DAIWA

DAIWA ASSOCIATE HOLDINGS LIMITED

台和商事控股有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 1037)

RESULTS FOR THE YEAR ENDED 31 MARCH 2012

PRESIDENT'S STATEMENT

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 2012.

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

RESULTS AND DIVIDEND

For the year ended 31 March 2012, turnover was reported as HK$1,408.6 million (2011: HK$1,781.0 million), representing a decrease of 21% when compared with last financial year. Gross profit decreased by 15% to HK$130.6 million (2011: HK$154.4 million).

- The earnings before interest, tax, depreciation and amortization (EBITDA) were HK$35.9 million (2011: HK$34.4 million), representing an increase of HK$1.5 million when compared to the last corresponding period.

- The operating profit (EBIT) of the Group was HK$22.0 million (2011: HK$19.8 million), representing an increase of HK$2.2 million when compared to the last corresponding period.

- After the non-recurring provisions for inventories of HK$1.5 million, profit attributable to equity holders of the Company for the year was HK$8.8 million (2011: HK$8.1 million) which represents an increase of HK0.7 million when compared to the last corresponding period.

- Basic earnings per share was HK2.83 cents (2011: HK2.70 cents).

The Board of Directors has not recommended the payment of a final dividend. During the year, the Group did not declare any interim dividend.

LIQUIDITY AND FINANCIAL RESOURCES

At 31 March 2012, the Group's net current assets amounted to HK$179.4 million (2011: HK$129.9 million) and the shareholders' funds were HK$378.5 million (2011: HK$371.0 million).

The current liabilities was HK$429.9 million (2011: HK$494.7 million) representing a decrease of 13% by HK$64.8 million. The current ratio for the year increased to 1.42 (2011: 1.26).

With the increase of orders from new business in EMS manufacturing segment in which considerable finished products will be shipped right after the reported year, inventory level was increased by 15% to HK$262.0 million (2011: HK$227.6 million) at the year end. Average stock turnover was around 70 days (2011: 52 days). The trade receivable (excluding notes receivable) decreased by HK$34.1 million to HK$184.9 million (2011: HK$219.0 million).

The year ended cash and bank balances were HK$105.4 million (2011: HK$104.4 million).

Total available banking facilities of the Group were approximately HK$389.8 million (2011: HK$435.8 million), of which HK$78.7 million was available for use (2011: HK$89.5 million). Finance lease obligations outstanding as at 31 March 2012 amounted to HK$2.4 million (2011: HK$1.1 million). At 31 March 2012, the Company committed corporate guarantees of HK$484.0 million (2011: HK$569.0 million) in favor of banks for the granting of banking facilities to certain subsidiaries. The gearing ratio which was defined as total borrowings after netting off cash and cash equivalents, to shareholders' funds, excluding minority interests, was 0.42 (2011: 0.47).

The Group's assets were mostly financed by shareholders' funds, trade payables and bank borrowings. Trade payables were repayable within one year. Bank borrowings comprised trade financing repayable within one year and term loans repayable in installments of 3 to 6 years based on original contractual maturity.

The borrowings were mostly denominated in Hong Kong dollars and US dollars to prevent currency risk. The Group's cash and cash equivalents were denominated in Hong Kong dollars, US dollars, Canadian dollars and Renminbi. The Group matched the payment and receipts of foreign currency arising from routine purchases and sales to control and minimize the financial cost and exchange risk. Most of the Group's borrowings were interest bearing at floating rates which were based on the Hong Kong HIBOR rate or London LIBOR rate. The Group had not engaged in any speculative derivatives or structured products transaction.

The Group did not repurchase any ordinary shares in the open market during the year.

BUSINESS REVIEW AND PROSPECT

The Group is engaged in the following major businesses:

— Electronic Components Distribution;

— EMS (Contract Electronic Manufacturing Services);

— Consumer Electronics and Electronic Components & Parts Manufacturing; and

— Personal Computer Products Distribution.

