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If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountants or other professional adviser.

If you have sold all your shares in **Daisho Microline Holdings Limited**, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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DAISHO MICROLINE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 567)

**DISCLOSEABLE TRANSACTION
ACQUISITION OF MACHINE**

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“Acquisition”	the acquisition of the Machine by Microline from the Supplier for a total consideration of EUR2,844,000 (approximately HKD26,841,672)
“associate”	has the definition ascribed to it by the Listing Rules
“Board”	the board of Directors
“Company”	Daisho Microline Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange
“connected persons”	has the definition ascribed to it by the Listing Rules
“Contract”	the purchase order placed by Microline with the Supplier on 19 October 2005 in relation to the Acquisition
“Director(s)”	director(s) of the Company, including independent non-executive Directors
“EUR”	the Euro, the lawful currency of twelve of the twenty-five European Union member states
“Group”	the Company and its subsidiaries
“HDI”	High-Density Inter-Connect
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	4 November 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Machine”	the machine as described in section 2(iii) of this circular
“Microline”	Daisho Microline Limited, a company incorporated in Hong Kong with limited liability and an indirectly wholly-owned subsidiary of the Company

DEFINITIONS

“PCB”	printed circuit boards
“PRC”	the People’s Republic of China
“Share(s)”	ordinary shares of HKD0.10 each in the share capital of the Company
“Shareholder(s)”	the registered holder(s) of the Shares
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplier”	Atotech Asia Pacific Limited, a company incorporated in Hong Kong with limited liability
“%”	per cent.

Unless otherwise specified, the conversion of the Euro into Hong Kong dollars is based on the exchange rate of EUR1=HKD9.438. The conversion is for the purpose of illustration only and does not constitute a representation that the amounts in question have been, could have been or could be converted at the above rates or any other rates at all.

LETTER FROM THE BOARD



DAISHO MICROLINE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 567)

Executive Directors:

CHAN Sik Ming, Harry
Motofumi TSUMURA
Hiroto SASAKI
Hiroyuki KIKUCHI
AU-YEUNG Wai Hung

Registered Office :

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Independent Non-Executive Directors:

Kohu KASHIWAGI
CHAN Yuk Tong

Head Office and Principal Place of

Business in Hong Kong
Units B12-16, 3rd Floor, Block B
Hoplite Industrial Centre
3-5 Wang Tai Road
Kowloon Bay
Hong Kong

Company Secretary:

AU-YEUNG Wai Hung

7 November 2005

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION
ACQUISITION OF MACHINE**

1. INTRODUCTION

On 19 October 2005, the Board announced that Microline, an indirect wholly-owned subsidiary of the Company, placed a purchase order with the Supplier whereby Microline has ordered from the Supplier the Machine to be used in its factory in Huizhou, the PRC. The total consideration payable by Microline to the Supplier under the Contract is EUR2,844,000 (approximately HKD26,841,672).

The Acquisition constitutes a discloseable transaction of the Company and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

The purpose of this circular is to provide you with further details of the Acquisition and certain other information as required by the Listing Rules.

LETTER FROM THE BOARD

2. THE CONTRACT

(i) Date

19 October 2005

(ii) The Parties

(1) Purchaser: Microline

(2) Supplier: Atotech Asia Pacific Limited whose principal activity is the trading of chemicals and production equipment for PCB factories.

(iii) Subject matter of the Contract

Pursuant to the Contract, Microline agreed to purchase and the Supplier agreed to sell the Machine. The Machine is a brand new horizontal plating production line imported from Germany.

The Machine will be mainly used for plating copper throughout the walls of the tiny holes after drilling in the thin laminated boards and is highly essential for the manufacture of HDI PCB.

(iv) Consideration

The total consideration payable by Microline to the Supplier under the Contract is EUR2,844,000 (approximately HKD26,841,672), including free spare parts for EUR63,200 (approximately HKD596,482) and free chemicals for EUR110,600 (approximately HKD1,043,843). The consideration is arrived at after arm's length negotiations with the Supplier.

The total consideration will all be settled by an irrevocable letter of credit which is originally scheduled to be issued by Microline within 2 weeks from the date of the Contract. Upon mutual agreement between Microline and the Supplier, the letter of credit will be issued within about 2 weeks from the Latest Practicable Date and in any event before the time of delivery of the Machine in late November. Out of the total consideration:

- a. 30% will be paid against the Supplier's invoice as down-payment;
- b. 60% will be paid against the bills of lading; and
- c. 10% will be paid against the Protocol of Qualification but in any case within 150 days from the issue date of the bills of lading.

LETTER FROM THE BOARD

The Board still intends to fund the Acquisition by the Company's own internal resources. However, if the Company is offered attractive terms from banks, the Acquisition will also be funded by way of external financing.

(v) Delivery Time

The estimated time of departure of the Machine from Germany port will be on or before 25 November 2005.

3. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company incorporated in the Bermuda and the principal activity of the Group is the manufacture and trading of PCB.

