DAIWA ASSOCIATE HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock code: 1037)

RESULTS FOR THE YEAR ENDED 31 MARCH 2010

On behalf of the Board of Directors, I would like to present to shareholders the annual results of Daiwa Associate Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 March 2010.

I am taking this opportunity to express our gratitude to the Group's staff for their contributions enabling the Group to work through a difficult year.

RESULTS AND DIVIDEND

Turnover was reported as HK$1,628 million (2009: HK$1,542 million) for the year ended 31 March 2010, which indicates an increase of 6% from last financial year. Due to special provision for inventories included in cost of sales in the reported year, gross profit was lower than its normal level. Gross profit in the reported year was HK$116 million (2009: HK$143.5 million) representing a drop by 19%. However, if excluding such special stock provision, gross profit dropped by 3% to HK$139.6 million. The decline in gross profit before special stock provision was primarily caused by the decreased turnover and drop in profit margin in our manufacturing segment. Due to the prolonged contraction of the American and European markets with the keen competition from small local Chinese manufacturers, the Group will discontinue certain low-margin product lines in the manufacturing business segment. Provisions for inventories and other relevant production assets, mainly tooling & machineries, in respect of the discontinued product lines and goods return, aggregated to HK$37.8 million. This sum of provisions in the year under review turned the initial profitable into a loss result attributable to equity holders of the Company for HK$31.6 million (2009: HK$7.1 million profit). Before making such special provisions, the operating profit for the year ended 31 March 2010 was HK$15.5 million (2009: HK$17.3 million). Moreover, in the comparative year ended 31 March 2009, there was a sum of HK$18.2 million gains on disposal of property and on financial instruments, which did not repeat in the year ended 31 March 2010. By also taking this factor into account, the Group's operating profitability can be seen as an increase by HK$16.4 million year-on-year.

For the year ended 31 March 2010:

- The earnings before interest, tax, depreciation and amortization (EBITDA) and before special provisions are HK$32.3 million (2009: HK$35.2 million).

- The operating profit (EBIT) before special provisions is HK$15.5 million (2009: HK$17.3 million).

- The operating loss after special provisions is HK$22.3 million (2009: HK$17.3 million operating profit without similar provisions).

In view of the need of the Group's future development, the Board of Directors has resolved not to recommend payment of final dividend to shareholders. During the year, the Group declared and paid an interim dividend of HK0.3 cent per ordinary share.

LIQUIDITY AND FINANCIAL RESOURCES

At 31 March 2010, the Group's net current assets amounted to HK$162.3 million (2009: HK$178.1 million) and the shareholders' funds were HK$360.6 million (2009: HK$384.1 million). The total bank loan was HK$231 million and the net gearing ratio which is defined as total borrowings after netting off cash and cash equivalents, to shareholders' funds, excluding minority interests, is 0.18 (2009: 0.19). The year-end cash and bank balances increased to HK$166.6 million (2009: HK$124.6 million).

At 31 March 2010, total available banking facilities of the Group were approximately HK$349 million, of which HK$58 million was unutilized. Finance lease obligations were fully repaid during the year (2009: HK$1.1 million). The Company issued corporate guarantees to banks for granting of banking facilities to subsidiaries. At 31 March 2010, total amount of corporate guarantee committed was HK$448 million.

The Group's assets are mostly financed by shareholders' funds, trade payables and bank borrowings. Trade payables are repayable within one year. Bank borrowings composed of trade financing repayable within one year and term loans repayable in installments for more than one year. Total bank borrowings as at year end date increased by 18% when compared with last reported year.

The borrowings are mostly denominated in Hong Kong dollars to prevent currency risk. The Group's cash and cash equivalents are mainly denominated in Hong Kong dollars, US dollars, Canadian dollars and Renminbi. The Group continuously matches the payments and receipts of foreign currency arising from routine purchases and sales. Combining these methods, the Group is able to control and minimize the financial cost and exchange risk. Most of the Group's borrowings are interest bearing at floating rates which are in reference to the Hong Kong HIBOR rate. The Group has not engaged in any speculative derivatives or structured product transactions.

Inventory level increased to HK$236 million from HK$205.3 million of last financial year to cater for more than 30% increase in sales in the distribution business segment. Average stock turnover is controlled to less than 60 stock turnover days. The trade receivables and payables increased in line with the growth in turnover in our core business of electronic components distribution.

Thanks to the continuous support of our bankers, the Group's liquidity is believed not to be affected by the provisions for inventory and tooling & machineries mentioned above.

