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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 2014

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 2014 as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | | Year ended 31 March | |
|---|---|---|---|
| | | **2014** | 2013 |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| Turnover | 3 | **244,372** | 295,930 |
| Cost of sales | | **(234,620)** | (280,318) |
| Gross profit | | **9,752** | 15,612 |
| Other revenue | | **12,580** | 14,024 |
| Selling and distribution expenses | | **(7,413)** | (9,779) |
| Administrative expenses | | **(28,823)** | (28,445) |
| Other expenses | | **(5,586)** | (3,575) |
| Losses from fire | 9 | **-** | (17,086) |
| Impairment loss on property, plant and equipment | 8 | **(13,512)** | (36,000) |
| Fair value (losses)/gains, net on: | | | |
| - Derivative financial instruments | | **139** | 59 |
| - Other financial assets at fair value through profit or loss | | **(355)** | 4,022 |
| Loss from operations | | **(33,218)** | (61,168) |
| Finance costs | 5 | **(4,620)** | (5,021) |
| Share of profit/(loss) of a joint venture | | **293** | (29) |
| Loss before taxation | 4 | **(37,545)** | (66,218) |
| Income tax | 6 | **-** | (2,300) |
| Loss for the year | | **(37,545)** | (68,518) |
| Loss for the year attributable to : | | | |
| Owners of the Company | | **(37,545)** | (68,518) |
| Loss per share | 7 | | |
| - Basic and diluted | | **HK7.82 cents** | HK14.27 cents |

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Year ended 31 March | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| Loss for the year | **(37,545)** | (68,518) |
| Other comprehensive income for the year (after tax) | | |
| Item that may be reclassified subsequently to profit or loss: | | |
| Exchange difference on translation of functional currency to presentation currency | **7,985** | 2,264 |
| Other comprehensive income for the year, net of tax | **7,985** | 2,264 |
| Total comprehensive loss for the year | **(29,560)** | (66,254) |
| Total comprehensive loss for the year attributable to : | | |
| Owners of the Company | **(29,560)** | (66,254) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | **31 March 2014** *HK$'000* | 31 March 2013 *HK$'000* |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | **79,313** | 92,614 |
| Prepaid land lease payments | | **14,413** | 14,465 |
| Deposits paid for acquisition of property, plant and equipment | | **897** | 4,207 |
| Investments in a joint venture | | **-** | 53,316 |
| Available-for-sale investment | | **19,281** | 19,281 |
| | | **113,904** | 183,883 |
| CURRENT ASSETS | | | |
| Inventories | | **26,585** | 29,331 |
| Trade and bills receivable | 10 | **35,847** | 29,929 |
| Other financial assets at fair value through profit or loss | | **8,624** | 20,046 |
| Derivative financial instruments | | **-** | 71 |
| Other receivables, deposits and prepayments | | **50,749** | 15,277 |
| Tax recoverable | | **211** | 211 |
| Pledged bank deposits | | **269,342** | 169,319 |
| Cash and cash equivalents | | **70,786** | 109,482 |
| Non-current asset classified as held for sale | | **54,634** | - |
| | | **516,778** | 373,666 |
| CURRENT LIABILITIES | | | |
| Trade payables | 11 | **57,764** | 33,926 |
| Other payables and accruals | | **24,380** | 22,281 |
| Provision | 12 | **4,468** | - |
| Derivative financial instruments | | **-** | 210 |
| Interest-bearing bank and other borrowings | 13 | **237,324** | 161,745 |
| | | **323,936** | 218,162 |
| Net current assets | | **192,842** | 155,504 |
| Total assets less current liabilities | | **306,746** | 339,387 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

| | Note | **31 March 2014 HK$'000** | 31 March 2013 HK$'000 |
|---|---|---|---|
| Non-current liabilities | | | |
| Interest-bearing bank and other borrowings | 13 | **-** | 3,081 |
| Net assets | | **306,746** | 336,306 |
| | | | |
| CAPITAL AND RESERVES | | | |
| Share capital | | **48,024** | 48,024 |
| Reserves | | **258,722** | 288,282 |
| Total equity | | **306,746** | 336,306 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

