# DAISHO MICROLINE HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*
(Stock Code: 0567)

## ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2012

The Board of Directors (the "Board") of Daisho Microline Holdings Limited (the "Company") announces the preliminary consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2012 as follows:

### CONSOLIDATED INCOME STATEMENT

| | | Year ended 31 March | |
|---|---|---|---|
| | | **2012** | 2011 |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| REVENUE | 3 | **362,043** | 442,395 |
| Cost of sales | | **(361,988)** | (387,188) |
| Gross profit | | **55** | 55,207 |
| Other income and gains | | **9,762** | 10,508 |
| Selling and distribution costs | | **(13,474)** | (19,415) |
| Administrative expenses | | **(32,807)** | (29,446) |
| Other expenses | | **(3,744)** | (3,669) |
| Impairment of items of property, plant and equipment | 8 | **(47,391)** | - |
| Fair value gains/(losses), net on: | | | |
| - other financial assets at fair value through profit or loss | | **(3,260)** | 13,436 |
| - derivative financial instruments | | **466** | (3,624) |
| Finance costs | 5 | **(3,738)** | (1,546) |
| Share of loss of a jointly-controlled entity | | **(168)** | (955) |
| PROFIT/(LOSS) BEFORE TAX | 4 | **(94,299)** | 20,496 |
| Income tax credit/(expense) | 6 | **2,000** | (3,800) |
| PROFIT/(LOSS) FOR THE YEAR | | **(92,299)** | 16,696 |
| Attributable to owners of the Company | | **(92,299)** | 16,696 |

## CONSOLIDATED INCOME STATEMENT (continued)

| | | Year ended 31 March | |
|---|---|---|---|
| | | **2012** | 2011 |
| | *Note* | | |
| EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY | 7 | | |
| - Basic and diluted | | **HK(19.22) cents** | HK3.48 cents |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

| | Year ended 31 March | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| PROFIT/(LOSS) FOR THE YEAR | **(92,299)** | 16,696 |
| OTHER COMPREHENSIVE INCOME | | |
| Exchange differences on translation of foreign operations | **21,532** | 27,410 |
| OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX | **21,532** | 27,410 |
| TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY | **(70,767)** | 44,106 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | **31 March 2012** *HK$'000* | 31 March 2011 *HK$'000* |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | **163,871** | 241,259 |
| Prepaid land lease payments | | **14,719** | 14,487 |
| Deposits paid for acquisition of items of property, plant and equipment | | **1,215** | 513 |
| Investments in a jointly-controlled entity | | **53,107** | 51,295 |
| Available-for-sale investment | | **19,281** | - |
| Deferred tax assets | | **2,300** | 2,300 |
| Total non-current assets | | **254,493** | 309,854 |
| CURRENT ASSETS | | | |
| Inventories | | **37,215** | 43,992 |
| Trade debtors and bills receivable | 9 | **55,577** | 64,929 |
| Other financial assets at fair value through profit or loss | | **23,410** | 27,558 |
| Derivative financial instruments | | **143** | 24 |
| Sundry debtors, prepayments and deposits | | **14,444** | 18,600 |
| Tax recoverable | | **211** | 211 |
| Pledged bank balances | | **64,090** | 23,750 |
| Cash and cash equivalents | | **160,157** | 157,720 |
| Total current assets | | **355,247** | 336,784 |
| CURRENT LIABILITIES | | | |
| Trade creditors | 10 | **60,775** | 43,056 |
| Other creditors and accruals | | **30,141** | 28,287 |
| Derivative financial instruments | | **341** | 922 |
| Interest-bearing bank and other borrowings | 11 | **97,390** | 82,438 |
| Total current liabilities | | **188,647** | 154,703 |
| NET CURRENT ASSETS | | **166,600** | 182,081 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **421,093** | 491,935 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

| | *Note* | **31 March 2012** ***HK$'000*** | 31 March 2011 *HK$'000* |
|---|---|---|---|
| NON-CURRENT LIABILITIES | | | |
| Interest-bearing bank and other borrowings | 11 | **18,533** | 16,608 |
| Deferred tax liabilities | | **-** | 2,000 |
| Total non-current liabilities | | **18,533** | 18,608 |
| Net assets | | **402,560** | 473,327 |
| EQUITY | | | |
| **Equity attributable to owners of the Company** | | | |
| Issued share capital | | **48,024** | 48,024 |
| Reserves | | **354,536** | 425,303 |
| Total equity | | **402,560** | 473,327 |

**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 2011, 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 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* |
| HKAS 24 (Revised) | *Related Party Disclosures* |
| HK(IFRIC)-Int 14 Amendments | Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* |
| HK(IFRIC)-Int 19 | *Extinguishing Financial Liabilities with Equity Instruments* |
| *Improvements to HKFRSs 2010* | Amendments to a number of HKFRSs issued in May 2010 |

