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DAISHO MICROLINE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0567)

PROFIT WARNING

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

The board of directors of the Company (the “**Board**”) wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that an additional impairment loss on the Group’s available-for-sale investment amounting to about HK\$10,500,000 would be made for the year ended 31 March 2015 based on the corresponding valuation report dated 29 January 2016 issued by an independent valuer with regard to the valuation date on 31 March 2015, and hence, the unaudited net profit of the Group for the year ended 31 March 2015 as disclosed in the announcement of the Company dated 30 June 2015 would be revised to HK\$16,036,000. It should be noted that an impairment loss amounting to about HK\$4,500,000 had been made in respect of the same investment and reflected in the unaudited interim report of the Company for the six months ended 30 September 2014 already. In other words, the total impairment loss on the same investment for the year ended 31 March 2015 amounted to HK\$15,000,000.

The Group’s available-for-sale investment was made in May 2011 in Japanese Yen currency and it represented the Group’s unlisted investment in the equity interests of Daisho Denshi Co., Ltd. (“**Daisho Denshi**”), a substantial shareholder of the Company, in Japan. Due to the significant and prolonged decline in the fair value of the same investment below cost as evidenced by the lack of sign for reversal of the persistent depreciation of the Japanese Yen currency against Hong Kong Dollars and the weak operating performance of Daisho Denshi, the Board considered it appropriate to make a total impairment loss on the same investment of HK\$15,000,000 for the year ended 31 March 2015.

If all one-off events (namely the total insurance compensation as recorded in other income, the other impairment loss and income tax) had been excluded, the Group would have recorded an unaudited net loss of about HK\$23 million for the year ended 31 March 2015 instead. The Board wishes to inform the Shareholders and potential investors that the Group may record a net loss for the year ending 31 March 2016 greater than HK\$23 million mainly because of the slow-down of the global economy and the worsening of the general operating environment especially in Mainland China for the year ending 31 March 2016, which has resulted in the reduction of the Group's turnover by about 10% for the ten months period ended 31 January 2016 on the one hand, and has driven up the Group's operating costs on the other hand, although the management has taken various measures to mitigate such impact on the operating performance of the Group.

The estimated results of the Group as mentioned above is only a preliminary estimate based on the unaudited consolidated management accounts of the Group, which is not based on any figures nor information that have been audited or reviewed by the Company's auditors. The actual audited annual results of the Group for the year ended 31 March 2015 and the year ending 31 March 2016 may differ from the information disclosed in this announcement.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board
CHAN Sik Ming, Harry
Chairman

Hong Kong, 1 February 2016

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