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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 a licensed securities dealer, 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 to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or 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**

VINCO  **城高**

Grand Vinco Capital Limited

(A wholly-owned subsidiary of Vinco Financial Group Limited)

A letter from the Board is set out on pages 4 to 12 of this circular and a letter from the Independent Board Committee is set out on page 13 of this circular. A letter from Vinco Capital containing its advice to the Independent Board Committee is set out on pages 14 to 24 of this circular.

A notice convening a special general meeting of Daisho Microline Holdings Limited to be held at 11 a.m. on Thursday, 28 March 2013 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 30 to 31 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 March 2013

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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 2016
“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 approximately 10.41% of the issued share capital of the Company and a company in which the Group had approximately 7.46% equity interest 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
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board, comprising of the independent non-executive Directors, Mr. Chan Yuk Tong, Dr. Li Chi Kwong and Mr. Yeung Chi Shing, Bret, established to advise the Independent Shareholders in relation to the terms of the Sales Agreement, the Transactions and the Annual Caps

DEFINITIONS

“Independent Shareholders”	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”	11 March 2013, 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
“Sales Agreement”	the sales and purchase agreement dated 19 February 2013 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 Thursday, 28 March 2013 at 11 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 30 to 31 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

DEFINITIONS

“Vinco Capital”

Grand Vinco Capital Limited, a wholly-owned subsidiary of Vinco Financial Group Limited (Stock Code: 8340), a licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities 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

“HK\$”

Hong Kong dollars, the lawful currency of Hong Kong



DAISHO MICROLINE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0567)

Executive Directors:

CHAN Sik Ming, Harry (*Chairman & CEO*)
AU-YEUNG Wai Hung
HANDA Yoshio
SUGAYA Shozo

Registered Office:

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Independent Non-Executive Directors:

CHAN Yuk Tong
LI Chi Kwong
YEUNG Chi Shing, Bret

Head Office and

Principal Place of Business:

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

13 March 2013

To the Shareholders

Dear Sir or Madam

CONTINUING CONNECTED TRANSACTIONS SALES AGREEMENT

INTRODUCTION

In an announcement of the Company dated 19 February 2013, 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 2013. The Transactions are also subject to the maximum aggregate annual value of HK\$95 million, HK\$115 million and HK\$140 million for the financial years ending 31 March 2014, 2015 and 2016 respectively.

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

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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 Vinco Capital 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 Vinco Capital; 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 5 February 2010 and the circular of the Company dated 26 February 2010 in relation to the sales transactions of PCB between the Group and Daisho Denshi Group. Pursuant to the Company's special general meeting on 26 March 2010, 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\$120 million, HK\$144 million and HK\$173 million of the sales transactions for the two financial years ended 31 March 2011 and 31 March 2012 and the financial year ending 31 March 2013, respectively.

Daisho Denshi Group has been one of the largest customers of the Group for many years and this circumstance will likely persist in the next few years. The Board wishes to continue to sell PCB to Daisho Denshi Group after the financial year ending 31 March 2013 on an on-going basis. On 19 February 2013, 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 financial years commencing from 1 April 2013.

THE SALES AGREEMENT

Date

19 February 2013

LETTER FROM THE BOARD

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 2013 and ending on 31 March 2016.

Condition Precedent

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

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 the PCB will be supplied, the price of the 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.

Because each model of PCB sold by the Group even to the same customer is unique and tailor-made according to the customer's requirements and specifications, the selling price of each model of PCB is determined after considering the complexity along with the associated costs of the customer's requirements and specifications and also the volume of each model of PCB. Hence, there is no uniform selling price even for similar category of PCB sold by the Group to the Independent Third Parties.