In the reported year, the Group repurchased 26,000 ordinary shares in the open market. The purchase prices ranged from HK$0.28 to HK$0.30 per share.

BUSINESS REVIEW AND PROSPECT

In this reported year, the labour cost of manufacturing kept increasing due to the increase of minimum wages, labour shortage and the appreciation of Renminbi ("Rmb"). In the manufacturing segment, the Group operated in accordance with its normal production procedures and stocking plans for raw materials. Due to the prolonged contraction of the American and European markets with the keen competition from small local Chinese manufacturers, the Group will discontinue certain low-margin and low business entry barrier product lines in the manufacturing segment. Consequently, the Group decided to make provisions for inventories, tooling & machineries in the sum of HK$37.8 million in respect of the discontinued products and goods return from an associated company in the reported year. The bottom line of the Group in the reported year therefore was dragged down from profitable to loss result. Excluding these provisions and a sum of HK$18.2 million gains on disposal of property and on financial instruments in the previous comparative year, the Group's operating profitability can be seen as an increase by HK$16.4 million year-on-year. This was achieved by way of strict discipline in cost management such that the Group shaved off selling and administrative expenses (excluding the HK$14.2 million provisions) by HK$18.1 million or 12% in the reported year.

Notwithstanding consolidation in the manufacturing business segment, it was encouraging to see that business in the electronic components distribution segment recorded a robust growth.

The Group is engaged in the following major businesses, namely:

— Electronic Components Distribution;

— EMS (Contract Electronic Manufacturing Services);

— Consumer Electronics and Electronic Components Manufacturing; and

— Personal Computer Distribution.

Electronic Components Distribution

Electronic components distribution constitutes the core business of the Group accounting for 67% of the Group's turnover in the reported year. This core business has continued its growth momentum. Turnover of this segment in the reported year reached a record high to HK$1,083.2 million (2009: HK$795.1 million) representing a growth of 36% when compared with last financial year. Gross profit was HK$90 million representing a growth of 28% when compared with last year (2009: HK$70.2 million).

Business in this segment is mainly to act as authorized distributor of various renowned brand names including the Group's own manufactured electronic components. Major customers are manufacturers in Hong Kong and PRC. Products of this segment includes diodes, transistors, integrated circuits (IC), power modules, MCU, MCP, CPU, memory chips and display modules etc. Applications of these components are mobile phones, electronic toys, power supplies, radio, CD players, DVD players, TV, MP3/MP4 players, LED lamps, handheld electronic devices and amplifiers. This segment also provides professional design service for MCUs for solutions of air-conditioner, MP4 players, electrical bicycles, iPod & iPhone dockings as well as power management modules. There is strong growth in this segment because of the development in power supply solutions and focusing on customers of mobile phones manufacturer in East Asia and the domestic market of China.

The Group has about 30 years of experience in this segment. Other than the solid base in Hong Kong, the Group is one of the biggest distributors pioneer to penetrate in the PRC market for more than 20 years. The Group has built up strong sales network and good logistic foundation in major PRC cities by the joint management between Hong Kong and local Chinese elites. The performance of Shenzhen, Shanghai and Beijing sales offices were outstanding among competitors. In order to explore further business opportunities, the Group had further strengthened the engineering capability in providing total solutions to customers and will keep continue bring in new principal suppliers.

The Group has maintained an array of authorized distributorships with renowned suppliers such as Toshiba, Panasonic, On Semiconductor, On Bright, Isocom, Johanson, Magnetic, COS, Chino-Excel Technology Corp (CET), Diodes, Rohm, Arnold Magnetics, LiteOn, CET, Everlight, AEM and Abilis Systems.

Beijing, Shanghai and Shenzhen sales divisions kept playing an important role. The Group has also established sales office in Zhaoqing, Chengdu and Xiamen.

EMS (Contract Electronic Manufacturing Service)

The Group engaged in the production of telecommunication modules in mobile phone base stations, active antennas, radar parts, electronic modules in automobiles as well as PCB assembly for industrial purpose products. The facility was equipped with high speed SMT production lines with nitrogen filled reflow furnaces, precise solder paste screen printer, etc. Process reliability could be ensured by the in-house RoHS Scanning Systems and X-Ray Inspection Machine.

The reported year show a rapid deterioration in business climate in North America and Western Europe. Sales orders from these major markets of our EMS business were diminished. Our EMS business was contracted to a turnover of HK$150.4 million (2009: HK$223.5 million), representing a decrease of 33%. The gross profit before special stock provision decreased by 18% to HK$18.9 million (2009: HK$23 million) when compared with last year.