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 Amendments | Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans* [4] |
| HKFRS 1 Amendments | Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [1] |
| HKFRS 7 Amendments | Amendments to HKFRS 7 *Financial Instruments : Disclosures – Transfers of Financial Assets* [1] |
| HKFRS 7 Amendments | Amendments to HKFRS 7 *Financial Instruments : Disclosures – Offsetting Financial Assets and Financial Liabilities* [4] |
| HKFRS 9 | *Financial Instruments* [6] |
| HKFRS 10 | *Consolidated Financial Statements* [4] |
| HKFRS 11 | *Joint Arrangements* [4] |
| HKFRS 12 | *Disclosure of Interests in Other Entities* [4] |
| HKFRS 13 | *Fair Value Measurement* [4] |
| HKAS 1 Amendments | *Presentation of Financial Statements – Presentation of Items of other Comprehensive Income* [3] |
| HKAS 12 Amendments | Amendments to HKAS 12 *Income Taxes – Deferred Tax : Recovery of Underlying Assets* [2] |
| HKAS 19 (2011) | *Employee Benefits* [4] |
| HKAS 27 (2011) | *Separate Financial Statements* [4] |
| HKAS 28 (2011) | *Investments in Associates and Joint Ventures* [4] |
| HKAS 32 Amendments | *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* [5] |
| HK(IFRIC)-Int 20 | *Stripping Costs in the Production Phase of a Surface Mine* [4] |
| *Annual Improvement 2009-2011 Cycle* | Amendments to a number of HKFRSs issued in June 2012 [4] |

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2012
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2013
[5] Effective for annual periods beginning on or after 1 January 2014
[6] Effective for annual periods beginning on or after 1 January 2015

## 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

| | **Year ended 31 March** | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| Mainland China | **184,203** | 290,921 |
| Hong Kong (place of domicile) | **81,530** | 69,598 |
| Japan | **48,990** | 46,607 |
| Europe | **23,612** | 19,237 |
| Other countries | **23,708** | 16,032 |
| | **362,043** | 442,395 |

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

## 3. REVENUE AND SEGMENT INFORMATION (continued)

(b) Non-current assets

| | **31 March 2012** | 31 March 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Hong Kong (place of domicile) | **463** | 657 |
| Mainland China | **232,449** | 306,897 |
| | **232,912** | 307,554 |

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$47,522,000 (2011: HK$46,593,000) was derived from sales of printed circuit boards to a subsidiary of Daisho Denshi Co., Ltd., a substantial shareholder of the Company who has 10.41% equity interests in the Company.

## 4. PROFIT/(LOSS) BEFORE TAX

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

| | **Year ended 31 March** | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| Gain on disposal of scrap materials | **(4,697)** | (6,184) |
| Bank interest income | **(3,900)** | (1,581) |
| Dividend income from listed equity investments | **(898)** | (2,101) |
| Gain on disposal of items of property, plant and equipment | **-** | (15) |
| Cost of inventories sold | **362,528** | 386,478 |
| Provision/(reversal of provision) against obsolete inventories | **(540)** | 710 |
| Depreciation | **40,060** | 38,124 |
| Foreign exchange differences, net | **3,501** | 3,318 |

## 5. FINANCE COSTS

| | Year ended 31 March | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| Interest on: | | |
| Bank and other loans wholly repayable within five years and financial liabilities not at fair value through profit or loss | **3,738** | 1,546 |

## 6. 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 during the year. In the prior year, no provision for Hong Kong profits tax was made as the Group had available tax losses brought forward from prior years to offset the assessable profits generated during that year. No provision for the People's Republic of China ("the PRC") profits tax has been made as the Group did not generate any assessable profits arising in Mainland China during the year. In the prior year, no provision for the PRC profits tax was made as the Group had available tax losses brought forward from prior years to offset the assessable profits arising in Mainland China during that year.

| | Year ended 31 March | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| Current – the PRC | | |
| Overprovision in prior years | **-** | (1,500) |
| Deferred | **(2,000)** | 5,300 |
| Total tax charge/(credit) for the year | **(2,000)** | 3,800 |

## 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 loss for the year attributable to ordinary equity holders of the Company of HK$92,299,000 *(2011: profit of HK$16,696,000)* and the weighted average number of 480,243,785 *(2011: 480,243,785)* ordinary shares in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during those years.

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

During the year ended 31 March 2012, 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, motor vehicles and computers.

An impairment provision of HK$47,391,000 was recognised in the consolidated income statement during the year ended 31 March 2012.

