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If you are in any 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 accountant or other professional adviser.

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

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DAISHO MICROLINE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0567)

CONTINUING CONNECTED TRANSACTIONS SALES AGREEMENT

**Independent financial adviser to the Independent Board Committee and
the Independent Shareholders**



A letter from the Board is set out on pages 3 to 10 of this circular and a letter from the Independent Board Committee is set out on page 11 of this circular. A letter from First Shanghai containing its advice to the Independent Board Committee is set out on pages 12 to 22 of this circular.

A notice convening a special general meeting of Daisho Microline Holdings Limited to be held at 11:00 a.m. on Friday, 26 March 2010 at Units B12-16, 3rd Floor, Block B, Hoplite Industrial Centre, 3-5 Wang Tai Road, Kowloon Bay, Hong Kong is set out on pages 28 to 29 of this circular. A form of proxy for use by the Shareholders at the special general meeting and at any adjourned meeting is also enclosed. Whether or not you propose to attend the special general meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the special general meeting or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the special general meeting or any adjourned meeting should you so wish.

26 February 2010

CONTENTS

	<i>Pages</i>
Definitions	1
Letter from the Board	3
Introduction	3
Background	4
The Sales Agreement	5
The Annual Caps	6
Reasons for entering into the Sales Agreement	7
General Information	7
Listing Rules Requirements	8
The Special General Meeting	9
Recommendation of the Independent Board Committee	10
Recommendation of the Board	10
Additional Information	10
Letter from the Independent Board Committee	11
Letter from First Shanghai	12
Appendix – General Information	23
Notice of Special General Meeting	28

DEFINITIONS

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

“Annual Caps”	the proposed maximum aggregate annual values of the Transactions for each of the three financial years ending 31 March 2013
“associates”	as defined under the Listing Rules
“Board”	the board of Directors
“Company”	Daisho Microline Holdings Limited, a company incorporated in Bermuda, the shares of which are listed on the main board of the Stock Exchange
“Daisho Denshi”	Daisho Denshi Co., Ltd., a company incorporated in Japan with limited liability and a substantial shareholder of the Company holding 10.41% of the issued share capital of the Company as at the Latest Practicable Date
“Daisho Denshi Group”	Daisho Denshi and its subsidiaries
“Daisho Denshi (HK)”	Daisho Denshi (H.K.) Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of Daisho Denshi
“Directors”	directors of the Company
“DML”	Daisho Microline Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“First Shanghai”	First Shanghai Capital Limited, a licensed corporation under the SFO to carry out Type 6 regulated activities (advising on corporate finance) under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Sales Agreement, the Transactions and the Annual Caps
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board, comprising of the independent non-executive Directors, Mr. Kohu Kashiwagi, Mr. Chan Yuk Tong and Dr. Li Chi Kwong, is established to advise the Independent Shareholders in relation to the terms of the Sales Agreement, the Transactions and the Annual Caps

DEFINITIONS

“Independent Shareholders”	the Shareholders other than Daisho Denshi and its associates
“Independent Third Parties”	persons or companies which are independent of any members of the Group, the directors, the chief executives, the controlling shareholders, the substantial shareholders of the Company or its subsidiaries, and their respective associates
“Latest Practicable Date”	23 February 2010, 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
“PCB”	printed circuit boards
“PRC”	the People’s Republic of China
“Sales Agreement”	the Sales and Purchase Agreement dated 5 February 2010 entered into between Daisho Denshi (HK) as purchaser and DML as supplier
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held at Units B12-16, 3rd Floor, Block B, Hoplite Industrial Centre, 3-5 Wang Tai Road, Kowloon Bay, Hong Kong on Friday, 26 March 2010 at 11:00 a.m. to approve the Sales Agreement, the Transactions and the Annual Caps
“SGM Notice”	the notice convening the SGM as set out on pages 28 to 29 of this circular
“Share(s)”	the share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	the holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	as defined under the Listing Rules
“Transactions”	the transactions as contemplated under the Sales Agreement
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong

LETTER FROM THE BOARD



DAISHO MICROLINE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0567)

Executive Directors:

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

Registered Office:

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Independent Non-Executive Directors:

Kohu KASHIWAGI
CHAN Yuk Tong
LI Chi Kwong

Head Office and Principal

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

26 February 2010

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
SALES AGREEMENT**

INTRODUCTION

In an announcement of the Company dated 5 February 2010, the Company announced that DML, a wholly-owned subsidiary of the Company, entered into the Sales Agreement with Daisho Denshi (HK), a wholly-owned subsidiary of Daisho Denshi, whereby Daisho Denshi Group agreed to purchase and the Group agreed to sell and deliver to Daisho Denshi Group PCB for their use or consumption and/or for sale on a non-exclusive basis for a term of three years commencing from 1 April 2010. The Transactions are also subject to the maximum aggregate annual value of HK\$120 million, HK\$144 million and HK\$173 million for the three financial years ending 31 March 2011, 2012 and 2013 respectively.

LETTER FROM THE BOARD

The entering into of the Sales Agreement and the Transactions between the Group and Daisho Denshi Group constitute non-exempt continuing connected transactions for the Company under Rule 14A.35 of the Listing Rules, and are subject to the reporting and disclosure requirements under Rules 14A.45 to 14A.47 of the Listing Rules, the approval of the Independent Shareholders under Rule 14A.48 of the Listing Rules and the annual review requirements by the independent non-executive Directors and the auditors of the Company under Rules 14A.37 and 14A.38 of the Listing Rules.

In view of the interests of Daisho Denshi in the Transactions, Daisho Denshi and its associates will abstain from voting in relation to the ordinary resolution approving the Sales Agreement, the Transactions and the Annual Caps at the SGM.

The Board has established the Independent Board Committee to consider and advise the Independent Shareholders on the terms of the Sales Agreement, the Transactions and the Annual Caps and has also appointed First Shanghai as the independent financial adviser of the Company to advise the Independent Board Committee and the Independent Shareholders.

The purpose of this circular is (i) to provide you with further information relating to the Sales Agreement, the Transactions and the Annual Caps; (ii) to set out the opinions and recommendations of the Independent Board Committee and First Shanghai; and (iii) to give you the SGM Notice to consider and, if thought fit, to approve the Sales Agreement, the Transactions and the Annual Caps.