With effective and continuous investments in engineering of developments, manufacturing process and quality assurance, the Group has earned recognition from core customers not only by continue support of purchase orders, but also by gaining transfer of business orders from competitors.

The Group also started to explore the possibility of co-development of new products with customers. The Group believed that this direction of EMS production will distinguish the Group from its competitors.

Consumer Electronics and Electronic Components Manufacturing

The Group was cautious on the continuous escalating raw material cost and labour cost; eliminating low profit margin products and keeping the Group from the risk of losses.

In the reported year, turnover of consumer electronics and electronic components manufacturing in the reporting year was HK$132.8 million (2009: HK$215.2 million) representing a drop by 38%. Gross profit before special stock provision dropped by 72% to HK$5.7 million (2009: HK$20 million).

To equip the Group in the coming years, new models which were developed with niche solutions and professional product identities such as sound bars, iPod & iPhone dockings, multi-interface mini-compo hi-fi as well as special feature radios directed and maintained attention from direct customers. The development of new product lines in telecommunications such as cordless DECT phones and two way radios led the Group into a new era of products. The Group is starting to play a significant role in this segment.

The replacement of labour force by automatic machines also allowed this segment be less dependent on the negative effects from labour cost and supply.

Personal Computer Distribution

Turnover of this segment was HK$262 million (2009: HK$308.3 million) which represented a decrease of 15% in the reported year. Gross profit decreased by 16% to HK$25.4 million (2009: HK$30.3 million). The decrease in turnover in this segment was mainly a result of the economic decline in North America and the global price reduction of personal computer products.

Business in this segment mainly comes from distribution of personal computer products in North America. Products in this segment include motherboards, display cards, hard disk drives, optical storage device, computer cases, power supply, software, memory, desk-top computer, notebook, netbook computers and computer accessories.

In order to shift part of the concentration in personal computer systems, the Canada subsidiary has already established a dedicated marketing team in promoting the notebook computers, memory devices, computer cases and power supplies. The subsidiary also started to market iPhone accessories which are produced outside the Group and has already received concrete orders from mass merchants such as Canadian Tire.

FUTURE PROSPECT

While there is recent financial crisis in Greece and certain European countries, the US economy is recovering from the trough of its financial tsunami. The crisis has caused folding of many businesses in the manufacturing industry which caused demand to be inadequately met. This shows that the future is full of opportunities and challenges.

The business outlook of the Group's core business in distribution of electronic components is positive. After the efforts in developing the solution of mobile phone and audio-visual applications in previous years, the Group has gained fruitful returns from new customers. As the rising living standard in China is creating a strong demand for electronic products in farm villages including mobile phones, handheld electronic devices and automobiles, the Group is keeping its strong penetration in manufactures of these sectors. In the first quarter after the reported year end, the Distribution Sector continued to maintain its good performance. At the same time, the Sector is going to eliminate a non-contributive distribution line and will be replaced by the new principal supplier — Abilis Systems. The Group has already started to launch the applications to the rising demand of green illuminations in LED lamps.

In the past years, the Group has successfully integrated 5 production sites into the two sites in Dongguan and Heyuan. To further concentrate management efforts and overheads, the Group has started to move its Dongguan operations to Heyuan production site and is expecting to have a sizable saving of overheads. At the same time, since the number of manufacturers in the industry was substantially reduced in the financial crisis, the Group can successfully gain better pricing both in EMS and consumer electronics products which can cover the rise of overhead with excess margins.

In the telecommunication sector, the Group has already invested in the R&D of DECT phones and two-way radios for three years and has started gaining recognition from customers. The Group has also passed factory audits of new customers of renowned international brand names in cordless DECT phone and two way radios. New orders in this sector will most probably replace the eliminated consumer electronics with satisfactory profit margins in the coming fiscal year.

The advent of Windows 7 and iPad has excited users to bring in new demand in personal computers. The subsidiary in Canada has developed new product line of computer and iPhone accessories selling to mass merchants with hundreds of retail stores in North America. Customers provided positive feedback and the Group expects to have further exposures and contributions adding on top of the personal computer business.

The big provision in the reported year is more or less a one-off provision and is not expected to be recurring. With growth in electronic component distribution of new business in telecommunications as well as the effect of cost consolidation from the production site in Heyuan, the coming financial year will be a year of turnaround in the overall profitability.

Employees

At 31 March 2010, the Group employed a total of approximately 3,800 employees (31 March 2009: 3,500 employees; 30 September 2009: 3,300 employees) located in Hong Kong, Canada and PRC.

