

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, 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 circular.



DAISHO MICROLINE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0567)

MAJOR TRANSACTION PROPOSED CHANGE OF LAND USE

A letter from the Board is set out on pages 4 to 11 of this circular.

A notice convening a special general meeting of Daisho Microline Holdings Limited to be held at 10:00 a.m. on Friday, 28 January 2011 at Unit 10, 7/F., Hongkong International Trade & Exhibition Centre, 1 Trademark Drive, Kowloon Bay, Kowloon, Hong Kong is set out on pages 25 to 26 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.

13 January 2011

CONTENTS

	<i>Pages</i>
Definitions	1
Letter from the Board	4
Appendix I – Financial Information	12
Appendix II – Valuation Report	14
Appendix III – General Information	20
Notice of Special General Meeting	25

DEFINITIONS

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

“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
“connected person”	has the meaning ascribed to it under the Listing Rules
“Contract”	a State-owned construction land use rights assignment contract for the Land to be entered into between Huafeng and HCLRB
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“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
“Huizhou”	Huizhou, a city located in Guangdong province of the PRC
“HCLRB”	Huizhou City Land and Resources Bureau (惠州市國土資源局)
“HCTTWSG”	Huizhou City “Three-Old” Transformation Work Steering Group (惠州市「三舊」改造工作領導小組), a PRC government authority
“HK\$”	Hong Kong dollars, the lawful currency in Hong Kong
“Land”	the piece of land which is currently held solely for industrial purpose and upon which a factory of Huafeng is situated, particulars of which are set out in the paragraph headed “Principal terms of the Transaction – the Land”

DEFINITIONS

“Latest Practicable Date”	10 January 2011, 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
“Plan”	a land transformation plan as organised by the Huizhou Municipal Government with high-level implementation guidance officially released in August 2010 for the land transformation of old towns, old factory buildings and old villages in Huizhou
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“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 Unit 10, 7/F., Hongkong International Trade & Exhibition Centre, 1 Trademark Drive, Kowloon Bay, Kowloon, Hong Kong on Friday, 28 January 2011 at 10:00 a.m. to approve, among others, the Transaction
“SGM Notice”	the notice convening the SGM as set out on pages 25 to 26 of this circular
“Shares”	the shares of HK\$0.10 each in the capital of the Company
“Shareholders”	the holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	subject to the grant of formal approval for self-transformation of the Land into commercial and residential land, the signing of the Contract and the payment to the Huizhou Municipal Government of a premium which is currently estimated to be not more than approximately RMB125,000,000 (equivalent to approximately HK\$146,925,000) pursuant to the Plan
“2009 Change of Use”	change of land use for the Land from allotted land to industrial land by Huafeng in 2009

DEFINITIONS

If there is any inconsistency between the official Chinese name of the PRC laws or regulations or the PRC government authorities or the PRC entities mentioned in this circular and their English translation, the Chinese version shall prevail. English translations of official Chinese names are for identification purpose only.

Unless otherwise specified, the conversion of Renminbi into Hong Kong dollars is based on the exchange rate of RMB1=HK\$1.1754. The conversion is for the purpose of illustration only and does not constitute a representation that the amounts in question have been, could have been or could be converted at the above rates or any other rates at all.



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

Independent Non-Executive Directors:

Kohu KASHIWAGI
CHAN Yuk Tong
LI Chi Kwong

Registered Office:

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

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

13 January 2011

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION PROPOSED CHANGE OF LAND USE

INTRODUCTION

In an announcement of the Company dated 4 January 2011, the Company announced that the board of directors of Huafeng had approved the Transaction. The Transaction constitutes a major transaction of the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The purpose of this circular is (i) to provide you with further information relating to the Transaction; and (ii) to give you the SGM Notice to consider and, if thought fit, to approve the Transaction.

Pursuant to the Plan (a land transformation plan as organised by the Huizhou Municipal Government with high-level implementation guidance officially released in August 2010), the land transformation work on old towns, old factory buildings and old villages in Huizhou is in the pipeline. Concrete preparations and planning up until 2015

LETTER FROM THE BOARD

have already been completed by the Huizhou Municipal Government under the Plan and in the long run, it is expected that further preparations and planning up until 2020 will be carried out. The Land is situated in an area which has been planned by the Huizhou Municipal Government for such land transformation between 2010 and 2012 under the Plan.

