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DAISHO MICROLINE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0567)

DISCLOSEABLE TRANSACTION DISPOSAL OF EQUITY INTEREST IN HUA RUI

Referring to the 21 October 2010 Announcement, Hua Rui is a company established in Huizhou, PRC with a registered capital of RMB8,000,000 and owned by Huafeng (a wholly-owned subsidiary of the Company) and Yi Rui in equal proportions. As further disclosed, Huafeng and Yi Rui would in proportion to their equity interest in Hua Rui, each invest RMB40,000,000 in cash into Hua Rui. Completion of the 2010 Investment took place already.

Reference is made to the 17 June 2013 Announcement, whereby it was announced, among others, that the Group intended to dispose of its investment in a jointly-controlled entity. On 2 July 2014, Huafeng, Yi Rui and Hua Rui entered into the Equity Transfer and Shareholder's Loan Repayment Agreement pursuant to which, it was agreed between the parties that, among others, (i) Huafeng will transfer its 50% equity interest in Hua Rui to Yi Rui (or a third party as nominated by Yi Rui) for a consideration of RMB4,000,000 (equivalent to approximately HK\$5,039,000); and (ii) Hua Rui will repay the Loan, being a shareholder's loan in the amount of RMB40,000,000 (equivalent to approximately HK\$50,390,000) and without interest, made by Huafeng to Hua Rui under the 2010 Investment, to Huafeng.

As the applicable percentage ratios calculated in accordance with Chapter 14 of the Listing Rules for the transaction contemplated under the Equity Transfer is more than 5% but less than 25%, such transaction constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under the Listing Rules.

BACKGROUND

Referring to the 21 October 2010 Announcement, Hua Rui is a company established in Huizhou, PRC with a registered capital of RMB8,000,000 and owned by Huafeng (a wholly-owned subsidiary of the Company) and Yi Rui in equal proportions. As further disclosed, Huafeng and Yi Rui would in proportion to their equity interest in Hua Rui, each invest RMB40,000,000 in cash into Hua Rui. Completion of the 2010 Investment took place already.

As of the date of this announcement, Hua Rui is managed as a joint venture enterprise by Huafeng and Yi Rui, who each have an equity interest in Hua Rui in equal proportions.

THE EQUITY TRANSFER AND SHAREHOLDER'S LOAN REPAYMENT AGREEMENT

- Parties:
- (1) Huafeng, a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company, whose principal business activity is the manufacture of printed circuit boards;
 - (2) Yi Rui, a company established in the PRC with limited liability, whose principal business activity is real estate development; and
 - (3) Hua Rui, a company established in the PRC with limited liability and managed as a joint venture enterprise by Huafeng and Yi Rui, who each have an equity interest in Hua Rui in equal proportions and which is intended to be principally engaged in the business of real estate development.

Date: 2 July 2014

The Company confirms that, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Yi Rui and each of its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Equity Transfer and Loan Repayment

Pursuant to the Equity Transfer and Shareholder's Loan Repayment Agreement, Huafeng has agreed to transfer its 50% equity interest in Hua Rui to Yi Rui (or a third party as nominated by Yi Rui) for a consideration of RMB4,000,000 (equivalent to approximately HK\$5,039,000), which shall be settled by Yi Rui (or a third party as nominated by Yi Rui) in one lump sum within two working days of the entering into of the Equity Transfer Agreement between Huafeng and Yi Rui (or a third party as nominated by Yi Rui). Completion of the Equity Transfer is expected to take place before 15 August 2014, upon which the entering into of the Equity Transfer Agreement and the passing of shareholders' resolutions of Hua Rui to approve, among others, the Equity Transfer, will take place.

It has been agreed that within seven working days of the entering into of the Equity Transfer and Shareholder's Loan Repayment Agreement, Huafeng and Hua Rui will enter into the Escrow Agreement with the Designated Escrow Agent for the purpose of, among others, setting up an escrow arrangement for the Loan Repayment and within ten working days of the entering into of the Escrow Agreement, Hua Rui will deposit RMB40,000,000 (equivalent to approximately HK\$50,390,000) in one lump sum, being the amount to be repaid under the Loan Repayment, into the escrow account opened by Hua Rui with the Designated Escrow Agent.

It has been agreed that upon successful completion of the Equity Transfer and various registration procedures for equity transfers (the "**Registration Procedures**"), the Designated Escrow Agent will transfer RMB40,000,000 (equivalent to approximately HK\$50,390,000) in one lump sum, being the amount to be repaid under the Loan Repayment, to Huafeng on

the automatic payment date as specified in the Escrow Agreement, which has tentatively been fixed to be on 15 September 2014 (the “**Payment Date**”). If completion of the Registration Procedures occurs on a date falling before at least two working days before the Payment Date, Hua Rui will give instructions to the Designated Escrow Agent to effect the aforementioned transfer earlier. If completion of the Registration Procedures does not occur by a date falling four working days before the Payment Date, Hua Rui will give instructions to the Designated Escrow Agent to postpone the Payment Date by ten working days each time until the Registration Procedures are complete.

Upon receipt of (i) RMB4,000,000 (equivalent to approximately HK\$5,039,000) as consideration for the Equity Transfer; and (ii) RMB40,000,000 (equivalent to approximately HK\$50,390,000) for the Loan Repayment, Huafeng will cease to have any rights and obligations as a shareholder of Hua Rui.