The market rates of PCB is determined based on the market information obtained from the Group's existing and potential customers through negotiation with them, and the result after providing the quotations to different customers but with similar requirements and specifications. The Group has a basic selling price matrix for certain broad categories of PCB products under standard requirements and specifications and it will also make use of its in-house developed quotation system to estimate the selling price for PCB products with non-standard requirements and specifications. The basic selling price matrix sets out

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the unit selling price for specific types of PCB products with specific number of layers, surface treatment method, type of laminate, board thickness, hole density and estimated scrap rate etc. The in-house developed quotation system is a more sophisticated mechanism taking into consideration all relevant cost-sensitive factors above those standard requirements and specifications under the basic selling price matrix for quotation purpose. Periodically, the Group reviews and analyses the gross profit margins for each model of PCB and for each customer in order to further help assess and monitor whether the selling prices are comparable with the market rates.

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 values of HK\$95 million, HK\$115 million and HK\$140 million for the three financial years ending 31 March 2014, 2015 and 2016 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 2011	Approximately HK\$47 million
Year ended 31 March 2012	Approximately HK\$48 million
Ten months ended 31 January 2013	Approximately HK\$37 million

Based on the unaudited total amount of the sales transactions with Daisho Denshi Group for the ten months ended 31 January 2013 of approximately HK\$37 million and the estimated orders to be placed by Daisho Denshi Group to the Group for PCB in February to March 2013, the aggregate annual value for the year ending 31 March 2013 is estimated to be HK\$40 million.

The amount of the sales transactions with Daisho Denshi Group for the year ended 31 March 2011 fell short of the approved maximum aggregate annual values of the sales transactions for the same period because DML had not met the stringent requirements of Daisho Denshi Group by that time. The amount of the sales transactions with Daisho Denshi Group for the year ended 31 March 2012 and year ending 31 March 2013 fell short of the approved maximum aggregate annual values of the sales transactions for the same periods due to the decrease in the purchase orders from Daisho Denshi Group because the businesses of the customers of Daisho Denshi Group were greatly affected in the aftermath of the massive earthquake and tsunami in Japan and the catastrophic deluge in Thailand during the year 2011; and

LETTER FROM THE BOARD

2. The purchase forecast of Daisho Denshi (HK) for the period between 1 April 2013 and 31 March 2016 after considering the estimated demand for PCB from the new projects currently under negotiation between Daisho Denshi Group and the Group, and an annual growth rate of about 20% as estimated by Daisho Denshi (HK). The amounts of the purchase forecast of Daisho Denshi (HK) as mentioned above approximate to the Annual Caps.

In the event the new projects currently being negotiated between the Group and Daisho Denshi Group shall proceed, the Group expects a significant increase in the purchase orders from Daisho Denshi Group for the year ending 31 March 2014.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SALES AGREEMENT

As mentioned above, the Board wishes to continue to sell PCB to Daisho Denshi Group after the financial year ending 31 March 2013 on an ongoing basis.

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.

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 (except for the members of the Independent Board Committee, the opinion of which after taking into account the advice from Vinco Capital is included in the "Letter from the Independent Board Committee" section of this circular) 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.

INFORMATION ON THE GROUP

The principal activity of the Company is investment holding. The principal activities of the subsidiaries of the Company, including DML, are investment holding and 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. As at the Latest Practicable Date, Daisho Denshi held approximately 10.41% of the issued share capital of the Company, whereas the Group had approximately 7.46% equity interest in Daisho Denshi.

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 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.

Mr. HANDA Yoshio and Mr. SUGAYA Shozo, executive Directors of the Company, are either directors or senior management of Daisho Denshi or its associates, which is also involved in the manufacture and trading of PCB, and therefore they have abstained from voting on the relevant resolution of the Board approving the Sales Agreement, the Transactions and the Annual Caps.

Save as disclosed above, none of the Directors (including the independent non-executive Directors) has any material interest in the Sales Agreement and so none of them was required to abstain from voting on the relevant resolutions of the Board approving the Sales Agreement, the Transactions and the Annual Caps.

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 Vinco Capital 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 insufficient 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

LETTER FROM THE BOARD

- (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 2016 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;
- (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; and
- (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 Company's auditors with sufficient access to the relevant records for the purpose of the auditors' review of the Transactions referred to in paragraph (4) above.