The Group's remuneration policy is in line with the prevailing market practices and is determined on the basis of performance and experience of the individual. Sales personnel are remunerated by salaries and incentives in accordance with the achievement of their sales target. General staff are offered year-end discretionary bonuses, which are based on the divisional performance and individual appraisals. The Group also provides a Mandatory Provident Fund or ORSO scheme, and medical benefits to all Hong Kong employees. Pursuant to the terms and conditions of the share option scheme adopted by the Company on 18 August 2005, the Group may grant share options to directors and eligible employees. Up to 31 March 2010, no share options had been granted.

The Group is committed to devoting more resources in providing internal and external training to the employees. In addition to sending staff to participate in seminars and lectures, the Group continues recommending that qualified staff take part in professional courses such as the ISO9000, TS16949 and Six-Sigma Quality Systems. The training programs not only enhance employees' career development and professional knowledge, but also contribute to upgrading the management system of the Group.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2010

	Note	2010 *HK$'000*	2009 *HK$'000*
Turnover	*3*	**1,628,377**	1,542,134
Cost of sales	*5*	**(1,512,405)**	(1,398,671)
Gross profit		**115,972**	143,463
Other income		**678**	829
Other gains — net	*4*	**3,575**	19,436
Selling and distribution expenses	*5*	**(21,421)**	(26,771)
General and administrative expenses	*5*	**(121,136)**	(119,667)
Operating (loss)/profit		**(22,332)**	17,290
Finance costs — net	*6*	**(3,619)**	(7,826)
(Loss)/profit before income tax		**(25,951)**	9,464
Income tax expense	*7*	**(5,410)**	(2,735)
(Loss)/profit for the year		**(31,361)**	6,729
Attributable to:			
Equity holders of the Company		**(31,630)**	7,115
Minority interests		**269**	(386)
		(31,361)	6,729
(Losses)/earnings per share for (loss)/profit attributable to equity holders of the Company during the year			
— Basic	*9*	**(HK10.42 cents)**	HK2.34 cents
— Diluted	*9*	**(HK10.42 cents)**	HK2.34 cents

Details of dividends payable to equity holders of the Company are set out in Note 8.

CONSOLIDATED BALANCE SHEET

As at 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
Non-current assets			
Goodwill		**28,121**	22,704
Property, plant and equipment		**186,385**	198,784
Leasehold land and land use rights		**20,776**	21,312
Interest in a jointly controlled entity		**—**	1
Interest in an associated company		**—**	—
Deferred income tax assets		**927**	172
Available-for-sale financial assets		**305**	168
Other assets		**710**	710
		237,224	243,851
Current assets			
Inventories		**235,927**	205,304
Trade and notes receivables	*10*	**208,270**	139,632
Amount due from an associated company		**4,382**	14,855
Prepayments, deposits and other receivables		**29,472**	16,885
Derivative financial instruments		**—**	235
Cash and cash equivalents		**166,627**	124,556
		644,678	501,467
Total assets		**881,902**	745,318
Equity			
Capital and reserves attributable to equity holders of the Company			
Share capital		**30,394**	30,364
Reserves		**330,252**	353,732
		360,646	384,096
Minority interests		**354**	475
Total equity		**361,000**	384,571

	Note	2010 HK$'000	2009 HK$'000
Non-current liabilities			
Borrowings		**36,680**	34,053
Deferred income tax liabilities		**1,877**	3,347
		38,557	37,400
Current liabilities			
Borrowings		**194,271**	161,788
Trade payables	*11*	**258,709**	138,826
Accruals and other payables		**27,769**	20,083
Current income tax liabilities		**1,596**	2,616
Derivative financial instruments		**—**	34
		482,345	323,347
Total liabilities		**520,902**	360,747
Total equity and liabilities		**881,902**	745,318
Net current assets		**162,333**	178,120
Total assets less current liabilities		**399,557**	421,971

Notes:

1. General information

Daiwa Associate Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda on 3 February 1994 as an exempted company under Companies Act 1981 of Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 14 April 1994.

The Company and its subsidiaries (together the "Group") are principally engaged in the design, development, manufacturing and distribution of electronic components, contract electronic manufacturing services and consumer electronics, and the distribution of personal computer products. The Group operates mainly in Hong Kong, Mainland China and Canada.