The main reason for Microline to purchase the Machine is that the Company and Microline intend to enlarge the Group's production capacity of HDI PCB in order to cope with the foreseeable increase in the sales orders for HDI PCB as indicated by the forecasts from Microline's customers. The Machine is expected to benefit the Group because it can help produce more HDI PCB which have higher profit margin than ordinary PCB.

The Directors consider that the terms of the Contract are normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

4. FINANCIAL EFFECTS OF THE ACQUISITION

The Acquisition will result in the increase of the Group's fixed assets by EUR2,844,000 (approximately HKD26,841,672) which represents the total consideration of the Machine and the decrease of the Group's bank balances by the same amount (if the total consideration is all funded by the Group's internal resources) upon the Acquisition. If the consideration is funded by way of bank loan as well, the liabilities of the Group will increase as a result of the bank loan and the Group's bank balances will decrease to the extent of the amount of consideration paid out of the Group's internal resources.

Because the Machine is just one of the essential equipment for the manufacture of HDI PCB, the Board cannot assess the magnitude of the effect on the Group's earnings brought by the Acquisition alone. However, the Board expects that the Acquisition will have a favourable bearing on the Group's earnings because more HDI PCB with higher profit margin can be manufactured.

5. IMPLICATION UNDER THE LISTING RULES

As the applicable percentage ratios calculated under Chapter 14 of the Listing Rules in respect of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under rule 14.06(2) of the Listing Rules.

LETTER FROM THE BOARD

6. GENERAL

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiry, the Supplier and its ultimate beneficial owners are not connected persons of the Company or any of its subsidiaries or their respective associates and are third parties independent of the Company and connected persons of the Company.

7. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully,
By order of the Board
CHAN Sik Ming, Harry
Chairman

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts not contained in this circular, the omission of which would make any statement herein misleading.

2. DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO to be entered in the register maintained by the Company referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in the Listing Rules, were as follows:

(a) Long position in Shares

Directors

Name	Nature of interest	Number of Shares held	Approximate percentage of the Company's total issued share capital
Chan Sik Ming, Harry	Directly beneficially owned	39,080,000	8.29%
Chan Sik Ming, Harry	Beneficiary of a trust	68,657,417 <i>(Note)</i>	14.56% <i>(Note)</i>
Hiroto Sasaki	Directly beneficially owned	950,000	0.20%

Note: Chan Sik Ming, Harry, and his family are the objects of a discretionary trust which has appointed Earnwell Limited as its trustee. As at the Latest Practicable Date, Earnwell Limited held 68,657,417 Shares representing approximately 14.56% of the issued share capital of the Company.

(b) Share options in the Company

Name or category of participant	Date of grant	Exercise price (HKD/Share)	Exercise period	Number of underlying Shares pursuant to share options	Approximate percentage of the Company's total issued share capital
Directors:					
Hiroto Sasaki	15 June 2004	0.20	15 June 2004 – 14 June 2009	3,650,000	0.774%
Au-Yeung Wai Hung	15 June 2004	0.20	15 June 2004 – 14 June 2009	4,600,000	0.975%
				<u>8,250,000</u>	<u>1.749%</u>

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, none of the Directors and chief executive of the Company or their respective associates had any interest or short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS

So far as was known to the Directors or chief executive of the Company, as at the Latest Practicable Date, the following persons (other than a Director or chief executive of the Company) or corporations had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group or in any options in respect of such capital:

Name	Capacity and Nature of Interest	Number of Shares held	Approximate percentage of the Company's total issued share capital
Lau Wing Hung	Directly beneficially owned	68,078,000	14.44%
Earnwell Limited	Trustee	68,657,417	14.56%
Daisho Denshi Co., Ltd. <i>(Note)</i>	Directly beneficially owned	50,000,000	10.60%
Easy Gain Limited	Trustee	47,984,416	10.18%

Note: Mr. Hiroto Sasaki, one of the executive Directors, is also a director of Daisho Denshi Co., Ltd. Save as disclosed above, no Director is a director or employee of a company which as at the Latest Practicable Date has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, there was no person known to the Directors who had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, was directly or indirectly, interested in 10% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group, or any options in respect of such capital.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Group which does not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

5. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or claim of material importance and, so far as the Directors are aware, no litigation or claim of material importance is pending or threatened against the Company or any of its subsidiaries.

6. COMPETING INTEREST

As at the Latest Practicable Date, the following Director is considered to have interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules, as set out below:

Mr. Hiroto Sasaki is a director of Daisho Denshi Co., Ltd., which is involved in the manufacture and trading of PCB.

As the Board is independent from the board of directors of Daisho Denshi Co., Ltd. and the above Director does not control the Board, the Group is capable of carrying on its business independently of, and at arm's length from, the business of Daisho Denshi Co., Ltd..

7. GENERAL

- (a) The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and the Company's head office and principal place of business in Hong Kong is Units B12-16, 3rd Floor, Block B, Hoptite Industrial Centre, 3-5 Wang Tai Road, Kowloon Bay, Hong Kong.
- (b) The Hong Kong branch share registrar and transfer office of the Company is Tengis Limited at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (c) The secretary and qualified accountant of the Company is Au-Yeung Wai Hung. Mr. Au-Yeung is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.
- (d) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.