BACKGROUND

Reference is made to the announcement of the Company dated 29 January 2007 and the circular of the Company dated 27 February 2007 in relation to the sales transactions of PCB between the Group and Daisho Denshi Group. Pursuant to the Company's special general meeting on 16 March 2007, an ordinary resolution was passed to approve the sales transactions of PCB between the Group and Daisho Denshi Group and the maximum aggregate annual values of HK\$132 million, HK\$158 million and HK\$190 million of the sales transactions for the two financial years ended 31 March 2008 and 31 March 2009 and the financial year ending 31 March 2010.

The Board wishes to continue to sell PCB to Daisho Denshi Group after the financial year ending 31 March 2010 on an on-going basis. On 5 February 2010, DML, a wholly-owned subsidiary of the Company, entered into the Sales Agreement with Daisho Denshi (HK), a wholly-owned subsidiary of Daisho Denshi, whereby Daisho Denshi Group agreed to purchase and the Group agreed to sell and deliver to Daisho Denshi Group PCB for their use or consumption and/or for sale on a non-exclusive basis for a term of three years commencing from 1 April 2010.

LETTER FROM THE BOARD

THE SALES AGREEMENT

Date

5 February 2010

Parties

- (1) Daisho Denshi (HK) as the purchaser; and
- (2) DML as the supplier.

Term

The term of the Sales Agreement is three years commencing from 1 April 2010 and ending on 31 March 2013.

Condition Precedent

The Sales Agreement is conditional upon the obtaining of the approval of the Independent Shareholders.

Consideration

The consideration for sale of PCB to Daisho Denshi Group will be settled in cash, but the payment and settlement terms in relation to the provision of PCB by the Group to Daisho Denshi Group will be set out in the separate and definitive agreements to be entered into between members of the Group and Daisho Denshi Group from time to time.

Particulars of the Sales Agreement

The Sales Agreement is a master agreement which sets out the principles upon which detailed terms are to be determined between the relevant members of the Group and Daisho Denshi Group. Pursuant to the Sales Agreement, members of the Group and Daisho Denshi Group will enter into separate and definitive agreements from time to time to provide for the detailed terms of each single transaction in accordance with the principles in the Sales Agreement. Such detailed terms include (but without limitation) the basis on and particular specification for which PCB will be supplied, the price of PCB, payment and settlement terms and other terms and conditions in relation to the provision of PCB by the Group to Daisho Denshi Group. The parties agree that such detailed terms shall be on normal commercial terms and shall be determined with reference to and be comparable with the market rates and the terms and conditions for the provision of PCB by the Group to the Independent Third Parties, or if there are insufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) the Independent Third Parties.

LETTER FROM THE BOARD

THE ANNUAL CAPS

The Transactions between the Group and Daisho Denshi Group under the Sales Agreement are subject to the reporting and disclosure requirements, the approval of the Independent Shareholders and the annual review requirements by the independent non-executive Directors and the auditors of the Company under Chapter 14A of the Listing Rules. The Transactions are also subject to the maximum aggregate annual value of HK\$120 million, HK\$144 million and HK\$173 million for the three financial years ending 31 March 2011, 2012 and 2013 respectively.

The Annual Caps are based on:

1. *Historical figures of the amounts of the sales transactions with Daisho Denshi Group:*

Year ended 31 March 2007	Approximately HK\$58 million
Year ended 31 March 2008	Approximately HK\$73 million
Year ended 31 March 2009	Approximately HK\$67 million
Nine months ended 31 December 2009	Approximately HK\$36 million

Based on the unaudited total amount of the sales transactions with Daisho Denshi Group for the nine months ended 31 December 2009 of approximately HK\$36 million and the estimated orders to be placed by Daisho Denshi Group to the Group for PCB in January to March 2010, the aggregate annual value for the financial year ending 31 March 2010 is estimated to be HK\$50 million.

2. *The projected sales of PCB to Daisho Denshi Group for each of the three financial years ending 31 March 2013:*

Except for the decrease in purchase orders for PCB due to the severe global economic recession caused by the financial tsunami for the financial year ended 31 March 2009, during the past five financial years ended 31 March 2009, the share of sales revenue attributable to Daisho Denshi Group has basically been growing steadily from 2006 to 2009. With the slight sign of economic recovery starting from late 2009, Daisho Denshi Group has currently been planning to significantly increase its production in the coming few years to capture the gradually blooming market, and in turn increase purchase orders for PCB with the Group accordingly. The Group has received a letter of intent from Daisho Denshi Group with an intention to place purchase orders for PCB to the Group with monthly monetary value of approximately HK\$10 million (i.e. HK\$120 million for full year) for the financial year ending 31 March 2011. To facilitate the Group's production planning, Daisho Denshi Group has already indicated in the Sales Agreement that the projected aggregate annual value of the PCB to be purchased from the Group will be around HK\$120 million, HK\$144 million and HK\$173 million for each of the three financial years ending 31 March 2011, 2012 and 2013 respectively. The Group's

LETTER FROM THE BOARD

geographical business segment of sale of PCB to Daisho Denshi Group has been out-performing during the financial year ended 31 March 2009. Therefore the Annual Caps provide a reasonable buffer and flexibility for the Group to (i) receive any unanticipated increasing purchase orders from Daisho Denshi Group; and (ii) allow room to cope with the foreseeable and increasing inflationary pressure in the subsequent two financial years as a consequence of the huge quantitative easing policies in money supply adopted by the governments of the PRC, the United States of America and most European countries since the outspread of financial tsunami in late 2008.

3. *The Group's strategy to broaden the customer base:*

The Group's sales orders for the past three years were mostly from the telecommunication products customers. Daisho Denshi Group can continue to help accelerate the Group's expansion in the fields of non-telecommunication products and further broaden the customer base, which is parallel with the Group's strategic plan, by way of acting as a platform for the Group to meet well-known customers of delicate PCB.

REASONS FOR ENTERING INTO THE SALES AGREEMENT

The Group's sales orders were mostly from the telecommunication products customers and Daisho Denshi Group would continue to help accelerate the Group's expansion in the fields of non-telecommunication products and further broaden the Group's customer base. This is in line with the Group's strategic plan.

With experience gained from the manufacture of highly delicate PCB for Daisho Denshi Group, the Group would further sharpen its edge in the application of advanced technology for the manufacture of highly delicate PCB.

Due to (i) the strong sales network of PCB possessed by Daisho Denshi Group; (ii) the well-established long-term business relationship between the Group and Daisho Denshi Group, the Board is of the view that it is justified to have continuous growth in business between the Group and Daisho Denshi Group by entering into of the Sales Agreement.

