shares</i>	<i>Number of shares</i>
<b><u>Shares</u></b>		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings/(loss) per share calculation	<b><u>480,243,785</u></b>	<b><u>480,243,785</u></b>

**8. IMPAIRMENT OF ITEMS OF PROPERTY, PLANT AND EQUIPMENT**

During the year ended 31 March 2010, the directors estimated the recoverable amount of the cash-generating units by comparing the higher of the fair value less costs to sell and the value in use of the cash-generating unit based on the valuation report prepared by an independent professional valuer. The cash-generating unit consisted of the Group's PCB manufacturing facility, which composed of land use rights and buildings, leasehold improvement, machinery and equipment, furniture and fixtures, computers and software.

The directors concluded that it was appropriate to recognise an impairment losses of HK\$65,000,000 against the machinery and equipment as at 31 March 2010. No additional impairment provision was recognised during the year ended 31 March 2011.

## 9. TRADE DEBTORS AND BILLS RECEIVABLE

	<b>31 March 2011 HK\$'000</b>	31 March 2010 HK\$'000
Trade debtors	<b>60,166</b>	74,064
Impairment	<b>(2,680)</b>	(2,680)
	<b>57,486</b>	71,384
Bills receivable	<b>7,443</b>	-
	<b>64,929</b>	71,384

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of two months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding debtors to minimise credit risk. Overdue balances are reviewed regularly by senior management. At the end of the reporting period, the Group had certain concentration of credit risk. Trade debtors are non-interest-bearing.

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

	<b>31 March 2011 HK\$'000</b>	31 March 2010 HK\$'000
Current to 1 month	<b>46,663</b>	68,068
1 to 2 months	<b>5,349</b>	1,572
2 to 3 months	<b>778</b>	674
Over 3 months	<b>7,376</b>	3,750
	<b>60,166</b>	74,064

Included in the Group's trade debtors are a receivable of HK\$7,248,000 (2010: HK\$8,905,000) due from a related party, which is a subsidiary of a substantial shareholder of the Company, arising from the trading of printed circuit boards, which is repayable in accordance with the credit terms granted to the related party.

## 10. TRADE CREDITORS

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

	<b>31 March 2011 HK\$'000</b>	31 March 2010 HK\$'000
Current to 1 month	<b>39,344</b>	45,218
1 to 2 months	<b>1,899</b>	3,521
2 to 3 months	<b>161</b>	231
Over 3 months	<b>1,652</b>	1,555
	<u><b>43,056</b></u>	<u>50,525</u>

The trade creditors are non-interest-bearing and are normally settled on 90-day terms.

## 11. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	<b>31 March 2011 HK\$'000</b>	31 March 2010 HK\$'000
Capital commitments, contracted but not provided for, in respect of acquisition of items of property, plant and equipment	<u>-</u>	<u>914</u>

## 12. EVENTS AFTER THE REPORTING PERIOD

On 19 May 2011, the Group acquired 9.57% of the entire issued share capital of Daisho Denshi Co., Ltd., a private company incorporated in Japan whose principal activity is the manufacture of highly delicate printed circuit boards and a substantial shareholder of the Company, at the consideration of JPY200,010,000 (equivalent to approximately HK\$19 million). The acquisition had been settled by cash payment on 2 June 2011.

The acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Details of the acquisition are disclosed in an announcement issued by the Company on 19 May 2011.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group's revenue for the current year was about HK\$442 million, up 27% from last year. The increase in the sales orders for the Group's printed circuit boards ("PCB") was mainly 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 year increased by 2.5% and decreased by 4.3% respectively as compared to the last year. The Group's net profit after tax for the current year was about HK\$17 million while the net loss for last year was about HK\$24 million. The net loss for the last year was mainly caused by the once-off impairment loss on plant and equipment amounting to HK\$65 million recognised in last year.

The Group's gross profit margin decreased from 13.2% in last year to 12.5% in current year. Apart from the continuous appreciation of Renminbi ("RMB") currency, the Group's average purchase price of certain major raw material items such as laminate and precious metals significantly increased during the current year. Yet, the Group's gross profit margin for the current year only decreased by 0.7 percentage point resulting from the increase in production volume of PCB during the current year.

Furthermore, the fair value gain of listed equity investments, equity contracts and derivative financial instruments for the current year was about HK\$10 million, due to the growth of the Hong Kong stock market since April 2010 though in a smaller extent as compared to last year.

### FINANCIAL REVIEW

The Group's gearing ratios (defined as interest-bearing bank and other borrowings divided by total equity) at 31 March 2011 was 21% (*31 March 2010: 21%*). The Group's current ratios at 31 March 2011 and 31 March 2010 were 2.18 times and 1.94 times respectively. The Group's PCB operations generated net cash inflow of about HK\$75 million during the current year.