2. Basis of preparation and accounting policies

The consolidated financial statements of Daiwa Associate Holdings Limited have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They are prepared under the historical cost convention except that certain financial assets and financial liabilities (including derivative financial instruments) are measured at fair value, as appropriate.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

Effect of adopting new standards, amendments to standards and interpretations

The following new standard and amendments to standards are mandatory for accounting periods beginning on or after 1 April 2009. The adoption of these new standard and amendments to standards does not have any significant impact to the results and financial position of the Group.

- HKAS 1 (Revised), "Presentation of Financial Statements". The revised standard requires "non-owner changes in equity" to be presented separately from owner changes in equity. As a result, the Group presents all owner changes in equity in the consolidated statement of changes in equity, whereas all "non-owner changes in equity" are presented in a performance statement. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present two statements: an income statement and a statement of comprehensive income. The consolidated financial statements have been prepared under the revised disclosure requirements. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

- Amendment to HKFRS 7 "Financial Instruments: Disclosures". The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

- HKFRS 8, "Operating Segments". HKFRS 8 replaces HKAS 14, "Segment Reporting". The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.

  This has resulted in an increase in number of reportable segments presented — "Electronic Components Distribution", "Contract Electronic Manufacturing Services", "Consumer Electronics and Electronic Components Manufacturing" and "Personal Computer Distribution".

  As the Group's goodwill is allocated to the "Personal Computer Distribution" segment, the adoption of the new standard does not require a reallocation of goodwill. Accordingly, the adoption of the new standard only results in additional disclosures and does not have any impact on the balance sheets. Comparative information has been reclassified to conform to the current year's presentation.

The following amendments to standards and interpretations are also mandatory for the financial periods beginning on or after 1 April 2009:

HKFRSs (Amendments)	Improvements to HKFRSs 2008[1]
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment) and Cancellations	Share-based Payment — Vesting Conditions
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HK(IFRIC)-Int 9 and HKAS 39 (Amendments)	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 18	Transfers of Assets from Customers[2]

1 Effective for the Group for annual period beginning 1 April 2009 except the amendment to HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" which is effective for annual period beginning 1 January 2010.

2 Effective for transfer of assets received on or after 1 July 2009.

The adoption of these amendments to standards and interpretations did not result in a significant impact on the results and financial position of the Group.

The following standard, amendments to standards and interpretations have been issued but are not effective for the year and have not been early adopted:

HKFRSs (Amendments)	Improvements to HKFRSs 2009[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[2]
HKAS 24 (Revised)	Related Party Disclosures[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[2]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Revised)	First-time Adoption of HKFRS[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[1]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[1]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[3]
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirment[2]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[1]

1 Effective for the Group for annual period beginning 1 April 2010
2 Effective for the Group for annual period beginning 1 April 2011
3 Effective for the Group for annual period beginning 1 April 2013

The effect that the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) will have on the results and financial position of the Group will depend on the incidence and timing of business combinations occurring on or after 1 April 2010. The directors anticipate that the adoption of other standards, amendments to standards and interpretations will not result in a significant impact on the results and financial position of the Group.

3. Turnover and segment information

	Group	
	2010	2009
	HK$'000	*HK$'000*
Turnover		
Sales of goods	**1,628,377**	1,542,134

Segment information

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

The chief operating decision maker has been identified as the executive directors (collectively referred to as the "CODM") that make strategic decisions. The CODM reviews the internal reporting of the Company and its subsidiaries in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The CODM considers the business from the perspective of the nature of operations and the type of products, including the "Electronic Components Distribution", "Contract Electronic Manufacturing Services", "Consumer Electronics and Electronic Components Manufacturing" and "Personal Computer Distribution".

Each of the Group's operating segments represents a strategic business unit that is managed by different business unit leaders. Inter-segment transactions are entered into under the normal commercial terms and conditions that would normally be available to unrelated third parties. CODM assesses the performance of the operating segments based on a measure of profit before income tax. Other information provided to the CODM is measured in a manner consistent with that in the financial statements.

Assets of reportable segments exclude deferred tax assets, available-for-sale financial assets and corporate assets (mainly including certain corporate properties and equipment and corporate cash and bank balances), all of which are managed on a central basis. Liabilities of reportable segments exclude current and deferred income tax liabilities, corporate borrowings and other corporate liabilities. These are part of the reconciliation to total balance sheet assets and liabilities.

