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DAISHO MICROLINE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0567)

DELAY IN PUBLICATION OF THE 2015 ANNUAL RESULTS AND POSTPONEMENT OF BOARD MEETING AND SUSPENSION OF TRADING

This announcement is made by the Company pursuant to Rules 13.09(2) and 13.49(3)(i) of the Listing Rules and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

DELAY IN PUBLICATION OF THE 2015 ANNUAL RESULTS

The Board wishes to announce that for the reasons set out below in this announcement, publication of the 2015 Annual Results will be delayed. Pursuant to Rule 13.49(3)(i)(c) of the Listing Rules, the financial information of the Group extracted from the 2015 Unaudited Management Accounts is set out in this announcement.

POSTPONEMENT OF THE BOARD MEETING

Given that the Review cannot be completed, and the 2015 Annual Results cannot be approved by 30 June 2015, the Board Meeting originally scheduled to be held on 30 June 2015 to approve, among other things, the 2015 Annual Results is postponed. The Company will publish further announcement(s) to inform the Shareholders of any update information or the date of the Board Meeting to approve the 2015 Annual Results and the release of the 2015 Annual Results as and when appropriate.

SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 25 June 2015 pending the release of this announcement. The suspension of trading in the shares of the Company on the Stock Exchange is currently expected to remain until the publication of the 2015 Annual Results.

This announcement is made by Daisho Microline Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) pursuant to Rules 13.09(2) and 13.49(3)(i) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

INDEPENDENT REVIEW REQUESTED BY THE AUDIT COMMITTEE

On 9 May 2015, an anonymous e-mail (the “**E-mail**”) was sent to the Company’s external auditor, Crowe Horwath (HK) CPA Limited (the “**Auditor**”), and copied to Hong Kong Exchanges and Clearing Limited, questioning the Auditor in concurring with the accounting treatment of three transactions relating to (1) certain prepayments made by the Group in the amount of HK\$7 million, and (2) certain lendings made by the Group in the total amount of HK\$9 million, which were alleged to be bad debts already as at the financial year ended 31 March 2014. On 11 May 2015, the Auditor forwarded the E-mail to the Company for following up. On 12 May 2015, the audit committee (the “**Audit Committee**”) of the board of directors of the Company (the “**Board**”), then comprising three incumbent independent non-executive directors of the Company (the “**INEDs**”), asked the executive directors of the Company (the “**Management**”) to explain fully the background and to review whether the allegations as stated in the E-mail were justified and to report the findings to the Audit Committee to enable it to take a view if further action would be required.

In particular, the Audit Committee requested the Management to identify the subject matters of the allegations as stated in the E-mail and to provide the commercial justifications for carrying on such transactions and relevant information on which their accounting treatments were based back then. The Audit Committee also requested the Management to review the recoverability of other receivables, deposits and prepayments of the Group as at 31 March 2015. On 23 June 2015, the Management submitted a special review report (the “**Report**”) to the Audit Committee together with answers to a list of questions made by the Audit Committee on the three transactions possibly relating to the E-mail, and on another transaction on which the Audit Committee also had raised certain queries. The balances of these four transactions as included in other receivables, deposits and prepayments of the Group as at 31 March 2015 (before impairment loss) amounted to approximately HK\$18.7 million. After having reviewed the Report and the answers to the list of questions made by the Audit Committee, the Audit Committee however took the view that there were still a number of questions unanswered and doubts not clarified. The Audit Committee therefore resolved at its meeting on 24 June 2015 that it could only note (but not accept) the contents of the Report, and an independent external professional consultant (the “**Consultant**”) would have to be engaged immediately by the Audit Committee to carry out an independent and in-depth review (the “**Review**”) on the transactions referred to above and for the longer term, to review comprehensively the internal control systems of the Group.

The INEDs indicated that they would only approve the release of the annual results of the Group for the year ended 31 March 2015 (the “**2015 Annual Results**”) after the completion of the Review by the Consultant with all the queries raised by the Audit Committee having been satisfactorily addressed. As the Review cannot be completed by 30 June 2015, the announcement of the 2015 Annual Results cannot be published by 30 June 2015.

DELAY IN PUBLICATION OF THE 2015 ANNUAL RESULTS

Pursuant to Rule 13.49(1) of the Listing Rules, the Company is required to publish an announcement in relation to the 2015 Annual Results on a date not later than three months after the end of the financial year of the Company, i.e. on or before 30 June 2015. The Board wishes to announce that for the reasons set out above, publication of the 2015 Annual Results will be delayed.

The Board and the Management will do their utmost to assist and cooperate with the Consultant to be appointed, so that the 2015 Annual Results can be approved and made available as soon as practicable. The Board acknowledges that any delay in publishing the 2015 Annual Results will constitute a non-compliance of Rule 13.49(1) of the Listing Rules.