Accordingly, the Directors consider that the terms of the Sales Agreement and the Transactions are entered in the ordinary and usual course of business of the Group, made on an arm's length basis or on terms no less favourable than terms available to or from the Independent Third Parties. The Directors are also of the view that the terms of the Sales Agreement, the Transactions and the Annual Caps are fair and reasonable and in the best interest of the Group and the Shareholders as a whole.

GENERAL INFORMATION

Information on the Group

The Group is principally engaged in the manufacturing and trading of PCB.

LETTER FROM THE BOARD

Information on Daisho Denshi Group

Daisho Denshi is one of the top PCB suppliers in Japan manufacturing delicate PCB for numerous world-renowned electronic and telecommunication products customers. Daisho Denshi brings in modern factory management skill and advanced technological know-how which benefits the Group.

LISTING RULES REQUIREMENTS

Daisho Denshi is a substantial shareholder of the Company and therefore is a connected person of the Company under the Listing Rules. The applicable percentage ratios for the Transactions on an annual basis exceed 2.5% and the annual consideration is more than HK\$10 million. Therefore the entering into of the Sales Agreement and the Transactions between the Group and Daisho Denshi Group constitute non-exempt continuing connected transactions for the Company under Rule 14A.35 of the Listing Rules, and are subject to the reporting and disclosure requirements under Rules 14A.45 to 14A.47 of the Listing Rules, the approval of the Independent Shareholders under Rule 14A.48 of the Listing Rules and the annual review requirements by the independent non-executive Directors and the auditors of the Company under Rules 14A.37 and 14A.38 of the Listing Rules.

The Board has established the Independent Board Committee to consider and advise the Independent Shareholders on the terms of the Sales Agreement, the Transactions and the Annual Caps, and has appointed First Shanghai as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders.

The Transactions will be required to be approved by the Independent Shareholders and will also be subject to the following conditions:

- (1) The Transactions will be entered into:
 - (i) in the ordinary and usual course of business of the Group;
 - (ii) on normal commercial terms, or where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable than those available to or from Independent Third Parties; and
 - (iii) in accordance with the Sales Agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (2) the relevant amount of Transactions for each of the three financial years ending 31 March 2013 shall not exceed the relevant Annual Caps (as described above);
- (3) the independent non-executive Directors shall review annually the Transactions and confirm in the Company's corresponding annual report that the Transactions have been conducted in the manner as stipulated in paragraph (1) above;

LETTER FROM THE BOARD

- (4) the auditors of the Company shall review annually the Transactions and confirm in a letter to the Directors (a copy of which shall be provided to the Stock Exchange) whether such Transactions:
 - (i) have received the approval of the Board;
 - (ii) are in accordance with the pricing policies of the Group;
 - (iii) have been entered into in accordance with the Sales Agreement governing the Transactions; and
 - (iv) have not exceeded the relevant Annual Caps;
- (5) the Company shall promptly notify the Stock Exchange and publish an announcement if it knows or has reason to believe that the independent non-executive Directors and/or auditors of the Company will not be able to confirm the matters set out in paragraphs (1), (3) and/or (4) respectively;
- (6) each of the member companies of the Group shall allow and shall procure that the relevant counterparties to the Transactions that, for so long that the Shares are listed on the Stock Exchange, it will provide the auditors of the Company with sufficient access to the relevant records for the purpose of the auditors' review of the Transactions referred to in paragraph (4) above.

THE SPECIAL GENERAL MEETING

Set out on pages 28 to 29 of this circular is the SGM Notice convening the SGM to be held at Units B12-16, 3rd Floor, Block B, Hoplite Industrial Centre, 3-5 Wang Tai Road, Kowloon Bay, Hong Kong at 11:00 a.m. on Friday, 26 March 2010 at which an ordinary resolution will be proposed to the Independent Shareholders for the approval of the Sales Agreement, the Transactions and the Annual Caps. The voting results of the SGM will be published on the business day immediately following the SGM.

Pursuant to Rule 14A.59(5) of the Listing Rules, any connected person with a material interest in a transaction, and any shareholder with a material interest in the transaction and its associates will not vote. As at the Latest Practicable Date, having made all reasonable enquiries, Daisho Denshi, together with its associates, are holding 10.41% of the issued share capital of the Company and therefore is a substantial Shareholder. In view of the interests of Daisho Denshi in the Transactions, Daisho Denshi and its associates will abstain from voting in relation to the ordinary resolution approving the Sales Agreement, the Transactions and the Annual Caps at the SGM. Other than Daisho Denshi and its associates, no other Shareholder is required to abstain from voting at the SGM for approving the Sales Agreement, the Transactions and the Annual Caps.

A proxy form for use at the SGM is enclosed. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon as soon as possible to the Company's branch share registrar in Hong Kong, Tricor

LETTER FROM THE BOARD

Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong and in any event not less than 48 hours before the time appointed for holding the SGM. Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

RECOMMENDATION OF THE INDEPENDENT BOARD COMMITTEE

Your attention is drawn to (i) the letter from the Independent Board Committee dated 26 February 2010 set out on page 11 of this circular which contains the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Sales Agreement, the Transactions and the Annual Caps; and (ii) the letter from First Shanghai dated 26 February 2010 set out on pages 12 to 22 of this circular which contains the recommendation from First Shanghai to the Independent Board Committee and the Independent Shareholders in relation to the Sales Agreement, the Transactions and the Annual Caps and the principal factors and reasons considered by First Shanghai in arriving at its recommendation.

Having taken into account the factors and reasons considered by, and the opinion of First Shanghai as stated in its letter, the Independent Board Committee considers that the terms of the Sales Agreement are on normal commercial terms and the Transactions contemplated under the Sales Agreement with the amounts under the Annual Caps are entered into and conducted in the ordinary and usual course of business of the Group. The Independent Board Committee also considers that the Transactions with the Annual Caps pursuant to the Sales Agreement are conducted on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Sales Agreement, the Transactions and the Annual Caps.

RECOMMENDATION OF THE BOARD

Taking into account the letter from the Independent Board Committee and all other factors as stated above as a whole, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Sales Agreement, the Transactions and the Annual Caps.

ADDITIONAL INFORMATION

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

Yours faithfully
By order of the Board
DAISHO MICROLINE HOLDINGS LIMITED
CHAN Sik Ming, Harry
Chairman



DAISHO MICROLINE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0567)

26 February 2010

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
SALES AGREEMENT**

We refer to the circular of the Company to the Shareholders dated 26 February 2010 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, terms used in this letter will have the same meanings as given to them in the section headed “Definitions” of the Circular.