As at 31 March 2011, the Group's interest-bearing bank and other borrowings amounting to HK\$99,046,000 (*31 March 2010: HK\$90,228,000*) out of which HK\$82,438,000 (*31 March 2010: HK\$88,230,000*) were repayable within the next 12 months. These borrowings were all denominated in either HK\$, US\$ or RMB and subjected to floating interest rates. Except for the bank borrowings as at 31 March 2011 amounting to HK\$74,134,000 (*31 March 2010: HK\$77,081,000*) which were originally repayable within 1 year, the remaining amount of these borrowings were originally repayable over 3 years. The Group has made use of an interest rate hedging tool to hedge against the interest rate risk relating to the borrowings with 3-year tenor. At 31 March 2011, land and buildings of the Group with a net carrying amount of approximately HK\$47,659,000 were pledged to secure the Group's interest-bearing bank and other borrowings (*31 March 2010: nil*).

## **FINANCIAL REVIEW (continued)**

As at 31 March 2011 the total credit facilities available to the Group were approximately HK\$352 million, of which HK\$99 million were utilised, and the cash and cash equivalents were about HK\$158 million. Accordingly, the Group is capable of financing its operation by its own internal resources and available banking facilities.

As at 31 March 2011, the Group's assets and liabilities were mostly denominated in either HK\$, US\$ or RMB. Because the exchange rate for US\$ against HK\$ is relatively stable in Hong Kong for the moment, the Group has not adopted any hedging tool against its assets or liabilities denominated in US\$. However, the Group made use of foreign exchange forward contracts during the current year 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 31 March 2011, the Group had 1,243 (*31 March 2010: 1,190*) employees, including directors, working mainly in Mainland China. For the year ended 31 March 2011, the Group's total staff costs including directors' remuneration were HK\$54,302,000 (*2010: HK\$43,526,000*). The increase in the staff costs during the current year was mainly due to the increase in the minimum wages level in Mainland China by about 20%.

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

The Company operates a share option scheme (the "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 allowing the eligible participants to enjoy the results of the Company attained through their effort and contribution. Eligible participants of the Scheme include (i) any full-time employees of the Company or any of its subsidiaries or associated companies; (ii) any directors (whether executive directors, non-executive directors or independent non-executive directors) of the Company or any of its subsidiaries or associated companies; and (iii) any consultants, technical, financial, legal or other professional advisers engaged by the Company or any of its subsidiaries or associated companies, provided that the Company's board of directors or a duly authorised committee may have absolute discretion to determine whether one falls within the categories. The Scheme became effective on 28 August 2003 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.



## **OUTLOOK**

The telecommunication service providers in the 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 the 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 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.

On 19 May 2011, the Group acquired 9.57% of the entire issued share capital of Daisho Denshi Co., Ltd. (“Daisho Denshi”) (one of the top manufacturers of highly delicate PCB in Japan and one of the Company’s substantial shareholders). According to the report from N.T. Information Limited (a pioneer in the PCB industry providing consulting services for the PCB manufacturers around the world), Daisho Denshi ranked fifty-sixth in terms of production value in the world supply of PCB in year 2009. Daisho Denshi possesses not only advanced equipment but also ample technological know-how and experience required for the manufacture of PCB for automotive components, HDI PCB and IC substrates for its world-renowned customers. The Group is of the view that the acquisition will further enhance the relationship between the Group and Daisho Denshi and would be beneficial to the future development of the Group as a manufacturer of highly delicate PCB.

## **FINAL DIVIDEND**

The Board does not recommend the payment of a final dividend for the year ended 31 March 2011 (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 Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) throughout the year ended 31 March 2011, except for the following deviations:

### **Chairman and Chief Executive Officer**

According to the Code Provision A.2.1, the roles of chairman and chief executive officer (“CEO”) should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and CEO should be clearly established and set out in writing.

The Company does not have a separate Chairman and CEO, and Mr. Chan Sik Ming, Harry currently holds both positions. The Board believes that vesting the roles of both Chairman and CEO in the same person ensures consistent leadership within the Group and enables more effective and efficient planning of long-term strategies and implementation of business plans. The Board believes that the balance of power and authority will not be impaired and is adequately ensured by an effective Board which comprises experienced and high calibre individuals with a sufficient number thereof being independent non-executive directors.

### **Non-executive directors**

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

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.

According to the Company’s private act known as “The Juko Laboratories Holdings Limited Company Act 1990”, which is an Act under the Company’s former name of Juko Laboratories Holdings Limited when the Company 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, Mr. Chan Sik Ming, Harry has agreed to retire on a voluntary basis at least once every three years.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the year.

## **REVIEW OF FINANCIAL STATEMENTS**

The Audit Committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters including a review of the consolidated financial statements of the Group for the year ended 31 March 2011 and agreed with all the accounting treatments which have been adopted therein.

## **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 the 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.

## **SCOPE OF WORK PERFORMED BY ERNST & YOUNG**

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 March 2011 have been agreed by the Group’s auditors, Ernst & Young, to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

## **PUBLICATION OF ANNUAL REPORT**

The Company's Annual Report for the year ended 31 March 2011 containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and published on the website of the Stock Exchange at "www.hkexnews.hk" and the Company's website at "www.irasia.com/listco/hk/daisho" in due course.

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

Hong Kong, 23<sup>rd</sup> June, 2011

*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