## 9. TRADE DEBTORS AND BILLS RECEIVABLE

| | **31 March 2012** | 31 March 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade debtors | **53,047** | 60,166 |
| Impairment | **(1,200)** | (2,680) |
| | **51,847** | 57,486 |
| Bills receivable | **3,730** | 7,443 |
| | **55,577** | 64,929 |

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. The Group does not had any collateral or other credit enhancements over the balances. 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:

| | **31 March 2012** | 31 March 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current to 1 month | **47,373** | 46,663 |
| 1 to 2 months | **2,323** | 5,349 |
| 2 to 3 months | **728** | 778 |
| Over 3 months | **2,623** | 7,376 |
| | **53,047** | 60,166 |

Included in the Group's trade debtors are a receivable of HK$7,404,000 (2011: HK$7,248,000) 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:

| | **31 March 2012** | 31 March 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current to 1 month | **39,765** | 39,344 |
| 1 to 2 months | **13,766** | 1,899 |
| 2 to 3 months | **2,056** | 161 |
| Over 3 months | **5,188** | 1,652 |
| | **60,775** | 43,056 |

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

## 11. INTEREST-BEARING BANK AND OTHER BORROWINGS

| | **2012** | | | 2011 | | |
|---|---|---|---|---|---|---|
| Group | Effective interest rate(%) | Maturity | ***HK$'000*** | Effective interest rate(%) | Maturity | *HK$'000* |
| Current | | | | | | |
| Trust receipt loans | LIBOR+2% | 2012 | **6,551** | LIBOR+1.5% | 2011 | 7,611 |
| Bank loans - unsecured | LIBOR+3% | 2012-2013 | **8,282** | HIBOR+2% to LIBOR+3% | 2011-2012 | 9,500 |
| Bank loans - secured | HIBOR+1.1% to HIBOR+2.8% | 2012 | **75,685** | HIBOR+1.1% to People's Bank of China benchmark interest rate | 2011-2012 | 65,327 |
| Other loans - secured | Prime-1% | 2012-2013 | **6,872** | | | - |
| | | | **97,390** | | | 82,438 |
| Non-current | | | | | | |
| Bank loans - unsecured | LIBOR+3% | 2013-2014 | **8,282** | LIBOR+3% | 2012-2014 | 16,608 |
| Other loans - secured | Prime-1% | 2013-2014 | **10,251** | | | - |
| | | | **18,533** | | | 16,608 |
| | | | **115,923** | | | 99,046 |

## 11. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

| | **31 March 2012** | 31 March 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Analysed into : | | |
| Bank and other loans repayable : | | |
| Within one year or on demand | **97,390** | 82,438 |
| In the second year | **15,452** | 8,304 |
| In the third to fifth years, inclusive | **3,081** | 8,304 |
| | **115,923** | 99,046 |

At the end of the reporting period, except for certain bank and other loans denominated in United States dollars ("US$") equivalent to HK$52,000,000 (2011: HK$52,637,000) and, as at 31 March 2011, a bank loan denominated in RMB equivalent to HK$29,687,000, all the bank and other loans were denominated in Hong Kong dollars.

At the end of the reporting period, certain of the Group's bank loans are secured by :

(i) pledge of certain of the Group's bank balances amounting to HK$64,090,000 (2011:HK$23,750,000);

(ii) pledge of all the Group's Hong Kong listed equity investments amounting to HK$20,931,000 (2011:HK$26,373,000); and

(iii) pledged of certain of the Group's machinery and equipment located in the PRC, which had an aggregate carrying value at the end of the reporting period HK$16,056,000 (2011:Nil).

Apart from the above, as at 31 March 2011, certain of the Group's bank loans were also secured by :

(i) mortgages over the Group's buildings located in the PRC, which had an aggregate carrying value of HK$32,867,000 as at 31 March 2011; and

(ii) mortgages over the Group's prepaid land lease payments located in the PRC, which had an aggregate carrying value of HK$14,792,000 as at 31 March 2011.

## 12. COMMITMENTS

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

| | **31 March 2012** | 31 March 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Capital commitments, contracted but not provided for, in respect of acquisition of items of property, plant and equipment | **440** | - |

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS AND FINANCIAL REVIEW

The Group's revenue for the current year was about HK$362 million, down 18% from last year. The Group's net loss after tax for the current year was about HK$92 million in contrast with the net profit of about HK$17 million for last year. The Group's earnings before interest expenses, tax, depreciation and amortization charges ("EBITDA") and impairment loss on property, plant and equipment for the current year was a loss of about HK$3 million in contrast with the EBITDA of about HK$60 million for last year.

It was noteworthy that the Group's gross profit margin and EBITDA before impairment loss for the second half of the current year was about 3.5% and HK$11 million respectively while the Group's gross loss margin and EBITDA for the first half of the current year was about 3.2% and a loss of about HK$14 million respectively. The improvement in the Group's operating results during the second half of the current year 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.

