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DAISHO MICROLINE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0567)

PROFIT WARNING

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules.

The Board wishes to inform the Shareholders and potential investors that the profit of the Group for the year ended 31 March 2008 may be reduced by an estimated foreign exchange loss of about HK\$38 million.

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

This announcement is made by Daisho Microline Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The board of directors of the Company (the “**Board**”) wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that the profit of the Group for the year ended 31 March 2008 may be reduced by an estimated foreign exchange loss of HK\$38 million.

In order to hedge the Group’s exposure resulting from the continuous appreciation of Renminbi (“**RMB**”), a wholly-owned subsidiary of the Company entered into a non-deliverable foreign exchange forward contract (the “**Forward Contract**”) with a financial institution on 28 June 2007 for a term of one year ending on 2 July 2008. Pursuant to the Forward Contract, the Group will buy RMB during the term of the Forward Contract at favourable exchange rate if the United States Dollar (“**USD**”) 3-month London Inter-Bank Offer Rate (“**3-month LIBOR**”) stays within a range of certain percentage (the “**Prescribed Range**”). Otherwise, the Group will buy RMB at unfavourable exchange rate.

Due to the unexpected and drastic cut in the USD interest rate since mid-January 2008, the 3-month LIBOR has dropped below the Prescribed Range and the Group has begun to buy RMB at unfavourable exchange rate since then.

The Board has explored the possibility of restructuring the Forward Contract with the financial institution with a view to mitigate the foreign exchange loss relating to the Forward Contract. However, the Board is of the view that the restructuring proposals put forward by the financial institution might increase the Group's foreign exchange loss further in light of the uncertain economic circumstances in the United States. As at the date of this announcement, none of the restructuring proposals has been adopted by the Group. It is expected that the Group would suffer a foreign exchange loss of approximately HK\$38 million from the Forward Contract as a whole if the 3-month LIBOR does not fall within the Prescribed Range during the remaining term of the Forward Contract.

As the Company is still in the process of finalizing its results for the year ended 31 March 2008, the information contained in this announcement is a preliminary estimate given by the management of the Company and is not based on any figures nor information that has been audited or reviewed by the Company's auditors.

Shareholders and potential investors should exercise caution when dealing in shares of the Company.

By Order of the Board
Chan Sik Ming, Harry
Chairman

Hong Kong, 9 May 2008

As at the date of this announcement, the Board comprises the following members:

Executive directors:

CHAN Sik Ming, Harry (*Chairman & CEO*)
Motofumi TSUMURA
Hiroto SASAKI
Hiroyuki KIKUCHI
AU-YEUNG Wai Hung

Independent non-executive directors:

Kohu KASHIWAGI
CHAN Yuk Tong
LI Chi Kwong