We have been established by the Board as the Independent Board Committee to advise the Independent Shareholders on whether the terms of the Sales Agreement, the Transactions and the Annual Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

We wish to draw your attention to the letter from First Shanghai as set out on pages 12 to 22 of the Circular and the letter from the Board as set out on pages 3 to 10 of the Circular.

Having taken into account the factors and reasons considered by, and the opinion of First Shanghai as stated in its letter of advice, we consider that the Transactions with the Annual Caps pursuant to the Sales Agreement are conducted on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Transactions with the Annual Caps pursuant to the Sales Agreement.

Yours faithfully,

For and on behalf of

The Independent Board Committee

Kohu KASHIWAGI

CHAN Yuk Tong

LI Chi Kwong

Independent non-executive Directors

LETTER FROM FIRST SHANGHAI

The following is the text of a letter of advice from First Shanghai to the Independent Board Committee and the Independent Shareholders in respect of the Transactions and the proposed renewal of Annual Caps pursuant to the Sales Agreement, which has been prepared for the purpose of inclusion in this circular.



FIRST SHANGHAI CAPITAL LIMITED

19th Floor, Wing On House
71 Des Voeux Road Central
Hong Kong

26 February 2010

*To the Independent Board Committee and
the Independent Shareholders*

Daisho Microline Holdings Limited
Units B12-16, 3rd Floor, Block B
Hoplite Industrial Centre
3-5 Wang Tai Road
Kowloon Bay
Hong Kong

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS THE SALES AGREEMENT

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the proposed renewal of Annual Caps for each of the three financial years (“FY(s)”) ending 31 March 2013 in respect of the Transactions under the terms of the Sales Agreement. Details of the Sales Agreement and the Annual Caps are set out in the “Letter from the Board” contained in the circular of the Company dated 26 February 2010 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

At the special general meeting of the Company held on 16 March 2007, the PCB sales transactions conducted between the Group and Daisho Denshi Group with the annual monetary limits of HK\$132 million, HK\$158 million and HK\$190 million (the “**Existing Caps**”) for the two FYs ended 31 March 2009 and the FY ending 31 March 2010 respectively were duly approved by the then independent Shareholders; and were exempted from strict compliance with the relevant requirements of the Listing Rules in respect of the PCB sales transactions for these three FYs.

LETTER FROM FIRST SHANGHAI

The Board wishes to continue selling PCB to Daisho Denshi Group after the FY ending 31 March 2010 on an on-going basis. On 5 February 2010, DML, a wholly-owned subsidiary of the Company, has entered into the Sales Agreement for renewal of the previous one dated 29 January 2007 with Daisho Denshi (HK), a wholly-owned subsidiary of Daisho Denshi, whereby Daisho Denshi Group agreed to purchase and the Group agreed to sell and deliver to Daisho Denshi Group PCB for their use or consumption and/or for sale on a non-exclusive basis for a term of three FYs commencing from 1 April 2010 to 31 March 2013.

As at the Latest Practicable Date, Daisho Denshi holds approximately 10.41% shareholding interest in the issued share capital of the Company. On this basis, Daisho Denshi is a substantial shareholder of the Company and therefore a connected person of the Company under the Listing Rules. The applicable percentage ratios for the Transactions on an annual basis exceed 2.5% and the annual consideration is more than HK\$10 million. Therefore, the entering into of the Sales Agreement and the Transactions between the Group and Daisho Denshi Group contemplated thereunder constitute non-exempt continuing connected transactions for the Company under Rule 14A.35 of the Listing Rules, and are subject to the reporting and disclosure requirements, the approval of the Independent Shareholders by way of poll, and the annual review requirements by the independent non-executive Directors and the auditors of the Company under Chapter 14A of the Listing Rules.

As Daisho Denshi is interested in the Sales Agreement and the Transactions, Daisho Denshi and its associates are required to abstain from voting in relation to the ordinary resolution approving the Sales Agreement, the Transactions and the Annual Caps at the SGM accordingly.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all of the three independent non-executive Directors, namely Mr. Kohu KASHIWAGI, Mr. CHAN Yuk Tong and Mr. LI Chi Kwong, has been established to make a recommendation to the Independent Shareholders as to whether the Annual Caps are fair and reasonable; whether the Transactions contemplated under the Sales Agreement are conducted (i) on normal commercial terms, (ii) in the ordinary and usual course of business of the Group, and (iii) in the interests of the Company and the Shareholders as a whole. We, First Shanghai, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard as far as they are concerned, and to advise the Independent Shareholders on how to vote at the forthcoming SGM.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed, by the executive Directors and the management of the Company (the “**Management**”) and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects at the time they were made and up to the date of the SGM. We have also sought and received confirmation from the executive Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed

LETTER FROM FIRST SHANGHAI

view and have no reason to believe that any material information has been withheld, nor doubt the truth or accuracy of the information and representations provided, and to provide a reasonable basis for our recommendation regarding the Sales Agreement and the Transactions contemplated thereunder. We have not, however, conducted any independent investigation into the business and affairs of the Group, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering and arriving at our opinion and recommendation on the Transactions and the Annual Caps under the Sales Agreement, we have taken into account the following principal factors and reasons:

1. Background of the Group and the counterparty (i.e. Daisho Denshi)

The Group is principally engaged in the manufacturing and trading of PCB.

Daisho Denshi is one of the top PCB suppliers in Japan manufacturing delicate PCB for numerous world-renowned electronic and telecommunication products customers.

2. Reasons for entering into the Sales Agreement

As mentioned in the “Letter from the Board” in the Circular, Daisho Denshi is one of the top PCB suppliers in Japan manufacturing delicate PCB for numerous world-renowned electronic and telecommunication products customers, which brings in modern factory management skill and advanced technological know-how for the benefit of the Group. The Group’s sales orders were mostly from the telecommunication products customers. The Directors believe that, by entering into the Sales Agreement, Daisho Denshi Group will continue to help accelerate the Group’s expansion in the fields of non-telecommunication products and further broaden the Group’s customer base, which is parallel with the Group’s strategic plan, by way of acting a platform for the Group to meet well-known customers of delicate PCB.

With experience gained from the manufacture of highly delicate PCB for Daisho Denshi Group, the Group would further sharpen its edge in the application of advanced technology for the manufacture of highly delicate PCB in the future.

