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DAISHO MICROLINE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0567)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2015

The Board of Directors (the “Board”) of Daisho Microline Holdings Limited (the “Company”) announces the preliminary consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2015 together with the comparative figures of the previous corresponding year are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | Notes | Year ended 31 March | |
|--|-------|---------------------|------------------|
| | | 2015 HK\$'000 | 2014 HK\$'000 |
| Revenue | 3 | 238,559 | 244,372 |
| Cost of sales | | (230,805) | (234,620) |
| Gross profit | | 7,754 | 9,752 |
| Other income | | 15,873 | 12,580 |
| Selling and distribution expenses | | (8,270) | (7,413) |
| Administrative expenses | | (38,527) | (28,823) |
| Other operating expenses | | (1,887) | (5,586) |
| Insurance compensation | 14 | 73,561 | – |
| Gain on disposal of non-current asset classified as held for sale | 15 | 4,102 | – |
| Impairment loss on property, plant and equipment | 9 | (6,540) | (13,512) |
| Impairment loss on available-for-sale financial assets | 8 | (10,000) | – |
| Impairment loss on other receivables, deposits and prepayments | 7 | (14,083) | – |
| Fair value gains (losses) on financial assets at fair value through profit or loss, net | | 790 | (216) |
| Profit (Loss) from operations | | 22,773 | (33,218) |
| Finance costs | 4 | (4,976) | (4,620) |
| Share of results of a joint venture | | – | 293 |
| Profit (Loss) before taxation | 4 | 17,797 | (37,545) |
| Income tax expenses | 5 | (3,505) | – |
| Profit (Loss) for the year | | 14,292 | (37,545) |
| Profit (Loss) attributable to: Owners of the Company | | 14,292 | (37,545) |
| Earnings (Loss) per share – Basic and diluted | 6 | HK2.98 cents | HK(7.82) cents |

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Year ended 31 March | |
|---|----------------------------|------------------------|
| | 2015 | 2014 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Profit (Loss) for the year | 14,292 | (37,545) |
| Other comprehensive (loss) income | | |
| <i>Items that are or may be reclassified subsequently to profit or loss:</i> | | |
| Reclassification adjustment for exchange difference realised upon the disposal of non-current asset classified as held for sale | (3,243) | – |
| Exchange difference on translation of functional currency to presentation currency | (5,449) | 7,985 |
| | ----- | ----- |
| Other comprehensive (loss) income for the year | (8,692) | 7,985 |
| Total comprehensive income (loss) for the year | 5,600 | (29,560) |
| Total comprehensive income (loss) attributable to: Owners of the Company | 5,600 | (29,560) |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | As at 31 March | |
|---|--------------|-----------------------|-----------------|
| | | 2015 | 2014 |
| | | HK\$'000 | HK\$'000 |
| | <i>Notes</i> | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 91,444 | 79,313 |
| Prepaid lease payments | | 13,956 | 14,413 |
| Deposits paid for acquisition of property, plant and equipment | | 989 | 897 |
| Available-for-sale financial assets | 9 | 9,281 | 19,281 |
| | | 115,670 | 113,904 |
| CURRENT ASSETS | | | |
| Financial assets at fair value through profit or loss | | 5,572 | 8,624 |
| Inventories | | 29,418 | 26,585 |
| Trade receivables | 10 | 32,069 | 35,847 |
| Other receivables, deposits and prepayments | | 56,962 | 50,749 |
| Tax recoverable | | – | 211 |
| Pledged bank deposits | | 280,490 | 269,342 |
| Cash and cash equivalents | | 91,083 | 70,786 |
| | | 495,594 | 462,144 |
| Non-current asset classified as held for sale | 15 | – | 54,634 |
| | | 495,594 | 516,778 |
| CURRENT LIABILITIES | | | |
| Trade payables | 11 | 34,861 | 57,764 |
| Other payables and accruals | 14 | 20,062 | 24,380 |
| Interest-bearing borrowings | 13 | 241,782 | 237,324 |
| Provision | 12 | 2,213 | 4,468 |
| | | 298,918 | 323,936 |
| NET CURRENT ASSETS | | 196,676 | 192,842 |
| NET ASSETS | | 312,346 | 306,746 |
| CAPITAL AND RESERVES | | | |
| Share capital | | 48,024 | 48,024 |
| Reserves | | 264,322 | 258,722 |
| TOTAL EQUITY | | 312,346 | 306,746 |

NOTES

1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the applicable disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss, which have been measured at fair value. These consolidated financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

The accounting policies adopted and basis of preparation used in the preparation of these consolidated financial statements are the same as those adopted in preparing the annual consolidated financial statements for the year ended 31 March 2014, except that the Group has adopted the new/revised HKFRSs which are effective for the current year’s consolidated financial statements and has early adopted the amendments to the Listing Rules as detailed in note 2 below.