Electronic Components Distribution

Electronic components distribution constitutes the core business of the Group accounting for 60% (2011: 63%) of the Group's turnover in the reported year. Other than the global dropping of economic activities, the low incentive market sentiment lead to keen price competition. The Group has prudent control in credit risk and has refused a substantial portion of business of un-reasonable profit margins and high risk sales and thus, turnover of distribution segment was HK$840.4 million (2011: HK$1,117.0 million) representing a decrease of 25% when compared with the last financial year. Gross profit was HK$73.0 million representing a decrease of 18% when compared with last year (2011: HK$89.5 million). Net profit of this segment is HK$16.1 million representing a decrease of 59% when compared with last year (2011: HK$39.2 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 the 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, radios, CD players, DVD players, TV, LED illuminations, handheld electronic devices, amplifiers and automobiles.

The Group has about 30 years of experience in distribution segment. In addition to its 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 are outstanding among competitors. In order to explore new business opportunities, the Group has further strengthened the engineering capability in providing total solutions to customers and will continue bringing in new principal suppliers to sustain future growths.

The Group has maintained an array of authorized distributorships with renowned suppliers such as Toshiba, Panasonic, On Semiconductor, Arnold Magnetics, Lite-on, CET, HTC, Rohm Abilis, COS, Diodes, Everlight and AEM.

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

EMS (Contract Electronic Manufacturing Service)

In the reported period, the Group was still gearing in the low margin high labor intensive EMS products. In order not to make a loss by the rapid increase of labor cost, the Group has eliminated a large portion of products of this nature. Although turnover is decreased in this segment, operating profit of this segment was increased substantially.

Turnover of this segment decreased to HK$164.4 million (2011: HK$201.8 million), representing a decrease of 19% when compared to last year. The gross profit of this segment increased by 5% to HK$20.9 million (2011: HK$19.9 million). Operating profit of this segment is HK$4.8 million representing an increase of 100% when compared with last year (2011: HK$2.4 million).

The Group has engaged in the production of telecommunication modules in mobile phone base stations, radar parts, and electronic modules in automobiles as well as PCB assembly, casing and testing for industrial purpose products. The EMS plant is equipped with high speed SMT production lines with nitrogen filled reflow furnaces, precise solder paste screen printer, etc. Process reliability can be ensured by the in-house RoHS Scanning Systems and X-Ray Inspection Machine and antistatic clear room.

In the reported year, the Group attained remarkable success in gaining customer recognition in new products. By the joint effort with a American high-tech company who owes patented IP in the solution of intelligent solar power system of green energy for the collection and distribution of solar power which is installed in commercial and industrial sectors. The projects are widely accepted in USA and European environmental committed enterprises. The Group has received solid purchase orders from customers. The shipment will be made right after the report period and will generate an above average profit margin in the coming fiscal year.

Consumer Electronics and Electronic Components and Parts Manufacturing

In this reported year, due to the increase of minimum wages, labor shortage and the appreciation of RMB, the operating costs of manufacturing segment kept increasing. On the other hand, before moving the factory site from the old Donguang factory to Heyuan last December, the Group paid double management expenses in this period. Due to the prolonged contraction of the American and European markets with the keen competition from small local Chinese manufacturers, this segment suffered from considerable losses. The Group will realign the product mix and the manufacturing segment and will substantially discontinue the low-margin and low business entry barrier products to eliminate the continuous loss.

Turnover of this segment was HK$128.9 million (2011: HK$174.1 million) representing an decrease of 26%. Gross profit decreased to HK$6.5 million (2011: HK$16.6 million). Loss of this segment is HK$40.0 million representing a substantial increase of loss of 141% when compared with last year (2011: HK$16.6 million).

Due to the substantial increase in minimum wages and the enforcement of labor law in China, together with the inflation of local services, the production costs for manufacturers have increased year by year. At the same time, plenty of informal small size factories are set up and operate in a hit and run style. These factories are aiming at small, low quality and low margin orders of low entry barrier products. The Group faces severe price competition from these informal factories.

