

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



DAISHO MICROLINE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0567)

UPDATE ON THE RELOCATION AND THE NEW PRINTED CIRCUIT BOARD MANUFACTURING FACILITY AND INSIDE INFORMATION MEMORANDUM OF UNDERSTANDING IN RELATION TO A POSSIBLE DISPOSAL

This announcement is made by Daisho Microline Holdings Limited (the “**Company**”, and 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**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

UPDATE ON THE RELOCATION AND THE NEW PCB PLANT

Reference is made to the announcement of the Company dated 13 April 2018 (the “**Announcement**”) in relation to the relocation of the Group’s printed circuit board manufacturing facility (the “**Relocation**”) to a new production site in Huizhou (the “**New PCB Plant**”) and the potential redevelopment or disposal of the current factory buildings and waste water treatment facilities and its affiliated land (the “**Relevant Properties**”). Unless otherwise specified, capitalized terms used herein shall have the same meaning as defined in the Announcement.

It is expected that the Relocation will commence in the second half of June 2018. The Group is in the process of setting up the New PCB Plant in preparation of the Relocation. The technical team is making studies to streamline the production process and machine configuration so as to improve our production efficiency. We are also in the process of detailing our strategic cooperation with the Independent Third Party with an aim to maximize benefit from some of the newer and better automated machines of the Independent Third Party. As a result of these initiatives, it is expected that the number of permanent staff employed will be reduced by approximately 20% in the New PCB Plant. The Group and the affected staff are in the process of making relevant settlement arrangements. Meanwhile, the sourcing of orders in the People’s Republic of China (the “**PRC**”) is making satisfactory progress and some of our existing customers are expressing willingness to place new orders with us as we resume production.

MEMORANDUM OF UNDERSTANDING

The Board of the Company is pleased to announce that on 25 May 2018 (after trading hours), Daisho Microline Limited and Juko Industrial Ltd. (collectively, the “**Vendors**”) and an independent third party (the “**Possible Purchaser**”) entered into a memorandum of understanding (the “**MOU**”), pursuant to which the Vendors intend to sell and the Possible Purchaser intends to purchase all of the issued shares (the “**Sale Interests**”) in Da Feng Hua Microline Technology (Huizhou) Company Ltd.* (大鋒華微綫科技(惠州)有限公司) (the “**Target Company**”), a company incorporated in the PRC, which owns the Relevant Properties (the “**Possible Disposal**”).

The Vendors and the Target Company are wholly-owned subsidiaries of the Group. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the Possible Purchaser and its ultimate beneficial owner is a third party independent of and not connected with the Company or its connected persons (as defined in the Listing Rules).

Assets to be disposed of

The Sale Interests, representing 100% of the entire issued share capital of the Target Company as at the date of this announcement.

Consideration

The consideration for the Sale Interests is provisionally estimated to be HK\$200 million, to be settled in cash.

Deposit

The Possible Purchaser shall pay the designated legal representative of the Vendors the deposit in the amount of HK\$20 million (the “**Deposit**”) on the date of the MOU. If the Formal Agreement (as defined below) is entered into between the Vendors and the Possible Purchaser or its designated affiliated company, the Deposit shall be applied as partial payment of the consideration to be made by the Possible Purchaser or its designated affiliated company upon completion of the Possible Disposal.

In any event that the Formal Agreement (as defined below) is not entered into between the Vendors and the Possible Purchaser or its designated affiliated company during or before the Exclusivity Period (as defined below), or the Vendors and the Possible Purchaser mutually agree to terminate negotiations in relation to the Possible Disposal in any time, the Deposit will be refunded to the Possible Purchaser.

Formal agreement

The Vendors and the Possible Purchaser shall cooperate and negotiate in good faith with the view of entering into a legally binding formal sale and purchase agreement in relation to the Possible Disposal (the “**Formal Agreement**”) on or before 15 July 2018.

Conditions Precedent

Completion of the Possible Disposal is conditional upon fulfilment of conditions precedent including but not limited to the following:

- (i) the Board having approved the Formal Agreement;
- (ii) the passing of the requisite resolution by the shareholders of the Company at a general meeting approving the Possible Disposal and the transactions contemplated thereunder in accordance with the Listing Rules and the applicable laws and regulations; and
- (iii) any necessary consents and approvals in relation to the Possible Disposal and the transactions contemplated thereunder required to be obtained from the relevant authorities and under the relevant laws and regulations having been obtained.

Exclusivity

During the three-month period from the date of the execution of the MOU (or such longer period as the Vendors and the Possible Purchaser may agree in writing) (the “**Exclusivity Period**”), the Vendors shall not initiate any sale of Sale Interests, discuss with, negotiate with, solicit other potential purchasers nor enter into any legally binding or non-legally binding agreement in relation to the Possible Disposal.

Binding effect

Save for the provisions relating to binding effect, governing law, exclusivity, termination and confidentiality and announcement, the MOU is not legally binding on the parties thereto.

Termination

Unless otherwise agreed between the Vendors and the Possible Purchaser in writing, the MOU will be terminated (save for provisions relating to confidentiality and announcement which shall survive termination) on 16 August 2018 in the event that the Formal Agreement is not entered into on or before 15 August 2018.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in the PRC and a wholly-owned subsidiary of the Company which owns the entire interest of the Relevant Properties, i.e. the printed circuit board manufacturing facility of the Group before the Relocation and its affiliated land located in Suwa Scientific Park, Zhen Nan Shan, Gu Tang Ao, Huizhou.

REASONS FOR AND BENEFIT OF THE POSSIBLE DISPOSAL

As set out in the Announcement, as production activities of the Group would be relocated to the New PCB Plant following the Relocation, the Group has no intended use of the Relevant Properties. The Directors consider that the Possible Disposal, if materialized, represents a prime opportunity for the Group to release the value of the Relevant Properties, so as to enable the Group to re-allocate financial resources more effectively to support the development of the existing businesses of the Group (including the PCB business), strengthen the liquidity and capital base of the Company and maximize benefits of shareholders of the Company.

In view of the above, the Directors consider the entering into of the MOU and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and its shareholders as a whole.

GENERAL

The Board wishes to emphasize that the Possible Disposal is subject to, among others, the execution of a legally binding definitive Formal Agreement, the terms and conditions of which are yet to be negotiated and agreed upon. Should the Possible Disposal be materialised, it may constitute a very substantial disposal for the Company under Chapter 14 of the Listing Rules and therefore further announcement(s) will be made by the Company as and when appropriate in accordance with the Listing Rules.

Shareholders and potential investors of the Company should note that the transaction provision under the MOU is not legally-binding. The Possible Disposal may or may not proceed or materialise and the final structure and terms of the Possible Disposal, which are still subject to further negotiations among the parties, have yet to be finalised. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By Order of the Board
Cheung Lai Na
Chairman

Hong Kong, 25 May 2018

As at the date of this announcement, the Board consists of two executive directors, namely, CHEUNG Lai Na and CHEUNG Lai Ming, one non-executive director, namely LEE Man Kwong and three independent non-executive directors, namely, LEUNG King Fai and CHOU Yuk Yan and LAW Ping Wah.

* For identification purpose only