Huafeng has obtained confirmation from the office of HCTTWSG, a PRC government authority, that the Land has been included under the Plan's scope for transformation. Huafeng has also applied for self-transformation of the Land so that the future land use of the Land can be changed from industrial purpose at present to commercial and residential purposes. Currently, Huafeng does not have the intention to develop the Land immediately after the self-transformation of the Land is formally approved. Accordingly, Huafeng has not formulated any concrete plan to develop the Land so far. Huafeng will formulate such concrete plan in the appropriate time after the terms of the Contract are finalized.

PRINCIPAL TERMS OF THE TRANSACTION

Based on the communication between Huafeng and the relevant PRC government authority, Huafeng and HCLRB, a PRC government authority, will need to enter into the Contract in around February 2011 to effect the change of use for the Land.

As confirmed with the Company's legal adviser in the PRC, the Contract to be entered into is based on a standard template as formulated jointly by the Ministry of Land and Resources of PRC (中華人民共和國國土資源部) and the State Administration for Industry & Commerce of PRC (中華人民共和國國家工商行政管理總局) used for all kinds of assignment of land use rights in the PRC.

Particulars of the Contract

Expected Date : February 2011

Parties : (1) Huafeng, a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company; and
(2) HCLRB, a PRC government authority.

Land Use : Residential and commercial

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, HCLRB and its ultimate beneficial owner are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

LETTER FROM THE BOARD

Estimated Premium and Payment Schedule

As at the Latest Practicable Date, the exact amount of the premium to be paid for the change of use for the Land and the corresponding payment schedule have not been finalised yet. Based on the verbal communication between Huafeng and HCLRB, the Contract cannot be made conditional upon Shareholders' approval. It is expected that once the Contract is entered into, Huafeng will be obliged to pay a premium by way of cash for such change of use, as stated in a payment notice, within approximately 10 days of such issue of notice, or where no such notice is issued, such later date as stipulated in the Contract. The time limit of approximately 10 days for the payment of premium is based on the verbal communication between Huafeng and HCLRB and Huafeng's prior experience in the payment of premium during the 2009 Change of Use for the Land. Although the State-owned construction land use rights assignment contract in relation to the 2009 Change of Use was entered into between HCLRB and Huafeng on 3 September 2009, the relevant notice for the payment of premium was issued shortly afterwards on 7 September 2009 requiring Huafeng to pay the premium within 10 days of such issue of notice. To the best knowledge of the Directors, the payment schedule regarding the change of land use in the Transaction will be similar to that of the 2009 Change of Use.

Should Huafeng fail to pay the premium in time in accordance with the payment notice, Huafeng would be treated as giving up its application for self-transformation of the Land and it would receive compensation only from the Huizhou Municipal Government or the market (in the case where the Huizhou Municipal Government assigns the Land to a third party pursuant to the Plan) by the time the Plan is executed for an amount equal to the then market value of the Land based on its existing land use (i.e. industrial purpose). It is currently estimated that the premium payable under the Transaction will not be more than approximately RMB125,000,000 (equivalent to approximately HK\$146,925,000). Such premium is an estimate by the Company only, calculated by using the following formula:-

$$\text{Estimate of premium} = (A \times B \times C) - D$$

- where
- A = land use rights area of the Land in square metres
 - B = estimated price based on the proposed new use per square meter of the Land with reference to the standard land price for the land in Huizhou published by Huizhou City Land Trading Center (惠州市土地交易中心) and the extent of appreciation in land price during the intervening period
 - C = an estimate of the plot ratio
 - D = estimated market value of the Land based on its existing land use

Huafeng intends to finance the payment of premium by way of internal resources and bank borrowings.

LETTER FROM THE BOARD

The Land

The Land is situated in Zhen Nan Shan, Gu Tang Ao, Huizhou, PRC with a land use rights area of approximately 52,427 square metres. The assignee of the land use rights of the Land is Huafeng. The current land use of the Land is for industrial purpose and upon which a factory of Huafeng is situated.