These 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 and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for other financial assets at fair value through profit or loss and derivative financial instruments, which have been measured at fair value. These 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 and methods of computation used in the preparation of these financial statements are the same as those adopted in preparing the annual financial statements for the year ended 31 March 2013, except that the Group has adopted the new/revised HKFRSs which are effective for the current year's financial statements as detailed in note 2 below.

### 2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

| | |
|---|---|
| HKFRS 1 Amendment | Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans* |
| HKFRS 7 Amendments | Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* |
| HKFRS 10 | Consolidated Financial Statements |
| HKFRS 11 | Joint Arrangements |
| HKFRS 12 | Disclosure of Interests in Other Entities |
| HKFRS 10, HKFRS 11 and HKFRS 12 Amendments | Amendments to *HKFRS 10, HKFRS 11 and HKFRS 12 – Transition Guidance* |
| HKFRS 13 | Fair Value Measurement |
| HKAS 1 Amendments | Amendments to *HKAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income* |
| HKAS 19 (2011) | Employee Benefits |
| HKAS 27 (2011) | Separate Financial Statements |
| HKAS 28 (2011) | Investments in Associates and Joint Ventures |
| HK(IFRIC)-Int 20 | Stripping Costs in the Production Phase of a Surface Mine |
| Annual Improvements 2009-2011 Cycle | Amendments to a number of HKFRSs issued in June 2012 |

The adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements.

## 3. TURNOVER AND SEGMENT INFORMATION

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

Turnover represents the net invoiced value of goods sold, after allowances for returns, trade discounts and valued added tax during the year.

For management purposes, 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 decisions about resources allocation and performance assessment.

Geographical information

(a) Revenue from external customers

| | **Year ended 31 March** | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| The People's Republic of China ("PRC") | **83,684** | 126,238 |
| Hong Kong (place of domicile) | **45,754** | 80,511 |
| North America | **41,130** | 14,534 |
| Japan | **38,556** | 39,760 |
| Europe | **27,163** | 21,503 |
| Other countries | **8,085** | 13,384 |
| | **244,372** | 295,930 |

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

## 3. TURNOVER AND SEGMENT INFORMATION (continued)

Geographical information (continued)

(b) Non-current assets

| | **31 March 2014** | 31 March 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Hong Kong (place of domicile) | **452** | 2,516 |
| The PRC | **94,171** | 162,086 |
| | **94,623** | 164,602 |

The non-current asset information above is based on the location of assets and excludes financial instruments.

Information of major customers

Revenue of approximately HK$38,382,000 (2013: HK$39,410,000) was derived from sales of printed circuit boards to a subsidiary of Daisho Denshi Co., Ltd., a substantial shareholder of the Company holding 10.41% equity interest in the Company and also a company in which the Group has 7.46% equity interest.

## 4. LOSS BEFORE TAXATION

The Group's loss before taxation is arrived at after charging/(crediting):

| | **Year ended 31 March** | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| Gain on disposal of scrap materials | **(3,073)** | (6,266) |
| Bank interest income | **(8,731)** | (6,471) |
| Dividend income from listed equity investments | **(598)** | (875) |
| Loss on disposal of property, plant and equipment | **-** | 105 |
| Cost of inventories sold | **233,266** | 282,451 |
| Reversal of write down of inventories | **(400)** | (2,133) |
| Write down of inventories | **1,754** | 511 |
| Provision for tax payable and tax penalty included in: | | |
| - Cost of sales | **516** | - |
| - Other expenses | **2,234** | - |
| Depreciation | **16,545** | 28,019 |
| Net foreign exchange loss | **2,420** | 696 |