We have noted from the website of Daisho Denshi that Daisho Denshi Group offers PCB parts for the use in, not only telecommunication products such as cellular phones, but also a wide range of electronic products including digital video cameras, DVD video recorders, printers and wide liquid crystal display televisions, and even in car apparatus and switching systems and base stations. As advised by the Management, the purchase orders for PCB placed to the Group by Daisho Denshi Group formed a significant portion of that related to non-telecommunication products. In addition, we have noted from the annual report of the Company for the FY ended 31 March 2009 (the “**Annual Report**”) that Daisho Denshi Group was the largest customer of the Group in terms of the aggregate PCB purchase amount during the FY ended 31 March 2009. We consider that it would be beneficial to both the Group and Daisho Denshi Group by renewing the Sales Agreement in order to prolong the well-established and mutually-cooperated business relationship between them in the coming three FYs ending 31 March 2013.

LETTER FROM FIRST SHANGHAI

We understand that the Group has commenced supplying to Daisho Denshi Group various PCB products on a recurring basis since 1995, so there has been a well-established business relationship between the Group and Daisho Denshi Group since then. Based on the Annual Report and interim report of the Company for the six months ended 30 September 2009 (the “**Interim Report**”) respectively, the actual PCB sales transactions conducted between the Group and Daisho Denshi Group amounted to approximately HK\$73.0 million, HK\$67.1 million and HK\$23.3 million during each of the two FYs ended 31 March 2009 and the six months ended 30 September 2009 respectively, which accounted for approximately 11.6%, 15.4% and 13.9% of the Group’s total sales revenue during the respective periods. For the FY ended 31 March 2009, the Group’s sales revenue solely from Daisho Denshi Group (located in Japan) and sales revenue in total dropped by approximately 8.1% and 31.0% respectively when compared to that for the previous FY ended 31 March 2008 mainly because of the severe global economic recession as a consequence of the occurrence of financial tsunami originated from the United States of America in October 2008. As extracted from the segment information in the Annual Report, sales revenue generated from other geographical areas for the FY ended 31 March 2009 had also decreased, but to a much greater extent, by approximately 93.8% in Europe, 32.2% in Hong Kong, 10.8% in Mainland China and 72.6% in other areas when compared to that for the previous FY ended 31 March 2008. Based on such scenario, it was the fact that Daisho Denshi Group (located in Japan) has been an essential customer and the sales revenue generated from the sale of PCB to it has been forming a considerable part of, and providing a relatively stable revenue source to, the Group’s overall revenue. By entering into the Sales Agreement, the Group intends to continue supplying PCB to Daisho Denshi Group through which the sales revenue generated from the Transactions is expected at least to maintain a considerable part of, and stable revenue source to, the Group’s overall revenue; or even increase by a further considerable extent. On such basis, we concur with the Directors’ view that maintaining the existing well-established business relationship with Daisho Denshi Group is in the interest of the Company and the Shareholders as a whole.

Given that the Group’s core business activity is the manufacturing and trading of PCB, we consider that the Transactions contemplated under the Sales Agreement fall within the ordinary and usual course of business of the Group; while the entering into of the Sales Agreement is in line with the business strategy of the Group, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

3. Principal terms of the Sales Agreement

As stated in the “Letter from the Board” in the Circular, the Sales Agreement is a master agreement which sets out the principles upon which detailed terms are to be determined between the relevant members of the Group and Daisho Denshi Group. Pursuant to the Sales Agreement, members of the Group and Daisho Denshi Group will enter into separate and definitive agreements from time to time to provide for the detailed terms of each single transaction in accordance with the principles in the Sales Agreement. Such detailed terms include (but without limitation) the basis on and particular specification for which the PCB will be supplied, the price of the PCB, payment and settlement terms and other terms and conditions in relation to the provision

LETTER FROM FIRST SHANGHAI

of PCB by the Group to Daisho Denshi Group. The parties agree that such detailed terms shall be on normal commercial terms and shall be determined with reference to and be comparable with the market rates and the terms and conditions for the provision of PCB by the Group to the Independent Third Parties, or if there are insufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) the Independent Third Parties.

We understand from the Management that the Group has been manufacturing customized and highly delicate PCB specifically designed according to each customer's specific requirements or specifications for a particular electronic or telecommunication product. Accordingly, the Group's PCB products are unique and therefore not directly comparable among each of its different customers in terms of unit production cost and selling price mainly because they would have their different processing needs, technology and materials involved in the manufacturing process for producing each batch of final PCB products. However, we are advised by the Management that the Group always applies the same pricing policy to all its customers, including Daisho Denshi Group. In addition, the Directors have further confirmed that the terms of the PCB sales transactions have been, and the Transactions will be, negotiated and determined with reference to the then prevailing market price of the corresponding broad category of PCB products and on an arm's length basis based on various factors including, amongst others, (i) the customers' particular specifications, technology, processing and quality requirements; and (ii) on the other hand, the Group's own cost of production, overall marketing and business development strategies. Furthermore, it is specifically stipulated in the Sales Agreement and the Group has used to follow that the terms of the Transactions offered by the Group to Daisho Denshi Group will be, as a whole, no less favourable to the Group than those available to or from (as appropriate) the Independent Third Parties for purchasing similar PCB products.

In order to ascertain whether the overall pricing policies offered by the Group to Daisho Denshi Group and other independent PCB customers are comparable among each other, we alternatively requested the Group to provide us an analysis for the overall sales records with the overall, individual and average gross profit margins ("GPM(s)") from the sales of PCB products to the Group's customers, including Daisho Denshi Group and the Group's other independent PCB customers, for the past 12 months ended 31 December 2009 (the "**Review Period**"), and further conducted review on a sampling basis on the relevant purchase orders/sales invoices of some relatively comparable PCB products within certain broad categories of PCB products. The sampling size and selection criteria were determined by us with the advice and explanation from the Management for the different PCB nature and usages among the Group's customers, for which we are satisfied that the samples selected for our review and the basis thereon are appropriate and sufficient for us in making a meaningful analysis/comparison.

We observed therefrom that the average GPM for Daisho Denshi Group was basically higher than (i) the overall average GPM for other independent PCB customers with PCB order size/sales revenue more closely comparable with that of Daisho Denshi Group during the Review Period; (ii) the overall average GPM for all the Group's customers (including Daisho Denshi Group) during the Review Period; and (iii) the overall average GPM for all the Group's customers

LETTER FROM FIRST SHANGHAI

(including Daisho Denshi Group) of approximately 11.9% for the FY ended 31 March 2009 and approximately 10.4% for the six months ended 30 September 2009 based on the Annual Report and Interim Report respectively. Although there were some occasions of deviations from the overall average GPM of the Group for certain independent PCB customers during the Review Period, their sizes of PCB order placed by them were in fact relatively much smaller. Based on the explanation from the Management, the deviations from the overall average GPM between Daisho Denshi Group and that of the Group's other independent PCB customers were mainly due to, amongst others, the competitive pricing to its large customers who have placed bulk purchase orders from time to time and have creditworthy and longer business relationships with the Group, including Daisho Denshi Group which is currently the largest customer of the Group in terms of the aggregate PCB purchase amount in relation to PCB products and has been facilitating the Group in well-planning for production in advance and thus lowering its own production cost. We consider that such deviations from the overall average GPM of the Group is justifiable and constitutes normal commercial consideration/arrangement in the usual business environment.