To prevent further risk in running marginal profit business, the Group has gradually walked away from entry level consumer electronics and spear head to quality products which require higher technology such as Bluetooth audio, wireless audio, iPhone hi-fi/dockings, two-way-radios, citizen band radio and cordless Dect phone products as well as other digital applications.

The keen price competition and high risk lead to the substantial drop of business magnitude in this segment. The Group is planning to outsource all the production of this segment to external subcontractors and perform as a marketing arm of the Group, and expects to have a break-even contribution to the Group.

In the sub-segment of electronic components and parts manufacturing, the Group manufacture wire and harnesses and diodes (Zener Diodes, Rectifier Diodes, Switching Diodes, Scotty Diodes and Diacs). The Group also acts as the appointed OEM manufacturer of SGS-Thompson Semiconductors for more than 10 years. In the reported year, the slow global economic environment also resulted in low turnover in this segment. Together with the high labor cost, it drags this segment of business into negative contribution.

Personal Computer Products Distribution

The Group has started the distribution of personal computer systems and parts in North America since 1989. Products in this segment include motherboards, display cards, hard disk drives, optical storage devices, computer cases, power supplies, software, memories, desk-top computers, notebook computers, netbook computers and computer accessories. Business in this segment is steady.

Even in the adverse global business environment, business in this segment is steady with a slightly increase of net profit. Turnover of this segment was HK$274.9 million (2011: HK$288.1 million) which represented a decrease of 5% in the reported year. Gross profit increased by 6% to HK$30.2 million (2011: HK$28.4 million). Net profit of this segment is HK$5.8 million representing an increase of 5% when compared with last year (2011: HK$5.5 million).The Group continues to diversify the personal computer distribution business to further penetrate into mass merchants such as Canadian Tires and Walmart in smart phone and personal computer accessories. Profit margin of this new business keep growing.

FUTURE PROSPECT

The segment of distribution of electronic components shows a bit slow because of the dropping of the global demand, the outlook of this segment is healthy with aggressive opportunity of growth from the second half of the coming fiscal year. There is a request from principal suppliers such as Toshiba and On-semi conductor to consolidate the scattered Hong Kong and China distributorship to just a few chosen companies as "Super Distributor". The Group was invited to be the one of the few in the chosen list. Business for the chosen distributors will gain absolute privilege to become oligopoly distributor and targeted to have a triple grow of business in the following three years. At this stage, the Group is actively negotiating for merge or joint venture with some competitors to furnish this segment to a more solid and strong distributor to cater for to this change.

In EMS segment, the intelligent solar power system in which the Group has invested for two years now comes to the final stage of installation at the end customer's site. and the result of years of efforts will be contributed in the coming fiscal year. The Group has already received concrete orders and steady projections with sizable business volume and will bring in fruitful result in the coming two years.

In some low cost assembling EMS products which have been manufactured by the Group for more than 10 years, some customers have already accepted two digits percentages of price increase. The Group is confident that in the coming fiscal year, there are still rooms of further price increases. The Group will further walk away from those products that cannot get along with the cost increase.

Business in the Canada personal computer business is steady. With the day by day increase of business from mega store, this segment will keep steady growth.

In the segment of consumer electronics and telecommunication such as DECT phone and two way radios, the Group will keep itself as a marketing house of the Group's product and will subcontract the manufacturing role to surround subcontractors. The Group believes that this change can help the Group to keep away from heavy labor cost, large factory overhead and expensive administrative expenses. The given up of this assembling segment will have a very positive contribution to the Group by eliminating the loss in this segment.

The management believes that in the coming fiscal year, the Group will have a year of steady growth in the distribution segment with further enhancement in the high technological, high quality conscious and higher price products in the manufacturing segment.

EMPLOYEES

At 31 March 2012, the Group employed a total of approximately 2,300 employees (31 March 2011: 2,800 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.