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

(a) Adoption of new/revised HKFRSs

In the current year, the Group has applied the following new/revised HKFRSs that are relevant to the Group and effective from the current year.

Amendments to HKAS 32: Presentation – Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify the requirements for offsetting financial instruments. These amendments do not have an impact on the consolidated financial statements as they are consistent with the policies already adopted by the Group.

Amendments to HKAS 36: Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, additional information is required to be disclosed when the recoverable amount of assets is based on fair value less costs of disposal. Other than the additional disclosures made in the consolidated financial statements relating to property, plant and equipment, the application of the amendments does not have a significant impact on the consolidated financial statement.

(b) Amendments to the Listing Rules

The amendments to the Listing Rules in relation to the financial-reporting requirements of Part 9 “Accounts and Audit” of the Hong Kong Companies Ordinance (Cap. 622) which are not yet effective have been early adopted in the preparation of these consolidated financial statements and as a result, there are changes to the presentation and disclosures of certain information as compared with the 2014 consolidated financial statements. Where appropriate, the comparative information has been amended to achieve a consistent presentation.

3. REVENUE AND SEGMENT INFORMATION

The principal activities of the Group are investment holding and manufacturing and trading of printed circuit boards. There was no change in the nature of the Group's principal activities during the year.

Revenue represents net invoiced value of goods sold after allowance for returns, trade discounts and value-added tax during the year.

The Company's management considers that the Group has only one reportable segment, which is the manufacturing and trading of printed circuit boards. Revenue and operating results are the two key indicators provided to the Group's chief operating decision maker to make decision about resource allocation and performance assessment.

Geographical information

(a) Revenue from external customers

| | 2015 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| The People's Republic of China (the "PRC") | 66,501 | 83,684 |
| North America | 61,680 | 41,130 |
| Hong Kong | 46,900 | 45,754 |
| Japan | 39,750 | 38,556 |
| Europe | 19,975 | 27,163 |
| Other countries | 3,753 | 8,085 |
| | <u>238,559</u> | <u>244,372</u> |

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

(b) Non-current assets

| | 2015 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> |
|-----------|-------------------------|-------------------------|
| Hong Kong | 241 | 452 |
| The PRC | 106,148 | 94,171 |
| | <u>106,389</u> | <u>94,623</u> |

The non-current asset information above is based on the locations of assets and excludes available-for-sale financial assets.

4. PROFIT (LOSS) BEFORE TAXATION

This is stated after charging (crediting):

| | 2015 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Finance costs | | |
| Interest on bank borrowings | <u>4,976</u> | <u>4,620</u> |
| Staff costs (excluding directors' emoluments) | | |
| Salaries and other benefits | 36,634 | 38,580 |
| Contribution to defined contribution plans | 3,651 | 4,782 |
| Less: Forfeited contributions | <u>–</u> | <u>(6)</u> |
| | <u>40,285</u> | <u>43,356</u> |
| Other items | | |
| Auditor's remuneration | | |
| – Current year | 2,067 | 480 |
| – Under-provision for prior year | 85 | – |
| Amortisation of prepaid lease payments | 322 | 324 |
| Cost of inventories (<i>Note (i)</i>) | 231,930 | 233,266 |
| Depreciation | 13,501 | 16,545 |
| Exchange loss, net | 315 | 2,420 |
| Impairment loss on trade receivables | – | 381 |
| Loss on disposal of property, plant and equipment | 748 | – |
| Operating lease charges for premises | 305 | 328 |
| Provision for tax payable and tax penalty included in (<i>Note 12</i>): | | |
| – Cost of sales | – | 516 |
| – Other operating expenses | 286 | 2,234 |
| Reversal of write down of inventories | (1,125) | (400) |
| Write down of inventories | <u>–</u> | <u>1,754</u> |

Note:

- (i) Cost of inventories includes HK\$40,688,000 (2014: HK\$46,893,000) relating to staff costs and depreciation, which are included in the respective total amounts disclosed separately above.

5. INCOME TAX EXPENSES

PRC Enterprise Income Tax has been provided based on the Group's estimated assessable profits arising in the PRC for the year (2014: Nil).

Hong Kong Profits Tax has not been provided as the Group has no assessable profits arising in Hong Kong for the year (2014: Nil).