	Year ended 31 March 2010				
	Electronic Components Distribution	Contract Electronic Manufacturing Services	Consumer Electronics and Electronic Components Manufacturing	Personal Computer Distribution	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue					
Sales of goods	**1,083,193**	**150,352**	**132,812**	**262,020**	**1,628,377**
Results of reportable segments	**27,226**	**(2,871)**	**(42,044)**	**5,224**	**(12,465)**
A reconciliation of results of reportable segments to loss for the year is as follows:					
Results of reportable segments					**(12,465)**
Unallocated expenses					**(9,867)**
Operating results					**(22,332)**
Finance costs — net					**(3,619)**
Loss before income tax					**(25,951)**
Income tax expense					**(5,410)**
Loss for the year					**(31,361)**
Other segment information:					
Capital expenditure	**1,706**	**9,066**	**6,753**	**317**	**17,842**
Loss on disposal on property, plant and equipment	—	—	**(50)**	—	**(50)**
Depreciation on property, plant and equipment	**3,163**	**2,127**	**10,518**	**422**	**16,230**
Amortisation of leasehold land and land use rights	—	—	**537**	—	**537**
Impairment of property, plant and equipment	—	—	**14,200**	—	**14,200**
Impairment of inventories	—	**7,354**	**16,251**	—	**23,605**
Write down of inventories	**1,807**	—	—	**421**	**2,228**
Impairment of trade receivables	**161**	—	—	**435**	**596**

	Year ended 31 March 2010				
	Electronic Components Distribution	Contract Electronic Manufacturing Services	Consumer Electronics and Electronic Components Manufacturing	Personal Computer Distribution	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets					
Segment assets	**401,359**	**89,985**	**153,780**	**58,167**	**703,291**
Goodwill	**—**	**—**	**—**	**28,121**	**28,121**
	401,359	**89,985**	**153,780**	**86,288**	**731,412**
Available-for-sale financial assets					**305**
Deferred income tax assets					**927**
Other unallocated assets					**149,258**
Total assets per consolidated balance sheet					**881,902**
Segment liabilities	**381,915**	**30,767**	**42,760**	**27,847**	**483,289**
Current income tax liabilities					**1,596**
Deferred income tax liabilities					**1,877**
Other unallocated liabilities					**34,140**
Total liabilities per consolidated balance sheet					**520,902**

	Year ended 31 March 2009				
	Electronic Components Distribution *HK$'000*	Contract Electronic Manufacturing Services *HK$'000*	Consumer Electronics and Electronic Components Manufacturing *HK$'000*	Personal Computer Distribution *HK$'000*	Total *HK$'000*
Revenue					
Sales of goods	795,098	223,490	215,197	308,349	1,542,134
Results of reportable segments	24,388	4,387	(12,372)	2,529	18,932
A reconciliation of results of reportable segments to profit for the year is as follows:					
Results of reportable segments					18,932
Unallocated income					11,817
Unallocated expense					(13,459)
Operating profit					17,290
Finance costs — net					(7,826)
Profit before income tax					9,464
Income tax expense					(2,735)
Profit for the year					6,729
Other segment information:					
Capital expenditure	2,397	3,407	18,431	517	24,752
Gain on disposal of property, plant and equipment	—	—	11,805	—	11,805
Depreciation on property, plant and equipment	4,612	2,069	10,194	406	17,281
Amortisation of leasehold land and land use rights	—	—	595	—	595
Write-down of inventories	3,233	—	3,285	—	6,518
Impairment of trade receivables	1,433	—	280	696	2,409

	Year ended 31 March 2009				
	Electronic Components Distribution	Contract Electronic Manufacturing Services	Consumer Electronics and Electronic Components Manufacturing	Personal Computer Distribution	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets					
Segment assets	330,421	83,144	116,459	47,800	577,824
Goodwill	—	—	—	22,704	22,704
	330,421	83,144	116,459	70,504	600,528
Available-for-sale financial assets					168
Deferred income tax assets					172
Other unallocated assets					144,450
Total assets per consolidated balance sheet					745,318
Segment liabilities					
Other segment liabilities	200,995	12,836	44,759	24,119	282,709
Current income tax liabilities					2,616
Deferred income tax liabilities					3,347
Other unallocated liabilities					72,075
Total liabilities per consolidated balance sheet					360,747

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

	Revenue from external customers	
	2010	2009
	HK$'000	*HK$'000*
Hong Kong	**961,068**	652,266
Mainland China	**205,260**	241,619
North America	**272,306**	418,827
Europe	**162,542**	193,203
Other Asian countries	**27,201**	36,219
	1,628,377	1,542,134

At 31 March 2010, the total of non-current assets other than goodwill, financial instruments and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) located in Hong Kong is approximately HK$10,936,000 (2009: HK$10,785,000), and the total of these non-current assets located in other locations (mainly in the Mainland China and Canada) is approximately HK$196,935,000 (2009: HK$210,022,000).