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 those qualified staff to 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 2012

	Note	2012 HK$'000	2011 HK$'000
Revenue	3	**1,408,617**	1,781,010
Cost of sales	5	**(1,278,050)**	(1,626,643)
Gross profit		**130,567**	154,367
Other income		**1,256**	894
Other gains	4	**1,120**	5,420
Net gain on disposal of land use rights, and property, plant and equipment		**41,941**	90
Provision for impairment of property, plant and equipment		**(10,266)**	—
Selling and distribution expenses	5	**(23,330)**	(27,187)
General and administrative expenses	5	**(119,273)**	(113,759)
Operating profit		**22,015**	19,825
Finance income	6	**796**	73
Finance costs	6	**(6,860)**	(5,239)
Profit before income tax		**15,951**	14,659
Income tax expense	7	**(7,190)**	(6,570)
Profit for the year		**8,761**	8,089
Attributable to:			
Equity holders of the Company		**8,786**	8,194
Non-controlling interests		**(25)**	(105)
		8,761	8,089
Earnings per share for profit attributable to equity holders of the Company during the year			
— Basic & diluted	9	**HK2.83 cents**	HK2.70 cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2012

	2012	2011
	HK$'000	*HK$'000*
Comprehensive income:		
Profit for the year	**8,761**	8,089
Other comprehensive (loss)/income:		
Currency translation differences	**(1,806)**	2,123
Fair value (loss)/gain on available-for-sale financial assets	**(935)**	82
Other comprehensive (loss)/income for the year	**(2,741)**	2,205
Total comprehensive income for the year	**6,020**	10,294
Total comprehensive income/(loss) attributable to:		
Equity holders of the Company	**6,045**	10,399
Non-controlling interests	**(25)**	(105)
	6,020	10,294

CONSOLIDATED BALANCE SHEET

As at 31 March 2012

	Note	31 March 2012 HK$'000	31 March 2011 HK$'000
Non-current assets			
Goodwill		**28,781**	29,615
Property, plant and equipment		**149,994**	192,624
Land use rights		**10,574**	15,938
Other intangible assets		**2,959**	4,083
Rental deposits		**621**	—
Deferred income tax assets		**514**	1,086
Available-for-sale financial assets		**14,759**	387
		208,202	243,733
Current assets			
Inventories		**261,986**	227,607
Trade and notes receivables	*10*	**207,509**	254,746
Prepayments, deposits and other receivables		**34,372**	37,859
Cash and cash equivalents		**105,444**	104,380
		609,311	624,592
Total assets		**817,513**	868,325
Equity			
Capital and reserves attributable to equity holders of the Company			
Share capital		**31,539**	30,394
Share premium		**218,476**	215,042
Reserves		**128,500**	125,609
		378,515	371,045
Non-controlling interests		**(51)**	(26)
Total equity		**378,464**	371,019

	Note	31 March 2012 HK$'000	31 March 2011 HK$'000
Non-current liabilities			
Deferred income tax liabilities		**1,652**	1,885
Borrowings		**7,461**	684
		9,113	2,569
Current liabilities			
Borrowings		**259,184**	279,423
Trade payables	*11*	**143,380**	186,095
Accruals and other payables		**25,903**	28,113
Tax payable		**1,469**	1,106
		429,936	494,737
Total liabilities		**439,049**	497,306
Total equity and liabilities		**817,513**	868,325
Net current assets		**179,375**	129,855
Total assets less current liabilities		**387,577**	373,588

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"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets which are measured at fair value.

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.

(a) Effect of adopting amendments and interpretations to existing standards

The following amendments and interpretations to existing standards are mandatory for accounting periods beginning on or after 1 April 2011:

- HKAS 24 (Revised) "Related Party Transactions";
- HKFRSs (Amendments) "Improvements to HKFRSs 2010";
- HKFRS 1 (Amendment) "Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters";
- HK (IFRIC) — Int 14 (Amendment) "Prepayments of a Minimum Funding Requirement"; and
- HK (IFRIC) — Int 19 "Extinguishing Financial Liabilities with Equity Instruments".