Where there are assessable profits, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits and PRC Enterprise Income Tax is calculated at 25% of the estimated assessable profits for both years.

| | 2015 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> |
|--------------------------------|-------------------------|-------------------------|
| Current tax | | |
| PRC Enterprise Income Tax: | | |
| Current year | 3,294 | – |
| Hong Kong Profits Tax: | | |
| Under-provision in prior years | 211 | – |
| | <u>3,505</u> | <u>–</u> |

6. EARNINGS (LOSS) PER SHARE

(a) Basic earnings (loss) per share

The calculation of basic earnings (loss) per share is based on the profit (loss) attributable to the owners of the Company and the weighted average number of ordinary shares in issue during the year as follows:

| | 2015 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Profit (Loss) attributable to owners of the Company | <u>14,292</u> | <u>(37,545)</u> |
| | Number of Shares | |
| | 2015 | 2014 |
| Weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share | <u>480,243,785</u> | <u>480,243,785</u> |
| Basic earnings (loss) per share | <u>HK2.98 cents</u> | <u>HK(7.82) cents</u> |

(b) Diluted earnings (loss) per share

There were no dilutive potential ordinary shares in issue during both years. The diluted earnings (loss) per share is the same as the basic earnings (loss) per share during the years ended 31 March 2015 and 2014.

7. IMPAIRMENT LOSS ON OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | 2015 HK\$'000 | 2014 HK\$'000 |
|---|------------------|------------------|
| Impairment loss recognised in respect of: | | |
| – Prepayment to a sewage treatment company (<i>Note (i)</i>) | 7,424 | – |
| – Loan to the holding company of a sewage treatment company (<i>Note (ii)</i>) | 2,499 | – |
| – Loan receivable from a chamber of commerce in Huizhou (<i>Note (iii)</i>) | 4,160 | – |
| | 14,083 | – |

Notes:

(i) Prepayment to a sewage treatment company

On 12 April 2013, a wholly owned subsidiary of the Company, Huafeng Microline (Huizhou) Circuits Limited (“Huafeng”) entered into a sewage treatment contract with a sewage treatment company (the “Sewage Treatment Company”) which had been a sewage treatment contractor of Huafeng since 2007 and the holding company of the Sewage Treatment Company (the “Holding Company of Sewage Treatment Company”) acted as a guarantor of the Sewage Treatment Company for its obligation to repay the outstanding balance of the prepayment under the sewage treatment contract. Pursuant to the sewage treatment contract, Huafeng agreed to prepay a sewage treatment fee of RMB10,000,000 (the “Prepayment”) (equivalent to approximately HK\$12,612,000) which had been paid on 16 April 2013 to the Sewage Treatment Company for offsetting against the subsequent monthly sewage treatment fees and the Sewage Treatment Company agreed to give a monthly discount of RMB50,000 (equivalent to approximately HK\$63,000) for the sewage treatment fees payable by Huafeng for the first three months of the contract period from 16 April 2013 to 15 October 2015. After the first three months of the contract period, Huafeng could demand immediate repayment of the outstanding balance of the Prepayment or if the Sewage Treatment Company agreed to give a monthly discount of RMB50,000 (equivalent to approximately HK\$63,000) for the remaining contract period, Huafeng had an option to allow retainment of the outstanding balance of the Prepayment to offset subsequent sewage treatment fees.

After the first three months of the contract period, Huafeng demanded repayment of the outstanding balance of the Prepayment of RMB9,153,000 (equivalent to approximately HK\$11,544,000) in September 2013 but the Sewage Treatment Company failed to make the repayment. Afterwards, Huafeng commenced legal proceedings and was granted a seizure order by Huizhou Huicheng District People’s Court to freeze shareholdings of the Holding Company of Sewage Treatment Company in its two subsidiaries (the “Frozen Assets”) in November 2013. The management considered that the Prepayment was recoverable as the value of one of the Frozen Assets which had a qualification of dismantling obsolete electronic appliances in Guangdong Province was estimated to be approximately RMB256,000,000 (equivalent to approximately HK\$322,000,000) as at 31 December 2012 according to the valuation report prepared by a professional valuer in November 2013 and the Sewage Treatment Company continued to provide sewage treatment services to Huafeng. However, the value of the valuable subsidiary may have deteriorated significantly after 31 December 2012 because it had been disqualified to dismantle obsolete electronic appliances in Guangdong Province in March 2014. The financial and operating status of the Holding Company of Sewage Treatment Company and the value of the Frozen Assets as at 31 March 2014 had not been evaluated properly.

7. IMPAIRMENT LOSS ON OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

(i) Prepayment to a sewage treatment company (continued)

As a condition for the application of the court's order for the Frozen Assets, a building of Huafeng with a carrying amount of approximately HK\$4,210,000 (2014: approximately HK\$4,382,000) has been frozen by the court to provide security for the property preservation.

During the year ended 31 March 2014, total sewage treatment service fees of RMB3,502,000 (equivalent to approximately HK\$4,417,000) was charged to Huafeng. As the Sewage Treatment Company was suffering from the shortage of working capital, Huafeng had paid sewage treatment service fees of RMB1,292,000 (equivalent to approximately HK\$1,630,000) for ensuring the Sewage Treatment Company's operation to maintain the provision of sewage treatment services to Huafeng. However, the financial information of the Sewage Treatment Company as at 31 March 2014 had not been obtained to ascertain the continuance of operation. As at 31 March 2014, the outstanding balance of the Prepayment amounted to RMB7,809,000 (equivalent to approximately HK\$9,849,000) was included in deposits and other receivables.