## 5. FINANCE COSTS

| | **Year ended 31 March** | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| Interest on bank and other borrowing wholly repayable within five years | **4,620** | 5,021 |
| Total interest expense on financial liabilities not at fair value through profit or loss | **4,620** | 5,021 |

## 6. INCOME TAX

Hong Kong and PRC profits tax have not been provided for in the consolidated financial statements as the Group has no assessable profits arising in both places for the year (2013 : Nil)

Where there is 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.

| | **Year ended 31 March** | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| Deferred tax | | |
| current year | **-** | 2,300 |

## 7. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic and diluted loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the Company of HK$37,545,000 *(2013: HK$68,518,000)* and the number of 480,243,785 *(2013: 480,243,785)* ordinary shares in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during those years.

## 8. IMPAIRMENT OF ITEMS OF PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 March 2014, the directors estimated the recoverable amount of the cash-generating unit by comparing the higher of the fair value less costs to sell 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 composed of land lease payment and buildings, leasehold improvements, machinery and equipment, furniture and fixtures, motor vehicles and computers.

An impairment provision of HK$13,512,000 (2013: HK$36,000,000) was recognised in the consolidated statement of profit or loss for the year.

## 9. LOSSES FROM FIRE

On 24 January 2013, the Group's production plant in Huizhou, the People's Republic of China ("PRC") had a fire accident that certain inventories and property, plant and equipment were destroyed or damaged. Losses incidental to this fire were:

| | **Year ended 31 March** |
|---|---|
| | **2013** |
| | ***HK$'000*** |
| Loss on inventories | 3,725 |
| Loss on property, plant and equipment | 13,361 |
| | 17,086 |

The damaged property, plant and equipment and inventories, were covered by the insurance policies of the Group. The Group is still claiming compensation for direct losses arising from the fire and also the loss of gross profits due to business interruption. The amount of the insurance compensations will be determined in accordance with the terms and provisions of insurance policies based on the replacement cost basis of the damaged property, plant and equipment, a cost value or contract price basis for the inventories and the loss of gross profits during the indemnity period. During the year ended 31 March 2014, HK$12,612,000 was received in advance from the insurance company which will be repayable immediately if no insurance compensation is required. Up to the date of approval of these financial statements, the amount of the compensation has not yet been agreed.

## 10. TRADE AND BILLS RECEIVABLE

| | **31 March 2014** | 31 March 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **37,530** | 30,898 |
| Impairment | **(1,683)** | (1,278) |
| | **35,847** | 29,620 |
| Bills receivable | **-** | 309 |
| | **35,847** | 29,929 |

The Group's business with its customers are mainly on credit basis, except for new customers, where payment in advance is normally required. The credit period is generally for a period of two months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding debtors to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the above mentioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over the balances. Trade debtors are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the payment due date, is as follows:

| | **31 March 2014** | 31 March 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current to 1 month | **34,587** | 25,746 |
| 1 to 2 months | **196** | 1,149 |
| 2 to 3 months | **-** | 879 |
| Over 3 months | **2,747** | 3,124 |
| | **37,530** | 30,898 |

Included in the Group's trade receivables is a receivable of HK$5,970,000 (2013: HK$3,033,000) due from a related party, which is a subsidiary of a substantial shareholder of the Company, arising from the trading of printed circuit boards, which is repayable in accordance with the credit terms granted to the related party.

## 11. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the payment due date, is as follows:

| | **31 March 2014** | 31 March 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current to 1 month | **32,529** | 20,372 |
| 1 to 2 months | **6,703** | 7,349 |
| 2 to 3 months | **6,103** | 1,992 |
| Over 3 months | **12,429** | 4,213 |
| | **57,764** | 33,926 |

The trade creditors are non-interest-bearing and are normally settled on 90-day terms.