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

(b) Standards, amendments and interpretation to existing standards that are not yet effective and have not been early adopted by the Group

The following published standards, amendments and interpretation to existing standards are mandatory for the Group's accounting periods beginning on or after 1 April 2012 or later periods and have not been early adopted by the Group:

- HKAS 1 (Amendment) "Presentation of Financial Statements"[3];
- HKAS 12 (Amendment) "Deferred Tax: Recovery of Underlying Assets"[2];
- HKAS 19 (2011) "Employee Benefits"[4];
- HKAS 27 (2011) "Separate Financial Statements"[4];
- HKAS 28 (2011) "Associates and Joint Ventures"[4];
- HKAS 32 (Amendment) "Offsetting Financial Assets and Financial Liabilities"[5];
- HKFRS 1 (Amendment) "First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters"[1];
- HKFRS 1 (Amendment) "First-time Adoption of Hong Kong Financial Standards — Government Loans"[2];
- HKFRS 7 (Amendment) "Disclosures — Transfers of Financial Assets"[1];
- HKFRS 7 (Amendment) "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 Measurements"[4]; and
- HK(IFRIC) — Int 20 "Stripping Costs in the Production Phase of a Surface Mine"[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

The directors anticipate that the adoption of the above new standards, amendments and interpretation to existing standards will not result in a significant impact on the results and financial position of the Group.

3. Revenue and segment information

	Group	
	2012	2011
	HK$'000	*HK$'000*
Turnover		
Sales of goods	**1,408,617**	1,781,010

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 2012				
	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	**840,412**	**164,418**	**128,917**	**274,870**	**1,408,617**
Results of reportable segments	**16,119**	**4,757**	**(40,002)**	**5,839**	**(13,287)**
A reconciliation of results of reportable segments to profit for the year is as follows:					
Results of reportable segments					**(13,287)**
Unallocated income					**41,941**
Unallocated expenses					**(6,639)**
Operating results					**22,015**
Finance income					**796**
Finance costs					**(6,860)**
Profit before income tax					**15,951**
Income tax expense					**(7,190)**
Profit for the year					**8,761**
Other segment information:					
Capital expenditure	**2,447**	**8,881**	**9,852**	**50**	**21,230**
(Loss)/gain on disposal of land use rights, and property, plant and equipment	**(73)**	**21,005**	**21,009**	**—**	**41,941**
Depreciation of property, plant and equipment	**1,153**	**4,805**	**6,003**	**355**	**12,316**
Amortisation of intangible assets	**—**	**—**	**1,124**	**—**	**1,124**
Amortisation of land use rights	**33**	**—**	**369**	**—**	**402**
Impairment of inventories	**—**	**—**	**—**	**1,458**	**1,458**
Impairment of property, plant and equipment	**—**	**—**	**10,266**	**—**	**10,266**
Write down of inventories	**3,435**	**—**	**—**	**—**	**3,435**
Provision for impairment of trade receivables	**229**	**—**	**135**	**240**	**604**

	Electronic Components Distribution HK$'000	Contract Electronic Manufacturing Services HK$'000	As at 31 March 2012 Consumer Electronics and Electronic Components Manufacturing HK$'000	Personal Computer Distribution HK$'000	Total HK$'000
Segment assets					
Goodwill	—	—	—	28,781	28,781
Technical know-how	—	—	2,248	—	2,248
Other segment assets	302,642	127,958	181,691	65,402	677,693
	302,642	127,958	183,939	94,183	708,722
Available-for-sale financial assets					14,759
Deferred income tax assets					514
Other unallocated assets					93,518
Total assets per consolidated balance sheet					817,513
Segment liabilities					
Segment liabilities	271,780	30,472	80,649	32,684	415,585
Current income tax liabilities					1,469
Deferred income tax liabilities					1,652
Other unallocated liabilities					20,343
Total liabilities per consolidated balance sheet					439,049