On 21 April 2014, the Huizhou Arbitration Commission ordered the Sewage Treatment Company to return the outstanding balance of the Prepayment and the Holding Company of Sewage Treatment Company to honour the guarantee in respect of the outstanding amount. In June 2014, Huafeng filed an application to Huizhou Intermediate People's Court to enforce the execution of the order issued by the Huizhou Arbitration Commission. It was advised by Huafeng's PRC lawyer that Huafeng was requested by the court to undertake the costs for engaging a valuer to conduct a valuation on the Frozen Assets in order to enforce the execution of disposal of the Frozen Assets. The Company's directors considered that the value of the Frozen Assets may have declined significantly since the value of the Frozen Assets was mainly attributable to the qualification to dismantle obsolete electronic appliances in Guangdong Province which was no longer valid since March 2014. Therefore, the management decided not to proceed with the application and the seizure order expired in November 2015.

On 13 March 2015, Huafeng terminated the sewage treatment service contract with the Sewage Treatment Company due to its failure to provide the sewage treatment services up to environmental standards. As of the date of the termination, the outstanding balance of the Prepayment amounted to RMB5,942,000 (equivalent to approximately HK\$7,424,000). During the year ended 31 March 2015, sewage treatment service fees of RMB4,319,000 (equivalent to approximately HK\$5,397,000) were charged to Huafeng and Huafeng had paid sewage treatment service fees of RMB2,437,000 (equivalent to approximately HK\$3,044,000).

In view of the low chance to recover the outstanding balance of the Prepayment through sewage treatment services to be provided by the Sewage Treatment Company or proceeds on disposal of the Frozen Assets, the directors of the Company determined to recognise an impairment loss on the outstanding balance of the Prepayment of RMB5,942,000 (equivalent to approximately HK\$7,424,000) during the year ended 31 March 2015.

(ii) Loan to the holding company of a sewage treatment company

The amount represents the outstanding balance of an unsecured loan of RMB4.7 million with interest-bearing of 0.54% per month for a period of two months to the Holding Company of Sewage Treatment Company made by Huafeng on 24 May 2013. The outstanding loan balance at maturity date amounted to RMB3.7 million (equivalent to approximately HK\$4,666,000). In late July 2013 and August 2013, amount of RMB0.7 million and RMB1 million were received by Huafeng respectively. Despite the repeated verbal demands made by Huafeng, the Holding Company of Sewage Treatment Company failed to further repay the outstanding loan balance. Huafeng commenced legal proceeding in November 2013 and obtained an order from the court in February 2014 in favour of Huafeng for demanding repayment. During the year ended 31 March 2014, no interest income was recognised. As at 31 March 2014, the outstanding loan balance amounted to RMB2 million (equivalent to approximately HK\$2,522,000).

7. IMPAIRMENT LOSS ON OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

(ii) Loan to the holding company of a sewage treatment company (continued)

In view of the low chance to recover the outstanding balance of the loan receivable through proceeds on disposal of the Frozen Assets because of the reason as mentioned in note 7(i) above, the directors of the Company determined to recognise an impairment loss on the outstanding balance of the loan receivable of RMB2 million (equivalent to approximately HK\$2,499,000) during the year ended 31 March 2015.

(iii) Loan receivable from a chamber of commerce in Huizhou

On 5 May 2014, Huafeng entered into a loan agreement of RMB6 million (equivalent to HK\$7,496,000) bearing interest of 1% per month with the maturity date on 6 February 2015 with a chamber of commerce in Huizhou (the “Chamber”), an executive chairman of the Chamber acted as a guarantor (the “Guarantor”) of the Chamber. As at 31 March 2015, the outstanding loan balance was RMB5 million (equivalent to approximately HK\$6,247,000). In May and July 2015, a total of RMB820,000 (equivalent to approximately HK\$977,000) was settled. Despite repeated verbal demands made by Huafeng, the Chamber failed to further repay the outstanding loan balance with interest in total of RMB4,480,000 (equivalent to approximately HK\$5,339,000). Huafeng commenced legal proceeding in July 2015 and obtained an order from the court in December 2015 in favour of Huafeng for demanding repayment. In March 2016, the court issued an order to freeze certain bank accounts of the Chamber and the Guarantor with a total deposit balance of RMB886,000 (equivalent to approximately HK\$1,056,000) and equity interests held by the Guarantor in certain companies. As at 31 March 2016, the outstanding loan balance was RMB4.18 million (equivalent to approximately HK\$4,981,000). In August 2016, approximately RMB850,000 (equivalent to approximately HK\$1,013,000) was received through the court as a result of realisation of the frozen bank accounts.