SPECIAL GENERAL MEETING

Set out on pages 30 to 31 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 a.m. on Thursday, 28 March 2013 at which an ordinary resolution will be proposed at the SGM 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.

LETTER FROM THE BOARD

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 approximately 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 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 13 March 2013 set out on page 13 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 of advice from Vinco Capital dated 13 March 2013 set out on pages 14 to 24 of this circular which contains the recommendation from Vinco Capital 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 Vinco Capital in arriving at its recommendation.

Having taken into account the factors and reasons considered by, and the opinion of Vinco Capital as stated in its letter of advice, 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.

LETTER FROM THE BOARD

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)

13 March 2013

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 13 March 2013 (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 of advice from Grand Vinco Capital Limited (“**Vinco Capital**”) as set out on pages 14 to 24 of the Circular and the letter from the Board as set out on pages 4 to 12 of the Circular.

Having taken into account the factors and reasons considered by, and the opinion of Vinco Capital 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 that 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.

Yours faithfully,
For and on behalf of
The Independent Board Committee
CHAN Yuk Tong
LI Chi Kwong
YEUNG Chi Shing, Bret
Independent non-executive Directors

LETTER FROM VINCO CAPITAL

The following is the text of a letter of advice from Vinco Capital to the Independent Board Committee and the Independent Shareholders in connection with the continuing connected transactions under the Sales Agreement and the Transactions contemplated thereunder (including the Annual Caps), which has been prepared for the purpose of incorporation in this circular:



13 March 2013

*To the Independent Board Committee and the Independent Shareholders of
Daisho Microline Holdings Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS SALES AGREEMENT

A. INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Sales Agreement and the Transactions contemplated thereunder (including the Annual Caps), details of which are set out in the letter from the Board (the "Letter from the Board") contained in the circular of the Company dated 13 March 2013 (the "Circular") to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

Pursuant to the previous sales agreement dated 5 February 2010 (the "Previous Sales Agreement"), the Group agreed to sell and deliver to Daisho Denshi Group PCB products for their use or consumption and/or for sales on a non-exclusive basis for the period from 1 April 2010 to 31 March 2013. The PCB sales transactions with Daisho Denshi Group contemplated thereunder the Previous Sales Agreement with annual monetary limits of HK\$120 million, HK\$144 million and HK\$173 million (the "Existing Annual Caps") for the two financial years ended 31 March 2012 and the financial year ending 31 March 2013 were duly approved by the Independent Shareholders at the special general meeting of the Company held on 26 March 2010.

In order for the Group to continue to sell PCB products to Daisho Denshi Group after 31 March 2013, DML, a wholly-owned subsidiary of the Company, entered into the Sales Agreement with Daisho Denshi (HK), a wholly-owned subsidiary of Daisho Denshi Group, on 19 February 2013 pursuant to which the Group agreed to sell and deliver to

LETTER FROM VINCO CAPITAL

Daisho Denshi Group PCB products for their use or consumption and/or for sale on a non-exclusive basis for a term of three financial years commencing from 1 April 2013 to 31 March 2016.

Given that the Company is owned as to approximately 10.41% by Daisho Denshi which is a substantial shareholder of the Company, members of Daisho Denshi Group are connected persons of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios calculated with reference to the Annual Caps exceeds 5%, and the annual amounts exceed HK\$10 million, 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. Accordingly, the Sales Agreement, the Transactions and the Annual Caps are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Mr. HANDA Yoshio and Mr. SUGAYA Shozo, executive Directors of the Company, are either directors or senior management of Daisho Denshi or its associates, which is also involved in the manufacture and trading of PCB, and therefore they have abstained from voting on the relevant resolution of the Board approving the Sales Agreement, the Transactions and the Annual Caps. In view of the interests of Daisho Denshi in the Transactions, Daisho Denshi and its associates will also abstain from voting on the SGM in relation to the resolution approving the Sales Agreement, the Transactions and the Annual Caps.