	Year ended 31 March 2011				
	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	1,117,003	201,777	174,112	288,118	1,781,010
Results of reportable segments	39,210	2,382	(16,643)	5,491	30,440
A reconciliation of results of reportable segments to profit for the year is as follows:					
Results of reportable segments					30,440
Unallocated expenses					(10,615)
Operating results					19,825
Finance income					73
Finance costs					(5,239)
Profit before income tax					14,659
Income tax expense					(6,570)
Profit for the year					8,089
Other segment information:					
Capital expenditure	1,336	5,713	12,074	29	19,152
(Gain)/loss on disposal of property, plant and equipment	(127)	—	19	18	(90)
Depreciation of property, plant and equipment	875	2,136	9,596	431	13,038
Amortisation of intangible assets	—	—	1,124	—	1,124
Amortisation of land use rights	—	—	402	—	402
Write down of inventories	2,482	—	—	—	2,482
Provision for impairment of trade receivables	603	—	1,249	433	2,285

	As at 31 March 2011				
	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					
Goodwill	—	—	—	29,615	29,615
Technical know-how	—	—	3,373	—	3,373
Other segment assets	348,722	93,141	174,004	66,127	681,994
	348,722	93,141	177,377	95,742	714,982
Available-for-sale financial assets					387
Deferred income tax assets					1,086
Other unallocated assets					151,870
Total assets per consolidated balance sheet					868,325
Segment liabilities					
Segment liabilities	332,771	66,964	57,587	32,293	489,615
Current income tax liabilities					1,106
Deferred income tax liabilities					1,885
Other unallocated liabilities					4,700
Total liabilities per consolidated balance sheet					497,306

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	
	2012	2011
	HK$'000	*HK$'000*
Hong Kong	**435,385**	601,343
Mainland China	**479,585**	635,741
North America	**322,108**	333,615
Europe	**156,834**	179,907
Other Asian countries	**14,705**	30,404
	1,408,617	1,781,010

At 31 March 2012, the total of non-current assets other than goodwill, available-for-sale financial assets, rental deposits, and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) located in Hong Kong is approximately HK$12,363,000 (2011: HK$10,743,000), and the total of these non-current assets located in other locations (mainly in the Mainland China and Canada) is approximately HK$151,164,000 (2011: HK$201,902,000).

4. Other gains

	2012	2011
	HK$'000	*HK$'000*
Net exchange gains	**1,120**	5,420

5. Expenses by nature

	2012 HK$'000	2011 HK$'000
Changes in inventories of trading merchandise, finished goods and work-in-progress	**(8,257)**	29,573
Trading merchandise, raw materials and consumables used	**1,196,813**	1,507,049
Provision for impairment of inventories	**1,458**	—
Write-down of inventories	**3,435**	2,482
Auditor's remuneration	**2,446**	2,451
Amortisation of land use rights	**402**	402
Depreciation		
— owned property, plant and equipment	**12,052**	12,953
— property, plant and equipment held under finance leases	**264**	85
Amortisation of other intangible assets	**1,124**	1,124
Provision for impairment of trade receivables (included in general and administrative expenses)	**604**	2,285
Employment benefit expenses (including directors' emoluments)	**134,070**	130,387
Operating lease rental in respect of land and buildings	**9,618**	9,098
Travelling and office expenses	**30,692**	26,080
Transportation expenses	**7,119**	7,253
Advertising expenses	**444**	486
Repairs and maintenance expenses	**3,002**	4,094
Other expenses	**25,367**	31,787
	1,420,653	1,767,589
Representing:		
Cost of sales	**1,278,050**	1,626,643
Selling and distribution expenses	**23,330**	27,187
General and administrative expenses	**119,273**	113,759
	1,420,653	1,767,589

6. Finance costs — net

	2012 HK$'000	2011 HK$'000
Interest income from bank deposits	**796**	73
Interest expense on bank loans wholly repayable within five years which contains a repayment on demand clause	**(6,026)**	(5,228)
Interest element of finance leases	**(49)**	(11)
Interest expense on loans from directors	**(785)**	—
	(6,860)	(5,239)
Finance costs — net	**(6,064)**	(5,166)

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% (2011: 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% (2011: 25%). Companies established and operated in Canada are subject to Canadian income tax at the rate of 35% (2011: 35%).