In view of uncertainty of the amount recoverable from the frozen assets, the directors of the Company determined to recognise an impairment loss of RMB3.3 million (equivalent to approximately HK\$4,160,000) during the year ended 31 March 2015.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The available-for-sale financial assets represents an unlisted equity investment (7.46%) in Daisho Denshi Co., Ltd., a substantial shareholder of the Company which was incorporated in Japan, which is designated as available-for-sale financial assets. The unlisted equity investment was stated at cost less impairment because the directors are of the opinion that the fair value cannot be measured reliably given that the range of reasonable fair value estimates is so significant and the probabilities of the various estimates cannot be reasonably assessed. The Group does not intend to dispose of this unlisted equity investment in the near future.

An impairment loss of HK\$10,000,000 which was the difference between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return of a similar financial asset as at 31 March 2015 was recognised during the year ended 31 March 2015.

9. IMPAIRMENT LOSS ON PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 March 2015, the directors estimated the recoverable amount of the cash-generating unit as the higher of the fair value less costs of disposal and the value in use of the cash-generating unit based on the valuation report prepared by an independent professional valuer. The cash-generating unit consisted of the Group’s printed circuit boards manufacturing facility, which is composed of prepaid lease payments and property, plant and equipment.

An impairment loss against the machinery and equipment of HK\$6,540,000 (2014: HK\$13,512,000) was recognised in the consolidated statement of profit or loss for the year.

10. TRADE RECEIVABLES

| | 2015 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> |
|------------------------------|-------------------------|-------------------------|
| Trade receivables | | |
| From third parties | 26,904 | 31,560 |
| From a related party | 5,385 | 5,970 |
| | <u>32,289</u> | <u>37,530</u> |
| Allowance for doubtful debts | (220) | (1,683) |
| | <u>32,069</u> | <u>35,847</u> |

The related party, which is a subsidiary of a substantial shareholder of the Company, is granted with a credit period of 45 days. At the end of the reporting period, no provision had been made for non-repayment of the amount due.

The Group's business with its trade debtors are mainly on credit basis and the credit period is generally two months. At the end of the reporting period, the ageing analysis of trade receivables (before allowance for doubtful debts) by invoice date is as follows:

| | 2015 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> |
|-------------------|-------------------------|-------------------------|
| Less than 1 month | 17,985 | 19,790 |
| 1 to 2 months | 10,598 | 11,549 |
| 2 to 3 months | 3,418 | 3,104 |
| Over 3 months | 288 | 3,087 |
| | <u>32,289</u> | <u>37,530</u> |

At the end of the reporting period, the ageing analysis of trade receivables (net of allowance for doubtful debts) which are past due but not impaired is as follows:

| | 2015 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> |
|----------------------------|-------------------------|-------------------------|
| Not past due | 28,887 | 32,071 |
| Less than 1 month past due | 3,024 | 2,516 |
| 1 to 2 months past due | 91 | 196 |
| 2 to 3 months past due | 67 | – |
| Over 3 months past due | – | 1,064 |
| | <u>32,069</u> | <u>35,847</u> |

The trade receivables that are past due but not impaired related to a number of independent customers that have a good track record with the Group. The Group has not recognised impairment on these balances as there has not been a significant change in credit quality and the directors believe that the amounts are recoverable. The Group does not hold any collateral over these balances.

Receivables that are neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

11. TRADE PAYABLES

The trade payables are non-interest-bearing and the Group is normally granted with a credit term of 90 days.

The ageing analysis of trade payables, at the end of the reporting period based on the invoice date, is as follows:

| | 2015 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> |
|-------------------|--------------------------------|-------------------------|
| Less than 1 month | 10,658 | 11,540 |
| 1 to 2 months | 5,890 | 10,565 |
| 2 to 3 months | 9,138 | 7,417 |
| Over 3 months | 9,175 | 28,242 |
| | 34,861 | 57,764 |

12. PROVISION

Provision for tax payable and tax penalty

In January 2014, Huafeng was investigated by the Huizhou Customs in respect of suspected violation of PRC Customs regulations. In June 2014, the Huizhou Customs issued two notices of assessment to Huafeng on the relevant tax evaded, including customs duty and import value-added tax, of totaling approximately RMB1,771,000 (equivalent to approximately HK\$2,234,000) in respect of certain spare parts imported by Huafeng without declaration and bonded materials used by Huafeng for domestic sales in the PRC. A provision of HK\$516,000 and HK\$1,718,000 for customs duty and import value-added tax respectively together with relevant tax penalty of RMB1,771,000 (equivalent to approximately HK\$2,234,000) which was estimated based on legal advice had been provided as at 31 March 2014.

Pursuant to the judgement of the court on 19 January 2015, the penalty of tax evasion was finalised to be RMB2,000,000 (equivalent to approximately HK\$2,499,000) which had been settled during the year ended 31 March 2015. The understated penalty of RMB229,000 (equivalent to approximately HK\$286,000) was charged to profit or loss during the year. In addition, the final assessment of tax evasion in respect of customs duty and import value-added tax in total of RMB1,771,000 (equivalent to approximately HK\$2,213,000) was issued in April 2015 and was settled in May 2015.