The Independent Board Committee comprising Mr. CHAN Yuk Tong, Mr. LI Chi Kwong, and Mr. YEUNG Chi Shing, Bret, all being the independent non-executive Directors, has been formed to advise the Independent Shareholders on the terms of the Sales Agreement and the Transactions (including the Annual Caps). We have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Sales Agreement and the Transactions (including the Annual Caps). In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders for the purposes of the Listing Rules, our role is to give you an independent opinion as to whether the terms of the Sales Agreement and the Transactions (including the Annual Caps) are on normal commercial terms, in the ordinary course of business, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

B. BASIS OF OUR OPINION AND RECOMMENDATION

In forming our opinion and recommendation, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries. We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the Circular and that all expectations and intentions of the Directors, management of the Company and its subsidiaries, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors,

LETTER FROM VINCO CAPITAL

management of the Company and its subsidiaries. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors, management of the Company and its subsidiaries.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We have relied on such information and opinions and have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospect.

Based on the foregoing, we confirm that we have taken all reasonable steps to arrive at our opinion and recommendation, which are applicable to the terms of the Sales Agreement and the Transactions (including the Annual Caps), as referred to in Rule 13.80 of the Listing Rules (including the notes thereto).

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Sales Agreement and the Transactions (including the Annual Caps) and, except for its inclusion in the Circular and for the purpose of the SGM, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

C. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Sales Agreement and the Transactions (including the Annual Caps), we have considered the following principal factors and reasons:

1. Background and reasons for the entering into of the Sales Agreement

(i) *Information on the Group*

The principal activity of the Company is investment holding. The principal activities of the subsidiaries consist of investment holding and the manufacturing and trading of PCB.

(ii) *Information on the Daisho Denshi Group*

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

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telecommunication products customers. As at the Latest Practicable Date, Daisho Denshi, together with its associates, are holding approximately 10.41% of the issued share capital of the Company and therefore is a substantial Shareholder of the Company. The Group is also interested in approximately 7.46% of the entire share capital of Daisho Denshi as at the Latest Practicable Date.

(iii) Reasons for entering into the Sales Agreement

The Group's core business activity is the manufacturing and trading of PCB products. The Group has long been supplying Daisho Denshi Group various PCB products since 1995. There has been a well-established business relationship between the Group and Daisho Denshi Group. With reference to the previous circular of the Company dated 26 February 2010, the Group and Daisho Denshi entered into the Previous Sales Agreement with annual monetary limits of HK\$120 million, HK\$144 million and HK\$173 million for the three years ending 31 March 2013 respectively. Given that the Previous Sales Agreement will soon expire and the Group would like to continue to carry PCB sales transactions with Daisho Denshi after 31 March 2013, DML entered into the Sales Agreement with Daisho Denshi (HK) on 19 February 2013 pursuant to which the Group agreed to sell and deliver to Daisho Denshi Group PCB products for their use or consumption and/or for sale on a non-exclusive basis for a term of three financial years commencing from 1 April 2013 to 31 March 2016.

As discussed with the management of the Company, Daisho Denshi Group remains one of the largest customers of the Group for years. With reference to the annual reports of the Company for the previous financial year ended 31 March 2012 and the interim report of the Company for the six months ended 30 September 2012, the transaction volumes of PCB sold to Daisho Denshi Group were approximately HK\$48 million and HK\$22 million respectively, which accounted for approximately 13% and 12% of the Group's total revenue for the respective periods. Given that Daisho Denshi Group remains an important customer of the Group, we therefore concur with the view of the management that, by entering into the Sales Agreement and the Transactions contemplated thereunder, the Group can continue to enjoy the strong sales network of PCB possessed by Daisho Denshi Group and can utilise this sales platform to enhance the Group's customer base and revenue portfolio.