The Land was valued at RMB149,000,000 (equivalent to approximately HK\$175,134,600) (based on the assumption that the Land will be developed into residential and commercial development) and RMB20,150,000 (equivalent to approximately HK\$23,684,310) (based on the fair value of the Land for industrial use in existing state) as at 22 December 2010 respectively by an independent valuer. A valuation report on the Land as required under the Listing Rules by independent valuer is set out in Appendix II to this circular.

REASONS FOR AND BENEFITS OF THE TRANSACTION

Huafeng has obtained confirmation from the office of HCTTWSG that the Land has been included under the Plan's scope for transformation and the Land is situated in an area which has been planned for such transformation between 2010 and 2012 under the Plan. If Huafeng chooses not to apply for the self-transformation of the Land now, Huafeng will receive compensation only from either the Huizhou Municipal Government or the market (in the case where the Huizhou Municipal Government assigns the Land to a third party pursuant to the Plan) by the time the Plan is executed for an amount equal to the then market value of the Land based on its existing land use (i.e. industrial purpose) and the Land may be prescribed for transformation in accordance with the Plan at any time beyond the control of Huafeng. In addition, the surrounding areas of the Land are still under development, but since the Land is situated in a future prime location, the Directors are also of the view that the premium to be paid under the Transaction will be lower if the application for the self-transformation of the Land is made earlier.

In view of the above, on 4 January 2011, the board of directors of Huafeng resolved that the Transaction be approved. The Directors believe that the estimated premium as calculated based on the formula mentioned above and certain underlying assumptions is fair and reasonable and the Transaction is in the interests of the Company and the Shareholders as a whole.

REQUIREMENTS UNDER THE LISTING RULES

As one of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the Transaction would be more than 25% but less than 75%, the Transaction would constitute a major transaction under Rule 14.06(3) of the Listing Rules and would therefore be subject to the reporting, announcement, and shareholders' approval requirements under Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from compliance with Rule 14.34 of the Listing Rules such that the Company may announce the Transaction and obtain the Shareholders' pre-approval of the Transaction before the terms of the Contract with HCLRB are finalised, subject to the following conditions:

1. the Company will promptly announce the outcome of the application for self-transformation of the Land into commercial and residential land and, if the Company enters into the Transaction, the date of the Contract, the amount of the premium and payment schedule of the premium; and
2. the Company will re-comply with all applicable announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules if there is any material change of the terms of the Contract from the standard template.

The Shareholders' pre-approval shall be valid for 3 months, commencing from the date of the Shareholders' pre-approval, within which the Contract is to be entered into between Huafeng and HCLRB.

GENERAL INFORMATION

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.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group's revenue for the 6 months ended 30 September 2010 was about HK\$242 million, up 44% from last corresponding period. The increase in the sales orders for the Group's printed circuit boards ("PCB") was resulted from the execution of the strategic plan to enlarge the customer base and to meet the customer requirements. The Group's PCB average selling price for non high density inter-connect ("HDI") PCB and HDI PCB for the 6 months ended 30 September 2010 increased by 3% and decreased by 6% respectively as compared to the last corresponding period.

The Group's gross profit margin increased from about 10% in last corresponding period to about 15% in the 6 months ended 30 September 2010. The Group's average purchase price of certain major raw material items such as laminate and precious metals during the 6 months ended 30 September 2010 significantly increased by more than 20% as compared to the last corresponding period. Despite the increase in the Group's average purchase price of certain major raw material items and decrease in Group's PCB average selling price as mentioned above, the Group's gross profit margin for the 6 months ended 30 September 2010 increased by about 5 percentage points resulting from the significant increase in production volume and the implementation of cost savings proposal during the 6 months ended 30 September 2010.

LETTER FROM THE BOARD

Furthermore, there were fair value gains on listed equity investments and equity contracts for the 6 months ended 30 September 2010 amounting to about HK\$9 million, due to the recovery of the Hong Kong stock market since April 2010.