13. INTEREST-BEARING BORROWINGS

| | 2015 | | 2014 | |
|----------------------|--------------------------------|----------------|--------------------------------|----------------|
| | Effective interest rate (%) | HK\$'000 | Effective interest rate (%) | HK\$'000 |
| Bank loans – secured | HIBOR +1.1% to HIBOR +1.5% | 171,782 | HIBOR +1.1% to LIBOR +2.5% | 92,324 |
| Bank loans – secured | 2.3% | 70,000 | 1.8% to 2.3% | 145,000 |
| | | <u>241,782</u> | | <u>237,324</u> |

At the end of the reporting period, all bank loans are repayable within one year and are secured by the Group's bank deposits amounting to HK\$280,490,000 (2014: HK\$269,342,000) and the Group's Hong Kong listed equity investments amounting to HK\$5,572,000 (2014: HK\$6,541,000).

14. OTHER PAYABLES AND ACCRUALS

Include in the balance of other payables and accruals at 31 March 2014 represented a refundable advance of RMB10,000,000 (equivalent to approximately HK\$12,612,000) received in August 2013 from an insurance company in relation to an insurance compensation claim for the losses on assets and losses on profits as a result of the fire accident occurred in the production base of the Group in Huizhou, the PRC in January 2013. In November 2014, a final insurance compensation notice was issued by the insurance company. The receipt in advance from the insurance company was realised and the total insurance compensation amount of approximately RMB58 million (equivalent to approximately HK\$73,561,000) was recognised in the consolidated statement of profit or loss.

15. NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE

As at 31 March 2014, the investment in a joint venture with carrying amount of HK\$54,634,000 had been classified as held for sale. In July 2014, the Group disposed of the entire interests in the joint venture to a third party and to obtain the repayment of the shareholder's loan as previously injected by the Group to the joint venture at a total consideration of RMB44,000,000 (equivalent to approximately HK\$55,493,000). Upon the disposal, the cumulative exchange reserve previously recognised in equity of HK\$3,243,000 was realised. The total gain on disposal of HK\$4,102,000 was recognised in the consolidated statement of profit or loss during the year ended 31 March 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

The Group's revenue for the current year was about HK\$239 million, down 2% from last year. Contrary to the net loss of about HK\$38 million for last year, the Group's net profit for the current year was about HK\$14 million, mainly due to the recognition of the total insurance compensation of about HK\$74 million for the current year relating to the fire accident occurred in the principal production base of the Group in Huizhou, PRC on 24 January 2013. However, the results improvement was particularly hindered by the impairment loss on available-for-sale financial assets of HK\$10 million and the impairment loss on other receivables, deposits and prepayments of about HK\$14 million for the current year although the impairment loss on property, plant and equipment decreased from about HK\$14 million in last year to about HK\$7 million in current year due to better expectation of future market development.

The Group's gross profit margin for the current year of about 3.3% did not change much as compared to the last year of about 4%.

The Group's administrative expenses for the current year increased by approximately HK\$10 million as compared to last year mainly attributable to the consultancy fee for about HK\$3.1 million in respect of the insurance claim as mentioned above along with the increase in audit fee for about HK\$1.6 million resulting mainly from the change of the Company's auditor for the current year.

An equity transfer and shareholder's loan repayment agreement was entered into by the Group on 2 July 2014 at a total consideration of about HK\$55 million to dispose of the Group's entire interest in the joint venture to a third party and to recover the shareholder's loan as previously injected by the Group to the joint venture. As a result, there were a gain on disposal of interests in a joint venture of about HK\$4 million along with a cash inflow of about HK\$55 million for the current year.

The Group's gearing ratios (defined as interest-bearing borrowings divided by total equity) at 31 March 2015 was 77% (2014: 77%). The Group's current ratio at 31 March 2015 and 31 March 2014 was 1.66 times and 1.60 times respectively. The Group's PCB operations had a net cash inflow of about HK\$10 million during the current year ended 31 March 2015 (2014: *net cash outflow of about HK\$7 million*).

The interest rate structure, maturity profile, currency structure and underlying security of the Group's interest-bearing borrowings as at 31 March 2015 and 31 March 2014 are detailed in note 13 of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Business and Financial Review (continued)

As at 31 March 2015, the Group's total cash and bank balances were approximately HK\$372 million (2014: HK\$340 million) and the Group's total interest-bearing borrowings amounting to approximately HK\$242 million (2014: HK\$237 million). Therefore, the Group had a net cash balance of approximately HK\$130 million (2014: HK\$103 million). Besides, the total credit facilities available to the Group were approximately HK\$341 million (2014: HK\$271 million) and, therefore, the unutilised credit facilities were approximately HK\$99 million (2014: HK\$34 million). Accordingly, the Group is capable of financing its operation by its own internal resources and available banking facilities.