According to the research performed by a pioneer in the PCB industry providing consulting services for the PCB manufacturers around the world, namely N.T. Information Limited, Daisho Denshi ranked fifty-sixth in terms of production value in the global supply of PCB in year 2011. Daisho Denshi possesses not only advanced equipment but also ample technological know-how and experience required for the manufacture of various types of PCB for its world-renowned customers. The entering into the Sales Agreement and the Transactions contemplated thereunder would provide opportunities

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for the Group to facilitate the technological exchange with Daisho Denshi Group while the experience gained from the manufacture of highly delicate PCB for Daisho Denshi Group would further sharpen the Group's edge in the application of advanced technology for the manufacture of highly delicate PCB in the future.

Having considered that: (i) the Group's core business activity is the manufacturing and trading of PCB; (ii) the sales volume from Daisho Denshi Group represents a significant portion of the Group's total revenue and represents an important sales platform for the Group; and (iii) the possible technological exchange and experience to be gained from the Transactions with Daisho Denshi Group in the coming future, we consider that the entering into of the Sales Agreement and the Transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group and we concur with the view of the Directors that maintaining the existing well-established business relationship with Daisho Denshi Group is in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the Sales Agreement

The following table summarizes the major terms of the Sales Agreement:

Date	:	19 February 2013
Effective Period	:	From 1 April 2013 to 31 March 2016
Parties	:	DML as the supplier Daisho Denshi (HK) as the purchaser
Nature of the Transactions contemplated thereunder	:	To sell and deliver to Daisho Denshi Group PCB products for their use or consumption and/or for sale on a non-exclusive basis

As stated in the Letter from the Board, 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 which the 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 sales 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 of the PCB by the Group to Daisho Denshi Group. It is also agreed by DML and Daisho Denshi (HK) that the 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

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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.

As advised by the management of the Company, the Group manufactures customised and highly delicate PCB products to its customers. The PCB products requested by each of the Group's customers are specifically designed in accordance with their requirements and specifications. The Group's PCB products for each of its customers are therefore unique and not directly comparable among the Group's customers. However, we are advised by the management that the Group always applies the same pricing policy to all its customers, including Daisho Denshi Group. As confirmed by the Directors, the terms of the historical PCB sales transactions have been, and the Transactions will be, negotiated and determined with reference to the then prevailing market rate 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 if there are insufficient comparable transactions.

Having considered the above and given that the nature of the Sales Agreement is a master agreement of which detailed terms of the Transactions will be specified in the corresponding individual purchase orders or agreements, for our due diligence purpose to assess the Group's pricing policy and other principal terms offered to Daisho Denshi Group, we have alternatively obtained and reviewed an analysis provided by the Company on the overall sales record of PCB products for its customers, including Daisho Denshi Group, with overall and individual gross profit margins on each of the customers for the 12 months ended 31 December 2012 (the "Review Period"). We noted that the overall gross profit margin for Daisho Denshi Group was generally higher than (i) the overall gross profit margin of the sales of PCB products to other independent customers; (ii) the overall gross profit margin of the sales of PCB products to all the Group's customers (including Daisho Denshi Group); and (iii) the Group's overall gross profit margin of approximately 0.02% for the year ended 31 March 2012 and approximately 8.46% for the six months ended 30 September 2012. There were occasions that the gross profit margins for certain independent PCB customers significantly deviated from the overall gross profit margin of the Group. However, as advised by the management of the Company, the pricing policy of each order depends on a number of factors including but not limited to the complexity of the PCB products, the purchase volume and the quality of the customers. The order sizes of those customers which have gross profit margins significantly deviated from those of the Daisho Denshi Group and the Group were relatively much smaller. It is also a normal business practice of the Group to offer competitive pricing to its key customers with recurring bulk purchase orders, high creditworthiness and long well-established business

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relationship with the Group. Daisho Denshi Group is one of the Group's key customers of which competitive pricing are offered. Nevertheless, we note that the gross profit margin from Daisho Denshi Group was the highest among the top 5 PCB customers of the Group during the Review Period. As such, we consider the pricing and gross profit margin for the transactions with Daisho Denshi Group during the Review Period were justifiable and reasonable.