	2012	2011
	HK$'000	*HK$'000*
Current taxation		
— Hong Kong profits tax	**1,653**	1,198
— PRC corporate income tax	**3,703**	3,868
— Canadian income tax	**1,525**	1,655
Deferred taxation relating to the origination and reversal of temporary differences	**309**	(151)
	7,190	6,570

8. Dividends

	2012	2011
	HK$'000	*HK$'000*
Final, proposed, of Nil (2011: HK1.0 cent) per share *(note (ii))*	—	3,039

Notes:

(i) No interim dividend was declared by the Company's directors for the periods ended 30 September 2011 and 2010.

(ii) No final dividend was declared by the Company's directors for the year ended 31 March 2012.

At a meeting held on 30 June 2011, the Company's directors proposed a final dividend of HK1.0 cent per share. This proposed dividend had been reflected as an appropriation of retained profits for the year ended 31 March 2011.

9. Earnings per share

(a) Basic

Basic 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.

	2012	2011
Profit attributable to equity holders of the Company *(HK$'000)*	**8,786**	8,194
Weighted average number of ordinary shares in issue *('000)*	**310,587**	303,643
Basic earnings per share *(HK cents per share)*	**2.83**	2.70

(b) Diluted

Diluted 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 earnings per share for the year ended 31 March 2011 equal basic earnings per share as the exercise of the outstanding warrants would be anti-dilutive, whereas there is no outstanding warrants as at 31 March 2012.

10. Trade and notes receivables

	Group	
	2012	2011
	HK$'000	*HK$'000*
Trade receivables	**186,895**	221,427
Less: provision for impairment	**(2,015)**	(2,447)
	184,880	218,980
Notes receivable	**22,629**	35,766
	207,509	254,746

Note:

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

	Group	
	2012	2011
	HK$'000	*HK$'000*
Less than 60 days	**127,438**	156,768
60 days to 120 days	**22,465**	43,017
Over 120 days	**36,992**	21,642
	186,895	221,427

Notes receivable represent bank acceptance notes issued by third parties with average maturity of within 120 days (2011: 120 days).

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	
	2012	2011
	HK$'000	*HK$'000*
Less than 60 days	**136,466**	156,947
60 days to 120 days	**4,602**	25,851
Over 120 days	**2,312**	3,297
	143,380	186,095

12. Commitments and contingencies

(a) Capital commitments

At 31 March 2012 and 2011, the Group's capital commitment in respect of land and buildings were as follows:

	Group	
	2012	2011
	HK$'000	*HK$'000*
Contracted but not provided for	**—**	63

(b) Operating lease commitments

At 31 March 2012 and 2011, the future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases were as follows:

	Group	
	2012	2011
	HK$'000	*HK$'000*
Not later than one year	**4,952**	2,293
Later than one year and not later than five years	**4,963**	4,704
	9,915	6,997

Generally, the Group's operating leases are for terms of one to five years.

The Company did not have other significant commitments at 31 March 2012 and 2011.

As at 31 March 2012, the Group and the Company have no significant contingent liabilities.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 17 August 2012 to Thursday, 23 August 2012, both days inclusive, during which period no transfer of shares can be registered. To ascertain shareholders who are eligible to attend our 2012 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 Thursday, 16 August 2012.

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 2012, 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 2012.

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 2012.

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 2012. 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 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.

NOMINATION COMMITTEE

The Nomination Committee was established on 30 March 2012 with a specific written terms of reference. The Nomination Committee comprise two independent non-executive directors, Mr. Barry John Buttifant 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 2012, 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 2012.

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 June 2012

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, Dr. Liu Ngai Wing and Mr. Choi Yuk Fan as independent non-executive directors.