Most of the Group's bank balances were denominated in RMB while all of the Group's borrowings were denominated in either US\$ or HK\$. The Group benefited from the interest rate differential between RMB and US\$ or HK\$ because the overall deposit interest rate for the Group's bank balances in RMB was higher than the overall borrowing interest rate for the Group's borrowings in US\$ or HK\$ during the current year.

As at 31 March 2015, the Group's assets and liabilities were mostly denominated in either HK\$, US\$ or RMB. Because HK\$ is pegged to US\$ and the possible change in the exchange rate for US\$ against HK\$ is minimal, the Group has not adopted any hedging tool against its assets or liabilities denominated in US\$. Because of the Group's subsidiary in Mainland China had net assets as at 31 March 2015 and the Group considers that the extent of any depreciation of RMB against HK\$ should not be substantial in light of the current circumstance, the Group has not adopted any hedging tool against its assets or liabilities denominated in RMB.

Contingent Liabilities

As at 31 March 2015, the Group did not have any material contingent liability (2014: Nil). The Company has provided certain banks with corporate guarantees of about HK\$314 million (31 March 2014: approximately HK\$244 million) to secure banking facilities granted to subsidiaries. At 31 March 2015, the facilities were utilised to the extent of about HK\$238 million (31 March 2014: approximately HK\$233 million).

Employee Benefits

As at 31 March 2015, the Group had 605 (2014: 689) employees, including directors, working mainly in Mainland China. For the year ended 31 March 2015, the Group's total staff costs including directors' emoluments were about HK\$49 million (2014: HK\$51 million).

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Outlook

If all one-off events (namely the total insurance compensation, impairment loss on property, plant and equipment, impairment loss on available-for-sale financial assets, impairment loss on other receivable, deposits and prepayments, gain on disposal of non-current asset classified as held for sale and income tax expenses as recorded as an income in the consolidated statement of profit or loss had been excluded, the Group would have recorded a net loss of about HK\$29 million for the year ended 31 March 2015 instead. It is estimated that the Group may record a net loss for the year ended 31 March 2016 because of the slow-down of the global economy and the worsening of the general operating environment especially in Mainland China for the year ended 31 March 2016, which has resulted in the reduction of the Group's turnover for the year ended 31 March 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.

It should be noted that the previous largest shareholder of the Company (Mr. Chan Sik Ming, Harry) had disposed of most of his shareholdings interests in the Company on 9 June 2015 to Mr. Cheung Ling Mun who has become the current largest shareholder holding 25% shareholding interests in the Company. Although there has been no change in the business direction for the Group, new management styles have been introduced to the Group since then. In particular, a new chief operating officer of Huafeng who is a veteran management with proven track record in building business operations on both strategic and operation levels and also in turning around loss-making companies has been recruited in August 2015. Besides, various measures have been taken by the Group to canvass for new sales orders from both existing and potential customers, to review the areas with potential for further cost savings as well as to enhance the internal control system. It is expected that the introduction of the new management styles to the Group can stimulate not only the vitality of the Group's staff but also the determination to further improve the operating results of the Group.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2015 (2014: Nil).

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 March 2015, except for the following deviations:

Chairman and Chief Executive Officer

According to the Code Provision A.2.1, the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and CEO should be clearly established and set out in writing.

The Company does not have a separate Chairman and CEO, and Mr. Chan Sik Ming, Harry currently holds both positions. The Board believes that vesting the roles of both Chairman and CEO in the same person ensures consistent leadership within the Group and enables more effective and efficient planning of long-term strategies and implementation of business plans. The Board believes that the balance of power and authority will not be impaired and is adequately ensured by an effective Board which comprises experienced and high calibre individuals with a sufficient number thereof being independent non-executive directors.

Non-executive directors

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

Dr. Li Chi Kwong does not have a specific term of appointment, but are subject to retirement by rotation and re-election in accordance with the relevant provisions of the Company's bye-laws.

Re-election of directors

Under the Code Provision A.4.2, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to the Company's private act known as "The Juko Laboratories Holdings Limited Company Act 1990", which is an Act under the Company's former name of Juko Laboratories Holdings Limited when the Company was first established, the Chairman of the Company is not required to be subject to rotation in accordance with the bye-laws of the Company. However, in the spirit of good corporate governance practice, the existing Chairman of the Company, Mr. Chan Sik Ming, Harry has agreed to retire on a voluntary basis at least once every three years. The last time Mr. Chan Sik Ming, Harry retired on a voluntary basis was on 26 August 2013. He will also retire on a voluntary basis and, being eligible, will offer himself for re-election at the forthcoming annual general meeting in 2016.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters including a review of the consolidated financial statements of the Group for the year ended 31 March 2015 and agreed with all the accounting treatments which have been adopted therein.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the “Model Code”) as its code of conduct regarding the directors’ securities transactions. The Company has made specific enquiries of all directors and all directors have confirmed that they have complied with the required standard set out in the Model Code.