The Group's gearing ratio (defined as net debt divided by capital plus net debts) at 30 September 2010 was 1.9% while the Group's current ratio at 30 September 2010 was 2.23 times. The Group's PCB operations generated net cash inflow of about HK\$20 million during the 6 months ended 30 September 2010.

As at 30 September 2010, the Group's interest-bearing bank and other borrowings amounting to HK\$63,341,000 were repayable within the next 12 months for all of them. These borrowings were all denominated in either Hong Kong dollars ("HK\$") or United States dollars ("US\$") and subject to floating interest rates. Except for the bank borrowings as at 30 September 2010 amounting to HK\$50,545,000 which were originally repayable within 3 months, the remaining amount of these borrowings were originally repayable monthly over 3 years. The Group has not adopted any interest rate hedging tool for these borrowings. None of the machinery and equipment of the Group at 30 September 2010 were pledged to secure these borrowings.

As at 30 September 2010, the total credit facilities available to the Group were approximately HK\$245 million, of which HK\$63 million were utilized, and the cash and cash equivalents were HK\$111 million. Accordingly, the Group is capable of financing its operation by its own internal resources and available banking facilities.

As at 30 September 2010, the Group's assets and liabilities were mostly denominated in either HK\$, US\$ or Renminbi ("RMB"). Because the exchange rate for US\$ against HK\$ is relatively stable in Hong Kong for the moment, the Group has not adopted any hedging tool against its assets or liabilities denominated in US\$. However, the Group has made use of foreign exchange forward contracts during the 6 months ended 30 September 2010 to mitigate the effect on the increase of operating expenses to be paid in RMB due to the expected appreciation of RMB.

The telecommunication service providers in the PRC have begun to provide the third generation ("3G") telecommunication services in the number of cities. Although the 3G telecommunication services may take some time to become popular, it is generally expected that more 3G mobile phones will be launched soon in the PRC and the demand for HDI PCB will be stimulated accordingly. The Group will benefit because it has strong track record of selling HDI PCB to not only world-renowned telecommunication products customers but also PRC original design manufacturers of mobile phone.

The product applications of HDI PCB are not merely restricted to mobile phone. Through the strategic alliance with Daisho Denshi Co., Ltd. (one of the top manufacturers of highly delicate PCB in Japan and one of the Company's substantial shareholders), more Japanese customers requiring quality and highly delicate PCB will be introduced to the Group.

LETTER FROM THE BOARD

The Group is aware that certain significant economic issues such as the worldwide inflationary pressure and the continuous appreciation of RMB etc. may affect the operating environment of the Group and it has adopted various means to alleviate the impact. Although the road ahead may be full of challenges, the Group as equipped with healthy financial position and ample experience in the manufacture of highly delicate PCB is ready to confront these challenges.

FINANCIAL EFFECTS OF THE TRANSACTION

It is currently estimated that the premium payable under the Transaction will not be more than approximately RMB125,000,000 (equivalent to approximately HK\$146,925,000). Huafeng intends to finance the payment of premium by way of internal resources and bank borrowings.

Currently, Huafeng does not have the intention to develop the Land immediately after the self-transformation of the Land is formally approved. Accordingly, the Transaction is not expected to have material impact on the earnings of the Group in the short run. However, the Directors are of the view that the Transaction can contribute to the earnings of the Group in the long run given that the Land is situated in a future prime location.

The Group's net assets are not expected to change materially upon completion of the Transaction. However, the Group's gearing ratio is expected to increase to not more than 30% because the premium payable under the Transaction will be partly financed by bank borrowings.

THE SPECIAL GENERAL MEETING

Set out on pages 25 to 26 of this circular is the SGM Notice convening the SGM to be held at Unit 10, 7/F., Hongkong International Trade & Exhibition Centre, 1 Trademark Drive, Kowloon Bay, Kowloon, Hong Kong at 10:00 a.m. on Friday, 28 January 2011 at which an ordinary resolution will be proposed to the Shareholders for the approval of the Transaction. The voting results of the SGM will be published on the business day immediately following the SGM.