## 12. PROVISION

Provision For Tax Payable And Tax Penalty

With respect to the violation of PRC Customs regulations by Huafeng Microline (Huizhou) Circuits Limited, as more fully explained in note 14 and following the issue of the notices of assessment by the Huizhou Customs and obtaining a legal advice, a provision totaling HK$4,468,000 was made for (a) the tax payable of HK$2,234,000, representing HK$516,000 and HK$1,718,000 for customs duty and import value-added tax which was correspondingly included in cost of sales and value added tax recoverable respectively, and (b) the tax penalty of HK$2,234,000.

## 13. INTEREST-BEARING BANK AND OTHER BORROWINGS

| Group | 2014 Effective interest rate (%) | 2014 Maturity | 2014 *HK$'000* | 2013 Effective interest rate (%) | 2013 Maturity | 2013 *HK$'000* |
|---|---|---|---|---|---|---|
| Current | | | | | | |
| Trust receipt loans | | | **-** | LIBOR+2.25% | 2013 | 3,845 |
| Bank loans - secured | HIBOR+1.1% to LIBOR+2.25% | 2014 | **92,324** | HIBOR+1.1% to HIBOR +3.2% | 2013 | 150,730 |
| Bank loans - secured | 1.8% to 2.3% | 2014 | **145,000** | | | - |
| Other loans - secured | | | **-** | Prime-1% | 2013-2014 | 7,170 |
| | | | **237,324** | | | 161,745 |
| Non-current | | | | | | |
| Other loans - secured | | | **-** | Prime-1% | 2013-2014 | 3,081 |
| | | | **-** | | | 3,081 |
| | | | **237,324** | | | 164,826 |

| | **31 March 2014** *HK$'000* | 31 March 2013 *HK$'000* |
|---|---|---|
| Analysed into: | | |
| Bank and other loans repayable: | | |
| Within one year or on demand | **237,324** | 161,745 |
| In the second year | **-** | 3,081 |
| | **237,324** | 164,826 |

At the end of the reporting period, except for certain bank and other loans denominated in United States dollars ("US$") equivalent to HK$87,824,000 (2013: HK$60,000,000), all the bank and other loans were denominated in Hong Kong dollars.

At the end of the reporting period, certain of the Group's bank loans and other loans are secured by:

(i) pledge of certain of the Group's bank deposits amounting to HK$269,342,000 (2013: HK$169,319,000); and

(ii) pledge of all the Group's Hong Kong listed equity investments amounting to HK$6,541,000 (2013: HK$17,430,000);

## 14. CONTINGENT LIABILITIES

In January 2014, the Huizhou Customs came to the premises of Huafeng Microline (Huizhou) Circuits Limited ("Huafeng"), a wholly-owned subsidiary of the Company in Huizhou, PRC to investigate suspected violation of PRC Customs regulations by Huafeng. The investigation by the Huizhou Customs is pending for handing over to the PRC Procuratorate. Up to the date of this report, Huafeng still operates as usual and none of Huafeng's assets has been seized or frozen by the Huizhou Customs.

Such investigation was brought to the attention of the board of directors of the Company and an internal investigation committee, composed of all executive directors, independent non-executive directors and a PRC legal advisor, was formed to investigate the circumstances which may constitute violation of PRC Customs regulations by Huafeng. Based on the findings of the internal investigation, the committee concluded that there were certain violation of the PRC Customs regulations by Huafeng but the committee is of the view that the net effect of the potential amount of tax payable, and tax penalty as a result of such violation is not significant.

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 about 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$2,234,000 for such tax payable has been made in the consolidated financial statements for the year ended 31 March 2014.

Under the existing PRC laws and regulations, the PRC court may impose a tax penalty of an amount equal to 1 to 5 times of the tax evaded by Huafeng and so the potential amount of tax penalty payable by Huafeng would be in the range of approximately RMB1,771,000 to RMB8,855,000 (equivalent to about HK$2,234,000 to HK$11,170,000). The directors sought a legal advice on this matter and considered that a provision of HK$2,234,000 for the tax penalty which has been made in the consolidated financial statements for the year ended 31 March 2014 is appropriate.