4. Other gains — net

	2010	2009
	HK$'000	*HK$'000*
(Loss)/gain on disposal of property, plant and equipment and leasehold land and land use rights	**(50)**	11,805
Fair value (loss)/gain on derivative financial instruments	**(201)**	6,480
Write-off of interest in a jointly controlled entity	**(1)**	—
Net exchange gains	**3,827**	1,151
	3,575	19,436

5. Expenses by nature

	2010	2009
	HK$'000	*HK$'000*
Changes in inventories of trading merchandise, finished goods and work-in-progress	**(33,347)**	20,688
Trading merchandise, raw materials and consumables used	**1,449,238**	1,287,760
Auditor's remuneration	**2,447**	2,233
Amortisation of leasehold land and land use rights	**537**	595
Depreciation		
— owned property, plant and equipment	**16,230**	17,006
— property, plant and equipment held under finance leases	**—**	275
Employment benefit expenses (including directors' emoluments)	**111,916**	137,132
Provision for impairment of inventories *(note (i))*	**23,605**	—
Impairment of property, plant and equipment *(note (ii))*	**14,200**	—
Impairment of trade receivables (included in general and administrative expenses)	**596**	2,409
Write-down of inventories	**2,228**	6,518
Operating lease rental in respect of land and buildings	**7,355**	6,955
Travelling and office expenses	**21,463**	18,476
Transportation expenses	**5,103**	6,980
Advertising costs	**380**	1,019
Repair and maintenance expenses	**3,599**	3,219
Other expenses	**29,412**	33,844
	1,654,962	1,545,109
Representing:		
Cost of sales	**1,512,405**	1,398,671
Selling and distribution expenses	**21,421**	26,771
General and administrative expenses	**121,136**	119,667
	1,654,962	1,545,109

Notes:

(i) Included in provision for impairment for the year was an amount of approximately HK$16,251,000 made in connection with the Group's plan to scale down certain low profit margin product lines. In addition, during the year the Group also agreed to accept return of certain inventories from an associated company as partial settlement of the amount due from an associated company. The conditions of the returned inventories have been re-evaluated by the directors as at the balance sheet date and consequently a provision of HK$7,354,000 has been made thereon.

(ii) During the year, the directors conducted a review of the Group's property, plant and equipment, having regard to its plan to scale down certain low profit margin product lines and the consolidation of certain of the Group's manufacturing operations. These assets are used in the "Consumer Electronics and Electronic Components Manufacturing" segment. Consequently, impairment losses of HK$14,200,000 have been identified and recognised in the consolidated income statement. The recoverable amounts of the relevant assets have been determined on the basis of their fair value less costs to sales. The directors determined the recoverable amounts of these assets with reference to the market values of similar assets on a scrap sales basis.

6. Finance costs — net

	2010	2009
	HK$'000	*HK$'000*
Interest income from bank deposits	**82**	224
Interest expense on bank loans wholly repayable within five years	**(4,042)**	(6,923)
Interest element of finance leases	**(16)**	(154)
Others	**357**	(973)
	(3,701)	(8,050)
Finance costs — net	**(3,619)**	(7,826)

7. Income tax expense

The Company is exempted from taxation in Bermuda. Hong Kong profits tax has been provided for at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong. Companies established and operated in the Mainland China are subject to PRC corporate income tax at the rate of 25% (2009: 25%). Companies established and operated in Canada are subject to Canadian income tax at the rate of 35% (2009: 35%).

	2010	2009
	HK$'000	*HK$'000*
Current taxation		
— Hong Kong profits tax	**3,577**	1,762
— PRC corporate income tax	**2,220**	1,259
— Canada income tax	**1,838**	633
Deferred taxation relating to the origination and reversal of temporary differences	**(2,225)**	(919)
	5,410	2,735

8. Dividends

	2010	2009
	HK$'000	*HK$'000*
Interim, paid, of HK0.3 cents (2009: HK0.3 cent) per share *(note (i))*	**911**	911
Final, proposed, of Nil (2009: HK0.5 cents) per share *(note (ii))*	**—**	1,518
	911	2,429

Note:

(i) At a meeting held on 27 November 2009, the Company's directors declared an interim dividend of HK0.3 cents per share, totalling HK$911,000, which was paid on 8 January 2010.

In November 2008, the Company's directors declared an interim dividend of HK0.3 cent per share, totalling HK$911,000, which was paid on 9 January 2009.