Besides assessing the pricing offered to Daisho Denshi Group, we have also reviewed the purchase orders and the sales invoices of the transactions with Daisho Denshi Group and other independent customers with comparable PCB products and sales amount during the Review Period. We noted that the payment terms and other principal terms of the sales transactions with Daisho Denshi Group were similar or comparable to those offered to other independent customers purchasing similar type of PCB products with comparable sales amount, creditworthiness and/or history of business relationship with the Group.

As confirmed by the Directors, going forwards the 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.

In view of the uniqueness of its PCB products for different customers, besides the standard pricing matrix the Group also adopts its own quotation system to price PCB products with non-standard requirements and specifications to ensure that same pricing policy would be applied to all of the Group's customers. We have reviewed the Group's basic selling price matrix and quotation system and we note that the pricing mechanism thereunder is mainly based on variants such as the types of PCB, types of laminate, number of layers, surface treatment method, board thickness, hole density and estimated scrap rate, etc., all of which are ordinary factors that will affect the cost of production and therefore the pricing of the PCB products. The determination of the market rates of PCB products will then be based on the market reaction of the pricing of the Group's PCB products during the negotiation process with its existing and potential customers, including but not limited to, the feedback of customers on the quoted unit price and any reference pricing information counter offered or provided by the customers from other PCB suppliers for similar type of PCB products. If the quotation is ultimately turned down by the customer for selling price reason only, the Group will get the insight that the quoted unit price is above the market rate. Moreover, the Group recurrently monitors the gross profit margins for each model of PCB and for the sales to the Group's customers, including Daisho Denshi Group, to ensure that the pricing are comparable with market rates of similar PCB products. Given that by applying the pricing policies as stated above, the gross profit margin of the sales to Daisho Denshi Group was considerably higher than those of other PCB customers during the Review Period, we therefore concur with the view of the Directors that the Group would be able to fairly and reasonably determine the market rates and the

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Group's measures would be able to ensure the pricing terms to be offered to Daisho Denshi Group are in line with those stated under the Sales Agreement.

3. The Annual Caps

In assessing the reasonableness of the Annual Caps, we have reviewed and discussed with the management of the Company about the basis in determining the Annual Caps, which have been determined by reference to a number of factors including (i) the historical figures of the amounts of the sales transactions with Daisho Denshi Group of which were significantly influenced by the massive natural disasters in Japan and restrained by the level of technology possessed by the Group in earlier years; (ii) the purchase forecast of Daisho Denshi Group for the period between 1 April 2013 and 31 March 2016 after considering the estimated demand to be generated from potential new projects currently under negotiation with Daisho Denshi Group; and (iii) the annual growth rate of about 20% as estimated by Daisho Denshi Group.

The following table sets out (i) the amounts of the Existing Annual Caps for the three years ending 31 March 2013; (ii) the historical transaction amounts for the two years ended 31 March 2012 and the estimated transaction amount for the year ending 31 March 2013; (iii) the historical and estimated utilisation rates on the Existing Annual Caps; and (iv) the amounts of the Annual Caps for the three years ending 31 March 2016:

	For the year ended/ending 31 March		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Existing Annual Cap amounts	120,000	144,000	173,000
Historical/estimated transaction amounts	47,000	48,000	40,000
Utilisation rates	39.16%	33.33%	23.12%
	For the year ending 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Annual Cap amounts	95,000	115,000	140,000

As illustrated above, the historical and estimated transaction amounts between the Group and Daisho Denshi Group for the two years ended 31 March 2012 and for the year ending 31 March 2013 were/is relatively low when compared to the Existing Annual Caps. The Annual Caps for each of the three years ending 31 March 2016 also represent a significant increase as compared with the Group's estimated transaction amount with Daisho Denshi Group for the year ending 31 March 2013.