## 14. CONTINGENT LIABILITIES(Continued)

As the investigation by the Huizhou Customs has not been concluded, it is not possible to determine with any degree of reasonable certainty on (a) the amount of tax penalty which may finally be imposed by the PRC court against Huafeng, and (b) whether the Huizhou Customs will issue further notice of assessment to Huafeng. Should additional tax penalty in excess of the amount provided of HK$2,234,000 be imposed against Huafeng, the directors are of the opinion that the Group would have adequate net assets and resources to continue its operation.

As of the date of this report, no further action has been taken by the Huizhou Customs against Huafeng and there have been no further claims made against Huafeng, accordingly, based on the current available information, no further provision for the tax penalty and other claims or liabilities has been made in the consolidated financial statements.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS AND FINANCIAL REVIEW

The Group's revenue for the current year was about HK$244 million, down 17% from last year. The decrease in the Group's revenue for the current year was mainly caused by the significant reduction in the Group's printed circuit board ("PCB") production capacity resulting from the fire accident occurred in the Group's principal PCB production base in Huizhou, People's Republic of China ("PRC") on 24 January 2013 and the subsequent transfer of some purchase orders for PCB by certain customers of the Group to other PCB suppliers because the Group could not meet their demand.

The Group's gross profit margin decreased from about 5.27% for last year to about 4% for the current year. Apart from the abovementioned reduction in the volume of sales orders, which drove up the average fixed overhead cost per unit, the increase in subcontracting charges resulting from the abovementioned fire accident and the increase in minimum wages level in the PRC during the current year were also the reasons for the decrease in gross profit margin.

The Group's net loss for the current year was about HK$38 million while the Group's net loss for the last year was about HK$69 million. The reduction in the net loss was mainly because there were losses from fire for about HK$17 million and impairment of items of property, plant and equipment for about HK$36 million in last year but the impairment of items of property, plant and equipment for the current year was about HK$14 million only. It should be noted that no insurance compensation relating to the abovementioned fire accident has been recognised in the Group's results for the current year because the Group is still negotiating with the relevant insurance company on the amount of insurance compensation.

The Group's gearing ratios (defined as interest-bearing bank and other borrowings divided by total equity) at 31 March 2014 was 77% (*31 March 2013: 49%*). The Group's current ratio at 31 March 2014 and 31 March 2013 was 1.6 times and 1.71 times respectively. The Group's PCB operations had a net cash outflow of about HK$10 million during the current year ended 31 March 2014 (*2013: inflow of HK$11 million*).

The interest rate structure, maturity profile, currency structure and underlying security of the Group's interest-bearing bank and other borrowings as at 31 March 2014 and 31 March 2013 are detailed in note 13 of this announcement.

## BUSINESS AND FINANCIAL REVIEW(continued)

As at 31 March 2014, the Group's total cash and bank balances were approximately HK$340 million (*31 March 2013: HK$279 million*) and the Group's total interest-bearing bank and other borrowings amounting to approximately HK$237 million (*31 March 2013: HK$165 million*). Therefore, the Group had a net cash balance of approximately HK$103 million (*31 March 2013: HK$114 million*). Besides, the total credit facilities available to the Group were approximately HK$271 million (*31 March 2013: HK$233 million*) and, therefore, the unutilized credit facilities were approximately HK$34 million (*31 March 2013: HK$68 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$. In order to benefit from the interest rate differential between RMB and US$ or HK$, the Group pledged the RMB bank balances with banks in Mainland China as security for the Group's borrowings. Accordingly, the Group's pledged bank balance along with the Group's borrowings increased during the current year.