(ii) No final dividend is declared by the Company's directors for the year ended 31 March 2010.

At a meeting held on 21 July 2009, the Company's directors proposed a final dividend of HK0.5 cents per share. This proposed dividend had been reflected as an appropriation of retained profits for the year ending 31 March 2010.

9. (Losses)/earnings per share

(a) Basic

Basic (losses)/earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2010	2009
(Losses)/profit attributable to equity holders of the Company *(HK$'000)*	**(31,630)**	7,115
Weighted average number of ordinary shares in issue *('000)*	**303,643**	303,895
Basic (losses)/earnings per share *(HK cents per share)*	**(10.42)**	2.34

(b) Diluted

Diluted (losses)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all the Company's outstanding warrants. Dilutive (losses)/earnings per share for the year ended 31 March 2010 and 2009 equal basic (losses)/earnings per share as the exercise of the outstanding warrants would be anti-dilutive.

10. Trade and notes receivables

	Group 2010 HK$'000	2009 HK$'000
Trade receivables	**196,701**	130,714
Less: provision for impairment	**(1,467)**	(2,745)
	195,234	127,969
Notes receivable	**13,036**	11,663
	208,270	139,632

Note:

Majority of the Group's sales are made on open account, with credit terms generally ranging from 30 days to 90 days. The ageing analysis of trade receivables is as follows:

	Group 2010 HK$'000	2009 HK$'000
Less than 60 days	**140,484**	100,969
60 days to 120 days	**45,144**	18,043
Over 120 days	**11,073**	11,702
	196,701	130,714

11. Trade payables

Payment terms with majority of the suppliers are on open account. Certain suppliers grant credit period ranging from 30 to 60 days.

The ageing analysis of trade payables is as follows:

	Group 2010 HK$'000	2009 HK$'000
Less than 60 days	**237,737**	130,830
60 days to 120 days	**12,504**	6,084
Over 120 days	**8,468**	1,912
	258,709	138,826

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 24 August 2010 to Monday, 30 August 2010, both days inclusive, during which period no transfer of shares can be registered. To ascertain shareholders who are eligible to attend our 2010 Annual General Meeting, all properly completed transfer forms accompanied by relevant share certificates must be lodged with Tricor Abacus Limited, 26/F. Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on Monday, 23 August 2010.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 March 2010, save for the following deviations:

Code Provision A.2.1

Under the Code provision A.2.1, the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual.

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

Code Provision A.4.1 and A.4.2

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

Currently, the three independent non-executive directors are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the bye-laws of the Company, and their appointment will be reviewed when they are due for re-election.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, the directors have confirmed compliance with the required standard set out in the Model Code as provided in Appendix 10 of the Listing Rules for the year ended 31 March 2010.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the annual report for the year ended 31 March 2010.

REVIEW OF ANNUAL RESULTS

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the annual results for the year ended 31 March 2010. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2010 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers 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 PricewaterhouseCoopers on the preliminary announcement.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 6 December 2005 with a specific written terms of reference. The Remuneration Committee comprise two independent non-executive directors, Mr. Liu Ngai Wing and Mr. Choi Yuk Fan and one executive director, Mr. Lau Tak Wan.

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

During the year ended 31 March 2010, the Company purchased a total of 26,000 shares of HK$0.10 each of the Company on The Stock Exchange of Hong Kong Limited, all of these shares were cancelled. Particulars of the shares repurchased are as follows:

Trading Month/Year	Number of shares repurchased	Price per share Highest price paid	Price per share Lowest price paid	Total cost (including expenses)
		HK$	*HK$*	*HK$*
April 2009	26,000	0.300	0.280	7,710
	26,000			7,710

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold and redeemed any of the Company's listed securities during the year ended 31 March 2010.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

This announcement is required to be published on the website of The Stock Exchange of Hong Kong Limited ("Stock Exchange") under "Latest Listed Companies Information" and at the website of Daiwa Associate Holdings Limited at http://www.daiwahk.com/news.phtml. The annual report containing all the information required under Appendix 16 to the Listing Rules will be published on the Stock Exchange's website in due course.

By order of the Board
LAU TAK WAN
President

Hong Kong, 28 July 2010

As at the date of this announcement, the board of directors of the Company comprises Mr. Lau Tak Wan, Mr. Wan Chor Fai, Mr. Mak Hon Kai, Stanly, and Ms. Chan Yuen Mei, Pinky as executive directors and Mr. Barry John Buttifant, Mr. Liu Ngai Wing and Mr. Choi Yuk Fan as independent non-executive directors.