As at the Latest Practicable Date, no Shareholder has a material interest in the Transaction, and no Shareholder is required to abstain from voting at the SGM for approving the Transaction.

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 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.

LETTER FROM THE BOARD

RECOMMENDATION OF THE BOARD

Taking into account all other factors as stated above as a whole, the Board recommends the Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Transaction.

ADDITIONAL INFORMATION

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

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

I. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

The Company is required under Rule 14.67(4) of the Listing Rules to disclose in this circular the information for the last three financial years with respect to the profits and losses, financial record and position, set out as a comparative table and the latest published audited balance sheet together with the notes on the annual accounts for the last financial year for the Group.

The audited consolidated financial statements of the Group for the year ended 31 March 2010 have been set out on pages 23 to 90 of the Annual Report 2010 of the Company, which was published on 28 July 2010 on the Stock Exchange's website at <http://www.hkexnews.hk> and the website of the Company (<http://www.irasia.com/listco/hk/daisho/index.htm>). Please also see below quick link to the Annual Report 2010:

<http://www.hkexnews.hk/listedco/listconews/sehk/20100728/LTN20100728558.pdf>

The audited consolidated financial statements of the Group for the year ended 31 March 2009 have been set out on pages 24 to 94 of the Annual Report 2009 of the Company, which was published on 29 July 2009 on the Stock Exchange's website at <http://www.hkexnews.hk> and the website of the Company (<http://www.irasia.com/listco/hk/daisho/index.htm>). Please also see below quick link to the Annual Report 2009:

<http://www.hkexnews.hk/listedco/listconews/sehk/20090729/LTN20090729578.pdf>

The audited consolidated financial statements of the Group for the year ended 31 March 2008 have been set out on pages 24 to 90 of the Annual Report 2008 of the Company, which was published on 29 July 2008 on the Stock Exchange's website at <http://www.hkexnews.hk> and the website of the Company (<http://www.irasia.com/listco/hk/daisho/index.htm>). Please also see below quick link to the Annual Report 2008:

<http://www.hkexnews.hk/listedco/listconews/sehk/20080729/LTN20080729492.pdf>

The unaudited consolidated financial statements of the Group for the six months ended 30 September 2010 have been set out on pages 1 to 15 of the Interim Report 2011 of the Company, which was published on 25 November 2010 on the Stock Exchange's website at <http://www.hkexnews.hk> and the website of the Company (<http://www.irasia.com/listco/hk/daisho/index.htm>). Please also see below quick link to the Interim Report 2011:

<http://www.hkexnews.hk/listedco/listconews/sehk/20101125/LTN20101125190.pdf>

II. INDEBTEDNESS

As at the close of business on 30 November 2010, being the latest practicable date for ascertaining certain information relating to this indebtedness statement, the Group had an outstanding bank borrowings amounting to approximately HK\$42 million, of which approximately HK\$36 million were secured by the pledge of the Group's time deposits of approximately HK\$35 million and Hong Kong listed equity investments with fair value of approximately HK\$32 million. These bank borrowings were repayable within the next 12 months.

As at the close of business on 30 November 2010, there was no guarantee given by the Group in respect of banking facilities to the third parties.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payable in the normal course of business, as at the close of business on 30 November 2010, the Group did not have any debt securities, issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgage, charge, hire purchase commitments, guarantees or other material contingent liabilities.

Foreign currency amounts of the indebtedness of the Group have been translated into Hong Kong dollars at the rates of exchange prevailing at the close of business on 30 November 2010.

III. WORKING CAPITAL

Taking into account the financial resources available to the Group, including internally generated funds and the available banking facilities, the Directors are of the opinion that the Group has sufficient working capital for its present requirements for the next 12 months from the date of this circular.

The following is the text of a letter and valuation certificate, prepared for the purposes of incorporation in this circular received from Marsh (Hong Kong) Limited, an independent valuer, in connection with its valuation as at 22 December 2010 of the Land.