UNAUDITED MANAGEMENT ACCOUNTS OF THE GROUP

Rule 13.49(3)(i)(c) of the Listing Rules provides that where an issuer is unable to issue its preliminary results, it must announce its results based on the financial results which have yet to be agreed with the auditor (so far as the information is available).

The relevant financial information extracted from the latest unaudited management accounts of the Group for the year ended 31 March 2015 (the “**2015 Unaudited Management Accounts**”), together with the audited comparative figures for the preceding year ended 31 March 2014, are set out below:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Year ended 31 March	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Audited)
Turnover	238,559	244,372
Cost of sales	(229,033)	(234,620)
Gross profit	9,526	9,752
Other revenue and other net income	91,894	12,580
Selling and distribution expenses	(6,879)	(7,413)
Administrative expenses	(31,420)	(28,823)
Other expenses	(7,932)	(5,586)
Impairment loss on available-for-sale investment	(4,500)	–
Impairment loss on other receivables, deposits and prepayments	(9,922) ^(Note)	–
Impairment loss on property, plant and equipment	(6,540)	(13,512)
Fair value (losses)/gains, net on:		
– Derivative financial instruments	–	139
– Other financial assets at fair value through profit or loss	790	(355)
Profit/(loss) from operations	35,017	(33,218)
Finance costs	(4,976)	(4,620)
Share of profit of a joint venture	–	293
Profit/(loss) before taxation	30,041	(37,545)
Income tax	(3,505)	–
Profit/(loss) for the year	26,536	(37,545)
Profit/(loss) for the year attributable to:		
Owners of the Company	26,536	(37,545)

Note: The Management has made impairment loss in the amount of HK\$9,922,000 in respect of part of the prepayments and lendings made by the Group possibly relating to the transactions mentioned in the E-mail.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 March 2015 <i>HK\$'000</i> (Unaudited)	31 March 2014 <i>HK\$'000</i> (Audited)
NON-CURRENT ASSETS		
Property, plant and equipment	88,942	79,313
Prepaid land lease payments	13,956	14,413
Deposits paid for acquisition of property, plant and equipment	2,391	897
Available-for-sale investment	14,781	19,281
	120,070	113,904
CURRENT ASSETS		
Inventories	29,418	26,585
Trade and bills receivables	32,070	35,847
Other financial assets at fair value through profit or loss	5,572	8,624
Other receivables, deposits and prepayments	60,953	50,749
Tax recoverable	–	211
Pledged bank deposits	280,490	269,342
Cash and cash equivalents	91,083	70,786
Non-current asset classified as held for sale	–	54,634
	499,586	516,778
CURRENT LIABILITIES		
Trade payables	37,122	57,764
Other payables and accruals	16,448	24,380
Provision	2,213	4,468
Interest-bearing bank borrowings	241,782	237,324
	297,565	323,936
Net current assets	202,021	192,842
Net assets	322,091	306,746
CAPITAL AND RESERVES		
Share capital	48,024	48,024
Reserves	274,067	258,722
Total equity	322,091	306,746

The Board wishes to emphasize that the financial information set out above is subject to potential adjustments and finalisation pending the completion of the Review, and has therefore not been reviewed by Audit Committee, nor has it been reviewed, audited or approved by the Auditor. **Shareholders of the Company (the “Shareholders”) and potential investors should exercise caution when considering the above figures and when dealing in the securities of the Company.**

POSTPONEMENT OF THE BOARD MEETING

As stated in the announcement of the Company dated 18 June 2015, a meeting of the Board (the “**Board Meeting**”) for the purpose of, among other things, approving the 2015 Annual Results was originally scheduled to be held on 30 June 2015. Given that the Review cannot be completed, and the 2015 Annual Results cannot be approved by 30 June 2015, the Board Meeting is postponed. The Company will publish further announcement(s) to inform the Shareholders of any update information or the date of the Board Meeting to approve the 2015 Annual Results and the release of the 2015 Annual Results as and when appropriate.

SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) has been suspended with effect from 9:00 a.m. on 25 June 2015 pending the release of this announcement. Pursuant to Rule 13.50 of the Listing Rules, the Stock Exchange will normally require suspension of trading in an issuer’s securities if an issuer fails to publish periodic financial information and the suspension will normally remain in force until the issuer publishes the requisite financial information. Accordingly, the suspension of trading in the shares of the Company on the Stock Exchange is currently expected to remain until the publication of the 2015 Annual Results.

By Order of the Board
Chan Sik Ming, Harry
Chairman

Hong Kong, 30 June 2015

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

Executive Directors:

CHAN Sik Ming, Harry (*Chairman & CEO*)
AU-YEUNG Wai Hung
CHEUNG Lai Na

Independent Non-executive Directors:

LI Chi Kwong
YEUNG Chi Shing, Bret
CHONG Chi Wah
LEUNG King Fai