EXTRACT OF INDEPENDENT AUDITOR’S REPORT ON THE COMPANY’S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

The following is the extract of the independent auditor’s report from Mazars CPA Limited, the external auditor of the Company on the Group’s consolidated financial statements for the year ended 31 March 2015:

Basis for qualified opinion

Prepayment to a sewage treatment company

Included in the Group’s “Other receivables, deposits and prepayments” as at 31 March 2014 was a prepayment of HK\$9,849,000 to a sewage treatment company. As explained in note 19(a)(i)* to the consolidated financial statements, an impairment loss on the carrying amount of the prepayment of HK\$7,424,000 was recognised during the year ended 31 March 2015 as the directors considered the chance to recover the prepayment was low.

The sewage treatment company had been suffering from financial difficulties since July 2013 but we have not obtained sufficient appropriate audit evidence to substantiate the financial ability of the sewage treatment company as at 31 March 2014. In addition, since the financial and operating status of the guarantor of the sewage treatment company and the value of the assets being frozen as at 31 March 2014 had not been evaluated properly, we were unable to verify the financial ability of the guarantor of the sewage treatment company as at 31 March 2014. We were unable to obtain sufficient appropriate audit evidence to evaluate the recoverability of the prepayment of HK\$9,849,000 as at 31 March 2014. Therefore, we were unable to determine whether any adjustments to the impairment loss recognised during the year ended 31 March 2015 in respect of the prepayment were necessary, which may have a significant impact on the financial performance and the elements making up the consolidated statement of cash flows of the Group for the year ended 31 March 2015.

Loan receivable

Included in the Group’s “Other receivables, deposits and prepayments” as at 31 March 2014 was a loan receivable of HK\$2,522,000. As explained in note 19(a)(ii)# to the consolidated financial statements, an impairment loss on the unsettled loan receivable of HK\$2,499,000 was recognised during the year ended 31 March 2015 as the directors considered the chance to recover the loan receivable was low.

* As reproduced in note 7(i) to this announcement.

As reproduced in note 7(ii) to this announcement.

We have not obtained sufficient appropriate audit evidence to verify the financial ability of the borrower as at 31 March 2014 and we were unable to obtain sufficient documentation to evaluate the recoverability of the loan receivable of HK\$2,522,000 as at 31 March 2014. Therefore, we were unable to determine whether any adjustments to the impairment loss recognised during the year ended 31 March 2015 in respect of the loan receivable were necessary, which may have a significant impact on the financial performance and the elements making up the consolidated statement of cash flows of the Group for the year ended 31 March 2015.

Impairment of available-for-sale financial assets

As at 31 March 2014, the Group had available-for-sale financial assets carried at cost with carrying amount of HK\$19,281,000, which were an unlisted equity investment in a Japanese company. An impairment loss on this unlisted equity investment of HK\$10,000,000 had been recognised during the year ended 31 March 2015.

There was objective evidence of impairment as a result of the deteriorated economic environment of electronic component industry in Japan since an earthquake in 2011. However, we were unable to obtain sufficient appropriate audit evidence to assess the present value of estimated future cash flows discounted at the then current market rate of return for a similar financial asset at the dates when the objective evidence existed. There were no alternative audit procedures that we could perform to verify the carrying amount of the available-for-sale financial assets as at those dates and 31 March 2014. Therefore, we were unable to determine whether any adjustments to the impairment loss recognised during the year ended 31 March 2015 in respect of the available-for-sale financial assets were necessary, which may have a significant impact on the financial performance and the elements making up the consolidated statement of cash flows of the Group for the year ended 31 March 2015.

Qualified opinion

In our opinion, except for the possible effects of the matters described in the basis for qualified opinion paragraphs, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Other matter

The consolidated financial statements of the Group for the year ended 31 March 2014 were audited by the predecessor auditor who expressed a qualified opinion on those statements on 27 June 2014.

SCOPE OF WORK PERFORMED BY MAZARS CPA LIMITED

The figures in respect of the preliminary announcement of the Group's results and the related notes thereto for the year ended 31 March 2015 have been agreed by the Group's auditor, Mazars CPA Limited ("Mazars"), to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 March 2015. The work performed by Mazars 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 Mazars on the preliminary announcement.

PUBLICATION OF ANNUAL REPORT

The Company's Annual Report for the year ended 31 March 2015 containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and published on the website of the Stock Exchange at "www.hkexnews.hk" and the Company's website at "www.irasia.com/listco/hk/daisho" in due course.

By Order of the Board
Chan Sik Ming, Harry
Chairman

Hong Kong, 7 October 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
LEUNG King Fai
CHOU Yuk Yan