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## **DAISHO MICROLINE HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 0567)**

### **UPDATE ON THE PROGRESS OF RESUMPTION**

Reference is made to the announcements of Daisho Microline Holdings Limited (the “**Company**”) dated 30 June 2015, 5 August 2015, 17 August 2015, 1 December 2015, 31 December 2015, 1 February 2016, 31 March 2016, 22 April 2016 and 7 June 2016 respectively (the “**Announcements**”). Unless the context requires otherwise, the capitalised terms used herein shall have the same meanings as defined in the Announcements.

#### **AUDIT COMMITTEE’S VIEWS ON THE CONSULTANT’S RECOMMENDATIONS**

Subsequent to the Formal Management Responses, the Consultant and the Relevant Management had made further responses respectively, each to supplement and clarify their respective views regarding the five Subject Issues and the underlying reasons in support of such views. Having considered the Consultant Report and the subsequent comments and responses of the Consultant and the Relevant Management, the Audit Committee considered that the forensic investigation by the Consultant was completed. Given that the Consultant did not find any clear evidence to suggest that the Subject Issues were related to fraud, and to avoid prolonged suspension of the trading of the Company’s shares and to protect the interest of the shareholders of the Company as a whole, the Audit Committee decided not to propose any additional work to be done by the Consultant.

The Audit Committee noted that (a) the Relevant Management’s oversight in assessing the inherent risks of the five Subject Issues was caused by, among other matters, the heavy workload of the Relevant Management and the peculiar corporate governance structure of the Group at the time when they exercised the authority to approve the five Subject Issues; (b) a series of recovery actions have been taken or will be taken by the Relevant Management to mitigate the loss to the Group and to strengthen the internal controls system and the corporate governance system of the Group; and (c) no fraud was involved, the Relevant Management did not have any personal interests in nor derive any personal benefits from the five Subject Issues, and the Relevant Management acted in good faith in the five Subject Issues. In view of the above, the Audit Committee considered that it would be in the interest of the Company for the Relevant Management to continue to act as the directors of the Company.

In addition, regarding the Consultant’s recommendation to seek internal controls or corporate governance expert to review the Group’s internal controls, the Board had engaged a reputable internal control advisor (the “**Advisor**”) to perform a review of the Group’s internal controls (the “**Internal Controls Review**”).

## **PROGRESS OF THE INTERNAL CONTROLS REVIEW**

In June 2016, the Board had engaged the Advisor to perform the Internal Controls Review. The scope of work of the Advisor was to conduct a gap analysis of the Company's internal controls system to identify potential areas of improvement, and to perform a high-level internal controls review of certain business processes to identify potential internal controls design gaps, and to recommend practical actions to be taken.

The report of the Internal Controls Review (the "**Review Report**") containing the observations, recommendations and corresponding management responses was issued to the Company on 1 September 2016. The Company accepts most of the Advisor's recommendations in the Review Report, which would be implemented in a timely manner. The Company believes that after the implementation of such recommendations, the Group would be able to further enhance its internal controls system.

## **PUBLICATION TIMELINE FOR OUTSTANDING FINANCIAL INFORMATION**

The Company is working closely with its auditor to finalise the outstanding financial information of the Group. The Company currently aims to publish the outstanding financial information of the Group under the expected timeline below:–

End of September 2016      Publication of the announcement of annual results for the year ended 31 March 2015, the interim results for the six months ended 30 September 2015, and the annual results for the year ended 31 March 2016;

Mid October 2016          Publication of the annual report for the year ended 31 March 2015, the interim report for the six months ended 30 September 2015, and the annual report for the year ended 31 March 2016;

## **CONTINUED SUSPENSION OF TRADING**

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, and will continue to be suspended until further notice. Shareholders and the investing public should exercise caution when dealing in the securities of the Company.

By Order of the Board  
**Chan Sik Ming, Harry**  
*Chairman*

Hong Kong, 6 September 2016

*As at the date of this announcement, the Board consists of three executive directors, namely, CHAN Sik Ming Harry, AU-YEUNG Wai Hung and CHEUNG Lai Na, and four independent non-executive directors, namely, LI Chi Kwong, YEUNG Chi Shing Bret, LEUNG King Fai and CHOU Yuk Yan.*