INFORMATION ON HUA RUI

Based on the unaudited financial statements of Hua Rui as adjusted for any differences arising from adopting different accounting policies by the Group, the net profit/loss (before and after taxation) attributable to the 50% equity interest in Hua Rui for the two immediately preceding financial years were as follows:

	(Unaudited) For the financial year ended 31 March 2014 <i>RMB</i>	(Unaudited) For the financial year ended 31 March 2013 <i>RMB</i>
Net profit/(loss) before and after taxation of Hua Rui attributable to the 50% equity interest	232,446	(23,333)

Based on the unaudited financial statements of Hua Rui as at 31 March 2014 as adjusted for any differences arising from adopting different accounting policies by the Group, the book value of the net assets attributable to the 50% equity interest in Hua Rui was approximately RMB3,266,066 (equivalent to approximately HK\$4,114,427).

REASONS FOR AND BENEFITS OF THE EQUITY TRANSFER AND LOAN REPAYMENT

In the absence of mutual agreement between Huafeng and Yi Rui in the joint management of Hua Rui, the only piece of land as currently held by Hua Rui in Huizhou, Guangdong province of the PRC has remained undeveloped. The statutory deadline for the commencement of the construction works on the land as approved by the relevant government authority expired on 20 September 2013. If the land remains undeveloped until 21 September 2014, a land idle charge equivalent to not more than 20% of the consideration for the corresponding land use rights will be levied by the PRC government. If the land remains undeveloped until 21 September 2015, the PRC government has the right to revoke the corresponding land use rights without compensation.

In order to avoid the levy of the land idle charge or even the revocation of the corresponding land use rights without compensation, which will be detrimental to the interests of Hua Rui, Huafeng and Yi Rui, Huafeng has agreed that the consideration for the Equity Transfer and the amount to be repaid under the Loan Repayment shall be determined on a cost basis. As the Group has shared with Yi Rui the net operating loss of Hua Rui in its consolidated financial statements in the past, the net gain deriving from the Equity Transfer and the Loan Repayment from the Group's perspective as calculated by comparing the corresponding consideration and the amount to be repaid, with the carrying value of the Group's investments in Hua Rui (as disclosed in the Company's preliminary consolidated results announcement for the year ended 31 March 2014 dated 27 June 2014, such value is HK\$54,634,000) is estimated to be approximately HK\$795,000. Upon completion of the Equity Transfer and the Loan Repayment, the potential capital commitment by the Group in Hua Rui will be eliminated and the liquidity position of the Group will also be greatly enhanced. It is intended that the proceeds from the Equity Transfer and Loan Repayment will be used as general working capital of the Group.

In view of the above, the Directors believe that the terms of the Equity Transfer and Loan Repayment are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

REQUIREMENTS UNDER THE LISTING RULES

As the applicable percentage ratios calculated in accordance with Chapter 14 of the Listing Rules for the transaction contemplated under the Equity Transfer is more than 5% but less than 25%, such transaction constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under the Listing Rules.

GENERAL

The principal business activity of the Company is investment holding. The principal business activities of the subsidiaries of the Company are investment holding and the manufacture and trading of printed circuit boards.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“17 June 2013 Announcement” the announcement of the Company dated 17 June 2013;

“2010 Investment” the investment, pursuant to which Huafeng and Yi Rui in proportion to their interest in Hua Rui, each invested RMB40,000,000 into Hua Rui in the form of a shareholder's loan, completion of which took place already and further details of which are contained in the 21 October 2010 Announcement;

“21 October 2010 Announcement”	the announcement of the Company dated 21 October 2010;
“Board”	the board of Directors of the Company;
“Company”	Daisho Microline Holdings Limited, a company incorporated in Bermuda, the shares of which are listed on the Main Board of the Stock Exchange;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Designated Escrow Agent”	the designated escrow agent under the Escrow Agreement, which is currently expected to be the Bank of Communications Limited;
“Director(s)”	the Director(s) of the Company;
“Equity Transfer”	the transfer of Huafeng’s 50% interest in Hua Rui to Yi Rui (or a third party as nominated by Yi Rui);
“Equity Transfer Agreement”	an equity transfer agreement to be entered into between Huafeng and Yi Rui (or a third party as nominated by Yi Rui) for the purpose of effecting the Equity Transfer;
“Equity Transfer and Shareholder’s Loan Repayment Agreement”	the agreement entered into between Huafeng, Yi Rui and Hua Rui on 2 July 2014 in relation to, among others, the Equity Transfer and the Loan Repayment;
“Escrow Agreement”	an escrow agreement to be entered into between Huafeng, Hua Rui and the Designated Escrow Agent for the purpose of, among others, setting up an escrow arrangement for the Loan Repayment;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Huafeng”	Huafeng Microline (Huizhou) Circuits Limited (華鋒微綫電子(惠州)工業有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company;
“Hua Rui”	惠州市華瑞房地產開發有限公司, a company established in the PRC with limited liability and managed as a joint venture enterprise by Huafeng and Yi Rui, who each has an interest in Hua Rui in equal proportions;

“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“Loan”	a shareholder’s loan in the amount of RMB40,000,000 (equivalent to approximately HK\$50,390,000) made by Huafeng to Hua Rui under the 2010 Investment;
“Loan Repayment”	the repayment of the Loan by Hua Rui to Huafeng;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Yi Rui”	惠州億瑞實業有限公司, a company established in the PRC with limited liability; and
“%”	per cent.

Note: For information purpose only, the translation of RMB to HK\$ in this announcement is based on the exchange rate of RMB1.00 to HK\$1.25975.

By Order of the Board
Chan Sik Ming, Harry
Chairman

Hong Kong, 2 July 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