As at 31 March 2014, the Group's assets and liabilities were mostly denominated in either HK$, US$ or RMB. Because the exchange rate for US$ against HK$ is relatively stable in Hong Kong for the moment, the Group has not adopted any hedging tool against its assets or liabilities denominated in US$. Also because the Group's subsidiary in Mainland China had net assets as at 31 March 2014 and RMB is expected to remain stable, there is only a remote possibility that the Group will suffer exchange loss on the translation of these net assets and so the Group has not adopted any hedging tool against these net assets denominated in RMB.

### Employee Benefits

As at 31 March 2014, the Group had 689 (*31 March 2013: 676*) employees, including directors, working mainly in Mainland China. For the year ended 31 March 2014, the Group's total staff costs including directors' remuneration were HK$51,163,000 (*2013: HK$47,521,000*).

### Outlook

In light of the sluggish global economic environment at present, the Group expects that the momentum for revenue growth for the coming year will remain weak and it may take some time for certain customers of the Group, who have transferred some purchase orders for PCB to other PCB suppliers during the current year since the fire accident on 24 January 2013, to feel comfortable again to place with the Group purchase orders with amount comparable to the level before the fire accident. In order to improve its operating results, the Group is currently canvassing business from new customers and continuing the implementation of new cost savings measures.

The Group is aware that certain significant economic issues such as the weakening of the global economic climate etc. may affect the operating environment of the Group and it has adopted various means to alleviate the impact. Although the road ahead may be full of challenges, the Group as equipped with healthy financial position and ample experience in the manufacture of highly delicate PCB is ready to confront these challenges.

## FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2014 (2013: 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 2014, 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.

## 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 2014 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 2014

The company's auditor has qualified the report on the Group's consolidated financial statements for the year ended 31 March 2014, an extract of which is as follows:

Basis for qualified opinion

Scope limitation – Provision for tax payable and tax penalty
With respect to the violation of PRC Customs regulations by a subsidiary of the Company (the "Subsidiary"), a provision totaling HK$4,468,000 was made for tax payable and tax penalty based on assessment notices issued by the Huizhou Customs and a legal advice on the likelihood of the extent of tax penalty. As the investigation by the Huizhou Customs has not been concluded, it is not possible to determine with any degree of reasonable certainty on (a) the amount of tax penalty which may finally be imposed by the PRC court against the Subsidiary, and (b) whether the Huizhou Customs will issue further notice of assessment to the Subsidiary.

**EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (Continued)**

There were no alternative audit procedures that we could perform to satisfy ourselves as to the accuracy and completeness of the provision for tax payable and tax penalty and in consequence we were unable to determine whether any adjustments were necessary to the amount of provision stated in the consolidated statement of financial position at 31 March 2014 and the corresponding amounts of HK$516,000 and HK$2,234,000 included in cost of sales and other expenses in the statement of profit or loss for the year ended 31 March 2014 respectively and HK$1,718,000 included in other receivables, deposits and prepayments in the consolidated statement of financial position at 31 March 2014.

Any adjustments that might have been found to be necessary in respect of the matters set out in paragraphs above would have a consequential effect on the consolidated financial position of the Group as at 31 March 2014 and, the loss and cash flows of the Group for the year then ended and the related disclosures in the consolidated financial statements.

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 state of affairs of the Company and of the Group as at 31 March 2014, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance 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 2013 were audited by another auditor who expressed unmodified opinion on those statements on 28 June 2013.

**SCOPE OF WORK PERFORMED BY CROWE HORWATH (HK) CPA LIMITED**
The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2014 have been agreed by the Group's auditors, Crowe Horwath (HK) CPA Limited ("Crowe Horwath"), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Crowe Horwath 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 Crowe Horwath on the preliminary announcement.

**PUBLICATION OF ANNUAL REPORT**

The Company's Annual Report for the year ended 31 March 2014 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, 27 June 2014

*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
HANDA Yoshio
SUGAYA Shozo

***Independent non-executive directors:***
CHONG Chi Wah
LI Chi Kwong
YEUNG Chi Shing, Bret