MARSH

Marsh (Hong Kong) Limited
26/F Central Plaza
18 Harbour Road
Wanchai Hong Kong

Tel 852 2301 7000
Fax 852 2576 3340

www.marsh.com.hk

13 January 2011

Board of Directors
Daisho Mircoline Holdings Limited
Unit B 12-16, 3/F., Block B
Hoplite Industrial Centre
3-5 Wang Tai Road
Kowloon Bay, Hong Kong

Dear Sirs,

In accordance with the instructions of Daisho Mircoline Holdings Limited (referred to as the "Company") and its subsidiaries (hereinafter together referred to as the "Group") to value the property interests located in Huizhou, the People's Republic of China (the "PRC"), we confirm that we have carried out inspection for the property interests, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the value of such property interests as at 22 December 2010 (the "valuation date").

This letter that forms part of our valuation report, explains the basis and methodology of valuation and clarifies our assumptions made on the ownership to the property interests and the limiting conditions.

BASIS OF VALUATION

Our valuation is our opinion of the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special considerations or concessions granted by anyone associated with the sale, or any element of special value. The value of a property is also estimated without regard to costs of sales and purchase, and without offset for any associated taxes.

VALUATION METHODOLOGY

The property interests are valued by the direct comparison method where comparison based on prices realized on actual sales or market price information of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property interest in order to arrive at a fair comparison of capital values.

ASSUMPTIONS

Our valuations have been made on the assumption that the owners sell the property interests on the market without the benefit of any deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which could serve to increase the value of such property interests. In addition, no forced sale situation in any manner is assumed in our valuations.

We have assumed that the owner of the property interests has free and uninterrupted rights to use lease, sell or mortgage the property interests for the whole of the unexpired term of its respective land use rights. Unless stated as otherwise, vacant possession is assumed for the property interests concerned.

As advised, the Group has applied for the change of the land use of the subject property from industrial to commercial / residential. We assumed that the property was ready to be developed as of the valuation date in accordance with the possible future development.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on any neither of the property valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that all the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their rental values.

We have assumed that all consents, approvals and licenses from relevant government authorities for the buildings and structures erected or to be erected on the sites have been granted. Also, we have assumed that unless otherwise stated, all buildings and structures erected on the sites are held by the owners or permitted to be occupied by the owners.

It is assumed that all applicable zoning, land use regulations and other restrictions have been complied with unless non-conformity has been stated, defined and considered in the valuation certificate. Further, it is assumed that the utilization of the land and improvements is within the boundaries of the property interests described and that no encroachment or trespass exists unless noted in the valuation certificate.

Other special assumptions and qualifications for property interests, if any, have been stated in the footnotes of the valuation certificate for the respective property interests.

TITLE INVESTIGATION

We have been provided with copies of documents in relation to the title of the property interests situated in the PRC. However, we have not scrutinized the original documents to verify ownership or to verify any amendments which may not appear on the copies handed to us. We have relied to a considerable extent on the information provided by the Group and the legal opinion given by the Group's legal adviser, Guangdong Zhaofeng Attorney at Law, on the PRC law as to the validity of the Group's title to the property interests.

All legal documents disclosed in this letter and valuation certificate are for reference only and no responsibility is assumed for any legal matters concerning the legal title to the property interests set out in this letter and valuation certificate.

LIMITING CONDITIONS

We have relied to a considerable extent on the information provided by the Group and have accepted advice given to us by the Group on such matters as statutory notices, easements, tenure, occupancy, site and floor areas and all other relevant matters. Dimensions and areas included in the valuation certificate are based on information contained in the documents provided to us and are only approximations.

We have no reason to doubt the truth and accuracy of the information as provided to us by the Group. We were also advised by the Group that no material facts have been omitted from the information so supplied. We consider we have been provided with sufficient information to reach an informed view.

We have inspected the exterior and, where possible, the interior of the property included in the attached valuation certificate. However, no structural survey has been made and we are therefore unable to report as to whether the properties are or are not free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have not carried out investigations on site to determine the suitability of ground conditions and services for the possible future development, nor have we undertaken archaeological, ecological or environmental surveys. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during construction period.