Based on our understanding from the Management, no long-term agreements have been entered into between the Group and other independent customers for the sale of PCB. We therefore concur with the Directors' view that such arrangement under the Sales Agreement with the Annual Caps provides the Group certainty and flexibility in the planning for production and pricing of certain types of PCB in view of the frequent changes in market price of PCB over the past few years. We have reviewed and compared the terms, including payment terms, under the Sales Agreement with the underlying records including sales invoices of the Group, customers' purchase orders and/or purchase contracts from/with other independent customers purchasing similar type of PCB. Based on the above observation and review, we are satisfied that the principal terms, including the payment terms, of the Sales Agreement are similar/comparable to those offered to other independent customers purchasing similar type of PCB with comparable order size, creditworthiness and/or history of business relationship with the Group.

Given that (i) the sale of PCB to Daisho Denshi Group has been and will continue to be a stable and important revenue source of the Group; (ii) the Group's sales of PCB to Daisho Denshi Group accounted for approximately 11.6% and 15.4% of its total revenue during each of the two FYs ended 31 March 2009 and represented an increasing trend and considerable contribution to the Group's total revenue even during the extremely difficult time the Group came across following the severe global economic recession as a consequence of the financial tsunami since October 2008; and (iii) the terms of the Sales Agreement shall be on normal commercial terms and comparable with the market rates or those to the Independent Third Parties, or in any way, no less favourable to the Group than those available to or from (as appropriate) its other independent customers for purchasing similar type of PCB, we consider that it is commercially justified for the Group to continue selling PCB to Daisho Denshi Group with increased sales amount and volume up to the amounts under the Annual Caps. In light of the principal activities of the Group, we consider that the Transactions contemplated under the Sales Agreement with the Annual Caps are entered into and conducted in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

LETTER FROM FIRST SHANGHAI

4. The Existing Caps and the Annual Caps

The following table sets out: (i) the Existing Caps for the two FYs ended 31 March 2009 and the FY ending 31 March 2010; and (ii) the audited actual transaction amounts for the two FYs ended 31 March 2009 and the expected transaction amount for the FY ending 31 March 2010:

	For the FY ended/ending 31 March		Increase/ (decrease) from 2008 %	Expected	Increase/ (decrease) from 2009 %
	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>		transaction amount for 2010 <i>HK\$'000</i>	
Existing Cap amounts	132,000	158,000	19.7	190,000	20.3
Actual/expected transaction amounts	73,032	67,126	(8.1)	50,000	(25.5)
Cap amounts utilised	55.3%	42.5%		26.3%	

From the table above, we note that the actual/expected transaction amounts in the two FYs ended 31 March 2009 and the FY ending 31 March 2010 were significantly lower than the Existing Caps for each of the corresponding FYs respectively. We noted from the Annual Report and the Interim Report that the Group's total revenue had also decreased by approximately (i) 31.0% for the FY ended 31 March 2009 when compared to that for the previous FY ended 31 March 2008; and (ii) 36.0% for the six months ended 30 September 2009 when compared to that for the corresponding period in the previous FY mainly attributable to the significant contraction of purchase orders placed by the Group's customers, including Daisho Denshi Group, as a consequence of the severe global economic recession starting from late 2008. However, the Directors are optimistic that there shall be increasing purchase orders to be received from its customers, including Daisho Denshi Group, starting from 1 April 2010 because the global economies have gradually begun to gain traction in late 2009. In addition, Daisho Denshi Group has already indicated in a letter of intent that it has intended to place purchase orders for PCB to the Group with monthly monetary value of approximately HK\$10 million for the FY ending 31 March 2011. On such basis, both the Group and Daisho Denshi Group, on the one hand, have adjusted the initial cap amount downwards to HK\$120 million for the full FY ending 31 March 2011, but are currently anticipating that the Group could receive substantial purchase orders of highly delicate PCB from Daisho Denshi Group in the subsequent two FYs ending 31 March 2013.

LETTER FROM FIRST SHANGHAI

As mentioned in the “Letter from the Board” in the Circular, the proposed Annual Caps are arrived at based on (i) historical transaction amounts with Daisho Denshi Group; and (ii) the indicative projected purchase amount for each of the three FYs ending 31 March 2013 to be placed by Daisho Denshi Group:

For the FY ending 31 March							
Expected actual transaction amount for 2010 HK\$'000	2011 HK\$'000	Increase from 2010 %	2012 HK\$'000	Increase from 2011 %	2013 HK\$'000	Increase from 2012 %	
50,000	120,000	140.0	144,000	20.0	173,000	20.1	

Though we noted that the proposed Annual Caps, being HK\$120 million, HK\$144 million and HK\$173 million for each of the three FYs ending 31 March 2013, represent a growth rate of almost 20% annually, we consider it reasonable taking into account the following facts.

Despite the shortfall from the Existing Caps, we also noted from the Annual Report and the Interim Report that the actual PCB sales transactions conducted between the Group and Daisho Denshi Group amounted to approximately HK\$73.0 million, HK\$67.1 million and HK\$23.3 million during each of the two FYs ended 31 March 2009 and the six months ended 30 September 2009 respectively, which accounted for approximately 11.6%, 15.4% and 13.9% of the Group’s total revenue during the respective periods. During the FY ended 31 March 2009, the Group’s total revenue and revenue solely from Daisho Denshi Group dropped by approximately 31.0% and 8.1% respectively when compared to that for the FY ended 31 March 2008 because of the severe global economic recession as a consequence of the financial tsunami originated from the United States of America. As extracted from the segment information in the Annual Report, sales revenue generated from other geographical areas for the FY ended 31 March 2009 had also decreased, but to a much greater extent, by approximately 93.8% in Europe, 32.2% in Hong Kong, 10.8% in Mainland China and 72.6% in other areas when compared to that for the FY ended 31 March 2008.