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

The Group's gross profit margin for the current year was about 0.02% in contrast with the gross profit margin of about 12.48% for last year. Apart from the reduction in the sales order volume as mentioned above and the increase in the raw material costs especially during the first half of the current year due to the jump in the prices of non-ferrous metals such as copper and gold etc. and the worldwide inflation, the increase in the production overheads especially during the first half of the current year due to the appreciation of the Renminbi ("RMB") currency and the rise of the minimum wages level in the PRC also caused the decrease in the gross profit margin.

Furthermore, there were net fair value losses on listed equity investments and equity contracts for the current year amounting to about HK$3 million, due to the decline of the Hong Kong stock market since April 2011 while there were net fair value gains on listed equity investments and equity contracts for the last year amounting to about HK$10 million.

**BUSINESS AND FINANCIAL REVIEW (continued)**

The present value of the future cashflows expected to be derived from the Group's property, plant and equipment based on their existing use would likely decrease due to the credit austerity measures in the PRC and the worse off of the Europe's sovereign debt crisis. In view of this, the directors estimated the recoverable amount of the cash-generating units based on the valuation report prepared by an independent professional valuer. The directors concluded that it was appropriate to recognise an impairment loss of HK$47 million against the Group's property, plant and equipment as at 31 March 2012. The impairment loss did not have any effect on the Group's cashflows.

The Group's gearing ratio (defined as interest-bearing bank and other borrowings divided by total equity) at 31 March 2012 and 31 March 2011 were 29% and 21% respectively. The Group's current ratios at 31 March 2012 and 31 March 2011 were 1.88 times and 2.18 times respectively. The Group generated net cash inflow from operations of about HK$38 million *(2011: HK$72 million)* during the current year.

The interest rate structure, maturity profile, currency structure and underlying security of the Group's interest-bearing bank and other borrowings as at 31 March 2012 and 31 March 2011 are detailed in note 11 of this announcement. The Group has made use of an interest rate hedging tool to hedge against the interest rate risk relating to the borrowing with 3-year tenor.

As at 31 March 2012, the Group's total cash and bank balances were approximately HK$224 million *(31 March 2011: HK$181 million)* and the Group's total interest-bearing bank and other borrowings amounting to approximately HK$116 million *(31 March 2011: HK$99 million)*. Therefore, the Group had a net cash balance of approximately HK$108 million *(31 March 2011: HK$82 million)*. Besides, the total credit facilities available to the Group were approximately HK$243 million *(31 March 2011: HK$352 million)* and, therefore, the unutilized credit facilities were approximately HK$127 million *(31 March 2011: HK$253 million)*. Accordingly, the Group is capable of financing its operation by its own internal resources and available banking facilities.

As at 31 March 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$.

**STAFF COSTS**

As at 31 March 2012, the Group had 976 (*31 March 2011: 1,243*) employees, including directors, working mainly in Mainland China. For the year ended 31 March 2012, the Group's total staff costs including directors' remuneration were HK$57,852,000 (*2011: HK$54,302,000*). 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 17% but was offset by the reduction in the number of workers in Mainland China.

**OUTLOOK**

In light of the sluggish global economic environment at present, the Group expects to have only a mild increase in the sales order amount from its existing customers as a whole for the coming financial year. In order to fuel its revenue growth, 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.

On 19 May 2011, the Group has acquired 9.57% of the then 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) and the Group's interest in Daisho Denshi as at 31 March 2012 had been diluted to 7.46% following the subsequent allotment of shares by Daisho Denshi. According to the report from N.T. Information Limited (a pioneer in the PCB industry providing consulting services for the PCB manufacturers around the world), Daisho Denshi ranked fifty-seventh in terms of production value in the world supply of PCB in year 2010. Daisho Denshi possesses not only advanced equipment but also ample technological know-how and experience required for the manufacture of PCB for automotive components, HDI PCB and IC substrates for its world-renowned customers. The Group is of the view that the equity investment in Daisho Denshi will further enhance the relationship between the Group and Daisho Denshi and would be beneficial to the future development of the Group as a manufacturer of highly delicate PCB.

The Group is aware that certain significant economic issues such as the Europe's sovereign debt crisis 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.

## FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2012 (2011: 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 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.

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 2012 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 2012 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 2012 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, 25 June 2012

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

| ***Executive directors:*** | ***Independent non-executive directors:*** |
| --- | --- |
| CHAN Sik Ming, Harry (Chairman & CEO) | CHAN Yuk Tong |
| Hiroto SASAKI | LI Chi Kwong |
| Hiroyuki KIKUCHI | YEUNG Chi Shing, Bret |
| AU-YEUNG Wai Hung | |