REMARKS

In valuing the property interests, we have complied with all the requirements contained in Paragraph 34(2), (3) of Schedule 3 of the Companies Ordinance (Cap. 32), Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards on Properties (1st Edition 2005) published by the Hong Kong Institute of Chartered Surveyors.

Unless otherwise stated, all monetary amounts stated in this report are in Renminbi (RMB).

We enclose herewith the summary of valuation and the valuation certificate.

Yours faithfully,
For and on behalf of
Marsh (Hong Kong) Limited
Calvin K. C. Chan
MRICS MHKIS RPS(GP) CFA MCIREA
Vice President

Note: Mr. Calvin K. C. Chan, who is a Chartered Valuation Surveyor, has over 12 years experience in valuation of properties in the PRC. Mr. Chan has been admitted to the Hong Kong Institute of Surveyors' approved List of Property Valuers to undertake valuations for incorporation or reference in Listing Particulars and Circulars and valuations in connection with takeovers and mergers.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of Occupancy	Capital Value of the land under the possible future development as at 22 December 2010 (RMB)								
A parcel of land located at Gu Tang Ao, Zhen Nan Shan, Huizhou City, Guangdong Province, The PRC	<p>The properties comprise a parcel of land with a site area of 52,426.5 square meters</p> <p>The land parcel is planned to be developed into a commercial/residential development with a total gross floor area of approximately 157,300 square meters.</p> <p>Details of the possible future development are approximately as follows:</p> <table border="0" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;">Usage</th> <th style="text-align: right;">Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Commercial</td> <td style="text-align: right;">47,300</td> </tr> <tr> <td>Residential</td> <td style="text-align: right;"><u>110,000</u></td> </tr> <tr> <td>Total:</td> <td style="text-align: right;"><u><u>157,300</u></u></td> </tr> </tbody> </table> <p>The property is currently held for a term expiring on 3 September 2059.</p>	Usage	Gross Floor Area (sq.m.)	Commercial	47,300	Residential	<u>110,000</u>	Total:	<u><u>157,300</u></u>	The property is currently occupied by the Group for industrial use.	149,000,000
Usage	Gross Floor Area (sq.m.)										
Commercial	47,300										
Residential	<u>110,000</u>										
Total:	<u><u>157,300</u></u>										

Notes:

1. Pursuant to the State-owned Land Use Rights Certificate (Hui Fu Guo Yong (2009) No13021300219) issued by the People's Government of Huizhou on 6 November 2009, a parcel of land located at Gu Tang Ao, Zhen Nan Shan, Huizhou City, Guangdong Province, the People's Republic of China with a site area of 52,426.5 square meters was held by Huafeng Microline (Huizhou) Circuits Ltd. for a term expiring on 3 September, 2059 for industrial use.
2. Pursuant to the Business Licence No. 441300400011720 issued by the Administration for Industry & Commerce of Huizhou City on 14 December, 2007, Huafeng Microline (Huizhou) Circuits Ltd. was incorporated with a registered capital of United States Dollar 62,000,000.
3. We have been provided with a legal opinion on the property prepared by the Company's legal advisor, which contains, inter alia, the following information:
 - a. According to the State-owned Land Use Rights Certificate (Hui Fu Guo Yong (2009) No13021300219), a parcel of land located at Gu Tang Ao, Zhen Nan Shan, Huizhou City, with a site area of 52,426.5 square meters, was held by Huafeng Microline (Huizhou) Circuits Ltd. for a term expiring on 3 September, 2059 for industrial use.

- b. Huafeng Microline (Huizhou) Circuits Limited has applied to the office of Huizhou City “Three-Old” Transformation Work Steering Group (惠州市「三舊」改造工作領導小組) for the subject land parcel incorporated into the “Three-Old” Transformation Project (三舊改造項目).
 - c. Upon processing by the relevant planning authorities, the subject land parcel is planning to be developed into a commercial/residential development, with a total gross floor area of 157,300 square meters.
 - d. According to the Letter of Reply issued by the office of Huizhou City “Three-Old” Transformation Work Steering Group (惠州市「三舊」改造工作領導小組) to Huafeng Microline (Huizhou) Circuits Ltd. on 23 July, 2010, the subject land parcel has been confirmed that it was incorporated into Huizhou City “Three-Old” Transformation Project (三舊改造項目).
4. In the course of our valuation, we have assumed that the subject land was vacant possession and ready to develop into a commercial/residential development in a total gross floor area of 157,300 square meters. We have also assumed that all land premium in respect of the possible future development has been paid in full.
 5. For reference purpose, the fair value of the subject land parcel for industrial use in existing state as of the valuation date is RMB20,150,000.