LETTER FROM FIRST SHANGHAI

In considering the justification and appropriateness for setting the Annual Caps for the Transactions, we have made an analysis for the sales trend of the PCB transactions between the Group and Daisho Denshi Group over the past five FYs up to the latest full FY ended 31 March 2009, details of which are summarized as follows:

For the FY ended 31 March	Sales revenue from Daisho Denshi Group <i>HK\$'000</i>	Compound annual growth rate ("CAGR") %	Total revenue of the Group <i>HK\$'000</i>	Share attributable to the total revenue of the Group %
2005	28,725	N/A	258,237	11.1
2006	38,329	33.4	623,238	6.1
2007	57,822	41.9	750,449	7.7
2008	73,032	36.5	630,837	11.6
2009	67,126	23.6	435,247	15.4

As shown in the above table, we noted that the absolute sales revenue generated from Daisho Denshi Group had generally been growing rapidly over the past five FYs ended 31 March 2009 with a CAGR from approximately 23.6% to 41.9%, even though the CAGR for the FY 2009 had declined from the highest of approximately 41.9% in FY 2007 to 23.6% in FY 2009. Based on our understanding from the Management, the declines in sales revenue from Daisho Denshi Group and sales revenue in total for the FY ended 31 March 2009 were very exceptional over the past few years; while some of the Group's customers in Europe significantly contracted their purchase orders for PCB as early in the FY ended 31 March 2008 (i.e. by approximately 62.9%) and were further adversely affected by the severe economic recession globally as a consequence of the financial tsunami for the FY ended 31 March 2009 (i.e. by approximately 93.8%). During the five FYs ended 31 March 2009, the share of sales revenue attributable to Daisho Denshi Group has basically been growing steadily from approximately 6.1% in FY 2006 to 15.4% in FY 2009. With the slight sign of economic recovery starting from late 2009, Daisho Denshi Group has currently been planning to significantly increase its production in the coming few years to capture the gradually blooming market, and in turn increase purchase orders for PCB with the Group accordingly. The Group has received a letter of intent from Daisho Denshi Group with an intention to place purchase orders for PCB to the Group with monthly monetary value of approximately HK\$10 million (i.e. HK\$120 million for full year) for the FY ending 31 March 2011. Based on such scenario, we concur with the Directors' view that it is justifiable to estimate that there shall be increasing purchase orders of highly delicate PCB to be received by the Group from Daisho Denshi Group in the coming three FYs ending 31 March 2013.

Given that (i) Daisho Denshi Group is currently planning to place purchase orders with the Group with an estimated purchase amount of approximately HK\$10 million per month (i.e. HK\$120 million per annum) for the FY ending 31 March 2011; and (ii) the Group's geographical

LETTER FROM FIRST SHANGHAI

business segment of sale of PCB to Daisho Denshi Group, being the Group's key customer in Japan, has been out-performing during the FY ended 31 March 2009 even though there has been severe economic recession globally, we are of the view that such setting in Annual Cap amounts for the coming three FYs ending 31 March 2013 is justifiable and provides a reasonable buffer and flexibility for the Group to (i) receive any unanticipated increasing purchase orders from Daisho Denshi Group; and (ii) allow room to cope with the foreseeable and increasing inflationary pressure in the subsequent two FYs as a consequence of the huge quantitative easing policies in money supply adopted by the governments of the PRC, the United States of America and most European countries since the outspread of financial tsunami in late 2008. Based on the reasons above, we also consider that the Annual Caps for each of the three FYs ending 31 March 2013 with a CAGR of almost 20% per annum during each of the two FYs ending 31 March 2013 which is below the lowest historical CAGR of approximately 23.6% over the past five FYs ended 31 March 2009 are prudent, justifiable, fair and reasonable in so far as the Shareholders as a whole are concerned.

5. Renewal of Annual Caps for the Transactions

In compliance with the annual review requirements under Chapter 14A of the Listing Rules, in addition to obtaining Independent Shareholders' approval for renewal of the Annual Caps at the SGM, the Company will have to comply with the following during the term of the Sales Agreement:

- (i) the aggregate value of the Transactions for each of the three FYs ending 31 March 2011 to 2013 shall not exceed HK\$120 million, HK\$144 million and HK\$173 million respectively;
- (ii) the independent non-executive Directors must review the Transactions each year and confirm in the Company's annual report and accounts that the Transactions have been entered into (a) in the ordinary and usual course of business of the Company; (b) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than those terms available to or from Independent Third Parties; and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (iii) the auditors of the Company will, in accordance with Rule 14A.41 of the Listing Rules, review annually the Transactions and they will confirm the same in a letter to the Directors (a copy of which letter will be provided to the Stock Exchange at least 10 business days prior to the bulk printing of the annual report of the Company) in respect of each relevant FY, during which the Transactions have been conducted;

LETTER FROM FIRST SHANGHAI

- (iv) the Company will allow and will procure that DML or other members of the Group, as the case may be necessary, will provide the auditors of the Company with sufficient access to the relevant records of the Transactions for the purpose of the auditors' review as referred to in paragraph (iii) above. The Board must state in the annual report whether the auditors of the Company have confirmed the matters stated in Rule 14A.41 of the Listing Rules; and
- (v) the Company will comply with the applicable provisions of the Listing Rules governing connected transactions in the event that the total amount of the Transactions exceeds the relevant cap amounts, or that there is any material amendment to the terms of the Sales Agreement.

In light of the conditions attached to the Transactions, in particular, (i) the restriction of the value of the Transactions by way of the Annual Caps; and (ii) the ongoing review by the independent non-executive Directors and auditors of the Company of the terms of the Transactions and the Annual Caps not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the Transactions and safeguard the interests of the Independent Shareholders.

According to the Annual Report, the Company had confirmed that an annual review of the Transactions for the FY ended 31 March 2009 had been conducted by the independent non-executive Directors and the auditors of the Company in accordance with the requirements as set out in Rules 14A.37 to 14A.41 of the Listing Rules.

RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the Transactions with the Annual Caps pursuant to the Sales Agreement are conducted on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Transactions with the Annual Caps pursuant to the Sales Agreement.