RESPONSIBILITY STATEMENT

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

1. 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 beneficiaries 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.

2. 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 Co., Ltd. ^(Note)	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 Co., Ltd. Save as disclosed above, no Director is a director or employee of a company which as at the Latest Practicable Date has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, 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.

3. 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 2010, the date to which the latest published audited consolidated financial statements of the Group were made up.

4. 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.

5. 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.

6. 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.

7. 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.

8. 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 2010, being the date to which the latest published audited consolidated financial statements of the Group were made up.

9. QUALIFICATIONS AND CONSENT OF EXPERT

Marsh (Hong Kong) Limited is a property valuer.

The letter (including the valuation certificate) given by Marsh (Hong Kong) Limited is given for incorporation in this circular. Marsh (Hong Kong) Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, the summary of valuation and valuation certificate enclosed therewith and all references to its name, its letter and its valuation in the form and context in which they respectively appear.

As at the Latest Practicable Date, Marsh (Hong Kong) Limited 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, Marsh (Hong Kong) Limited did not have any direct or indirect interest in any asset which had been, or were proposed to be, acquired or disposed of by or leased to any member of the Group since 31 March 2010, being the date to which the latest published audited financial statements of the Company were made up.

10. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Group within two years immediately preceding the Latest Practicable Date which are or may be material:

- (a) an acquisition agreement dated 5 October 2010 entered into between Huafeng and an independent third party pursuant to which Huafeng acquired 50% interest in 惠州市華瑞房地產開發有限公司 (“Huarui”) from that independent third party for a consideration of RMB4,000,000;
- (b) a shareholders’ agreement dated 5 October 2010 entered into between, among others, Huafeng and 惠州億瑞實業有限公司 in relation to, among other things, the management of Huarui.

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 fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.
- (d) Except for the official Chinese names of the PRC laws or regulations or the PRC government authorities or the PRC entities mentioned in this circular, 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, Kowloon, Hong Kong during normal business hours up to and including 28 January 2011:

- (a) the bye-laws of the Company;
- (b) a copy of each material contract referred in the section headed "Material Contracts" of this circular;
- (c) the valuation report issued by Marsh (Hong Kong) Limited on the Land as set out in Appendix II to this circular;
- (d) the legal opinion dated 23 December 2010 issued by Guangdong Zhaofeng Attorney at Law, the Group's PRC legal adviser;
- (e) the written consent given by Marsh (Hong Kong) Limited referred to in the section headed "Qualifications and Consent of Expert" in this Appendix;
- (f) the Company's Interim Report 2011, Annual Report 2010, Annual Report 2009 and Annual Report 2008; and
- (g) this circular.

NOTICE OF SPECIAL GENERAL MEETING



DAISHO MICROLINE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0567)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of Daisho Microline Holdings Limited (the “Company”) will be held at Unit 10, 7/F., Hongkong International Trade & Exhibition Centre, 1 Trademark Drive, Kowloon Bay, Kowloon, Hong Kong on Friday, 28 January 2011 at 10:00 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) subject to the grant of formal approval for self-transformation of the Land (as defined in the circular of the Company dated 13 January 2011 (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) into commercial and residential land, the signing of the Contract (as defined in the Circular) within three (3) months from the date of this resolution and the payment to the Huizhou Municipal Government of a premium which is currently estimated to be not more than approximately RMB125,000,000 (equivalent to approximately HK\$146,925,000) pursuant to the Plan (as defined in the Circular) (the “Transaction”) and all transactions contemplated thereunder and in connection therewith and any other ancillary documents, be and are hereby approved; 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 Transaction 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, 13 January 2011

NOTICE OF 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. 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.*