Yours faithfully,

For and on behalf of

First Shanghai Capital Limited

Helen Zee

Eric Lee

Managing Director

Deputy Managing Director

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 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 held by the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of 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 or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) to be entered in the register maintained by the Company pursuant to section 352 of the SFO; 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

Name	Capacity and nature of interests	Number of Shares and underlying Shares held	Approximate percentage of total issued share capital
Chan Sik Ming, Harry	Personal interests (as beneficial owner)	39,680,000	8.26%
	Personal interests (as beneficiary of a trust)	103,921,417 (Note)	21.64% (Note)
Hiroto Sasaki	Personal interests (as beneficial owner)	2,950,000	0.61%
Au-Yeung Wai Hung	Personal interests (as beneficial owner)	1,300,000	0.27%

Note: Chan Sik Ming, Harry, and his family are the objects of a discretionary trust which has appointed Earnwell (PTC) Limited as its trustee. As at the Latest Practicable Date, Earnwell (PTC) Limited held 103,921,417 Shares representing approximately 21.64% of the issued share capital of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executives of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of 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 or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) to be entered in the register maintained by the Company pursuant to section 352 of the SFO; 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.

3. DISCLOSURE OF SUBSTANTIAL SHAREHOLDERS' INTERESTS

Save for the interests of certain Directors disclosed above, according to the register of interests maintained by the Company pursuant to section 336 of the SFO and so far as was known to the Directors or the chief executive of the Company, as at the Latest Practicable Date, the following persons or corporations (other than Directors or the chief executive of the Company) had an interest or short position in the Shares or 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 or who/which 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 and the amount of each of such person's/corporation's interest in such securities, together with particulars of any options in respect of such capital, were as follows:

The Company

Name	Capacity and nature of interests	Number of Shares held	Approximate percentage of the Company's issued share capital
Earnwell (PTC) Limited	Trustee	103,921,417	21.64%
Daisho Denshi (<i>Note</i>)	Personal interests (as beneficial owner)	50,000,000	10.41%

Note: Mr. Hiroto Sasaki, one of the executive Directors, is also a chairman of Daisho Denshi. 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, the Directors or the chief executive of the Company were not aware of any other persons or corporations (other than a Director or the chief executive of the Company and the respective companies controlled by them whose interests have been disclosed above) who had an interest or short position in the Shares or 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, or who/which 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 meetings of any other members of the Group, or in any options in respect of such capital.

4. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors has any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries since 31 March 2009, the date to which the latest published audited consolidated financial statements of the Group were made up.

5. DIRECTORS' INTERESTS IN MATERIAL CONTRACTS

As at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement which is significant in relation to the business of the Group.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any members of the Group which does not expire or is not determinable by the relevant member of the Group within one year without compensation, other than statutory compensation.

7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation, arbitration or claims of material importance and no litigation, arbitration or claim of material importance was pending or threatened against any members of the Group.

8. COMPETING INTEREST

Mr. Hiroto Sasaki is a chairman of Daisho Denshi, which is also involved in the manufacture and trading of PCB.

Saved as disclosed above, as at the Latest Practicable Date, none of the Directors or their respective associates (as defined in the Listing Rules) had any interest in a business which competed or was likely to compete with the business of the Group.

9. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2009, the date to which the latest published audited consolidated financial statements of the Group were made up.

10. QUALIFICATIONS AND CONSENT OF EXPERT

First Shanghai is a licensed corporation under the SFO to conduct Type 6 regulated activities (advising on corporate finance) under the SFO.

The letter and recommendation given by First Shanghai are given for incorporation in this circular. First Shanghai has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, First Shanghai was not interested in any Shares or shares in any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Share or share in any member of the Group.

As at the Latest Practicable Date, First Shanghai did not have any direct or indirect interest in any asset which had been acquired or disposed of by or leased to any member of the Group since 31 March 2009, being the date to which the latest published audited financial statements of the Group were made up.

11. 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, Hoplite 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 Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (c) The secretary of the Company is Au-Yeung Wai Hung. Mr. Au-Yeung is a member of Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.
- (d) The English language text of this circular shall prevail over the Chinese language text in case of inconsistency.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Units B12-16, 3rd Floor, Block B, Hoplite Industrial Centre, 3-5 Wang Tai Road, Kowloon Bay, Hong Kong during normal business hours up to and including 26 March 2010:

- (a) the Sales Agreement;
- (b) the sales and purchase agreement dated 29 January 2007 entered into between Daisho Denshi (HK) and DML;
- (c) the letter of intent signed by Daisho Denshi (HK) on 25 January 2010;
- (d) the letter from First Shanghai, the text of which is set out in this circular; and
- (e) the consent letter of First Shanghai as referred to in the section headed “Qualifications and Consent of Expert” in this Appendix.

NOTICE OF THE SPECIAL GENERAL MEETING



DAISHO MICROLINE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0567)

NOTICE OF THE SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of Daisho Microline Holdings Limited (the “Company”) will be held at Units B12-16, 3rd Floor, Block B, Hoplite Industrial Centre, 3-5 Wang Tai Road, Kowloon Bay, Hong Kong on Friday, 26 March 2010 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following resolution which will be proposed as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT:**

- (a) the Sales Agreement, the Transactions and the Annual Caps, all as defined and described in the Circular, a copy of which marked “A” is produced to the meeting and signed by the Chairman of the meeting for the purpose of identification, the transactions contemplated thereunder and in connection therewith and any other ancillary documents, be and are hereby approved, confirmed and/or ratified; and
- (b) the directors of the Company be and are hereby authorised for and on behalf of the Company to sign, seal, execute, perfect, perform and deliver all such instruments, documents and deeds, and do all such acts, matters and things and take all such steps as they may in their discretion consider necessary, desirable or expedient to implement and/or to give effect to the Sales Agreement and the transactions contemplated thereunder as they may in their discretion consider to be desirable and in the interests of the Company.”

By order of the Board
Daisho Microline Holdings Limited
CHAN Sik Ming, Harry
Chairman

Hong Kong, 26 February 2010

NOTICE OF THE SPECIAL GENERAL MEETING

Principal place of business:

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

Notes:

1. Any member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy to attend and, on a poll vote in his stead. A proxy need not be a member of the Company.
2. A proxy form for the meeting is enclosed. In order to be valid, the proxy form, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney must be deposited with the Company's share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting as the case may be.
3. In accordance with the Listing Rules, Daisho Denshi Co., Ltd. and its associates (as defined in the Listing Rules) are required to abstain from voting in respect of the ordinary resolution.
4. As at the date of this notice, the Board comprises the executive Directors of CHAN Sik Ming, Harry (Chairman & CEO), Motofumi TSUMURA, Hiroto SASAKI, Hiroyuki KIKUCHI, AU-YEUNG Wai Hung; and the independent non-executive Directors of Kohu KASHIWAGI, CHAN Yuk Tong and LI Chi Kwong.