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We understand from the management of the Company that the performance of the Group has been affected since the emerging of European sovereign debt crisis in recent years. Japan's devastating earthquake and tsunami and the catastrophic deluge in Thailand in 2011 have also led to the decrease in demand of PCB products from Daisho Denshi Group as the business of Daisho Denshi Group's customers were adversely affected. Also, there were occasions that DML had not met the stringent requirements of Daisho Denshi Group in year 2011. Hampered by these factors, the purchase orders placed by the Group's customers, including Daisho Denshi Group, have been reduced substantially in recent years. With reference to the annual reports of the Company for the past four years ended 31 March 2012, the total revenue of the Group decreased from approximately HK\$631 million for the year ended 31 March 2008 to approximately HK\$362 million for the year ended 31 March 2012, representing a decrease of approximately 43% during the period. The revenue from Daisho Denshi Group also decreased from approximately HK\$73 million for the year ended 31 March 2008 to approximately HK\$48 million for the year ended 31 March 2012, representing a decrease of approximately 35% during the period. In spite of the aforementioned economic downturn and the natural disasters, the Group's revenue contributed by Daisho Denshi Group recorded a slight increase of approximately 2% from approximately HK\$47 million for the year ended 31 March 2011 to approximately HK\$48 million for the year ended 31 March 2012, while the Group's total revenue recorded a decrease of approximately 18% during the corresponding period. The percentage of the Group's sales attributable to Daisho Denshi Group also increased from approximately 11% for the year ended 31 March 2011 to approximately 13% for the year ended 31 March 2012.

Despite of facing the aforesaid challenges in recent years, the management of the Company expect that under the gradual recovery of Japan from the earthquake and the global economy from the financial crisis, it is expected that there will be more purchase orders from its customers, including Daisho Denshi Group. Moreover, under the cross-shareholding relationship between the Company and Daisho Denshi since the midst of 2011, the Directors expect that there would be more opportunities for the Company to have more technological exchange with Daisho Denshi Group and secure more potential orders from Daisho Denshi Group under such mutually beneficial relationship. Coinciding with the strategy of the Group to secure more purchase orders on PCB products with high technical requirement, the sales opportunities from Daisho Denshi Group would also be one of the key drivers in the Group's future performance.

As discussed with the management of the Company, Daisho Denshi Group has been one of its key customers since 1995. With reference to the Company's annual reports for the previous five financial years ended 31 March 2012 and the interim report for the six months ended 30 September 2012, the sales from Daisho Denshi Group accounted for approximately 12%, 15%, 15%, 11%, 13% and 12% of the Group's total revenue respectively, with an average of approximately 13%. As stated in above, the performance of the Group in recent years, including the Group's revenue for the year ended 31 March 2012, has been affected by the natural disasters in Japan and Thailand which has led to the decrease in customers' demand in PCB products. As such, we concur with the view of the Directors that Daisho Denshi

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Group would remain one of the Group's key customers in the coming years. Notwithstanding of the fact that the sales opportunities from Daisho Denshi Group would undeniably be one of the key drivers for the growth of the Group in the future, the Group would use its best endeavor in enhancing its performance through exploring new customers. Therefore, it is expected that the growth the Group would be concurrently driven by both new customers and existing customers which includes Daisho Denshi Group.

We have reviewed the basis and assumptions in determining the Annual Caps. We notice that the management of the Company has made reference to a forecast provided by Daisho Denshi Group on the estimated purchase amounts from the Group for the period from 1 April 2013 to 31 March 2016. The estimated purchase amounts are estimated by Daisho Denshi (HK) after taking into consideration of (i) the estimated amounts of purchase orders from existing recurring projects; and (ii) the estimated purchase amounts based on the details from its customers on some new projects being under negotiation and which could potentially be taken up by the Group in the coming years with the assumptions that (i) the amounts of existing recurring orders from Daisho Denshi Group would remain stable and subject to organic growth of approximately 10% annually; (ii) Daisho Denshi Group would be satisfied with the Group's PCB products to be supplied on those new projects; and (iii) the Group would be able to secure the intended purchase orders from Daisho Denshi Group throughout the period for the three years ending 31 March 2016 as stipulated in the forecast. We notice that Group's forecasted sales revenue to be generated from Daisho Denshi Group, together with the potential revenue from the new projects, would represent a substantial increase as compared to the current transaction amount with Daisho Denshi Group, which is estimated to double the current sales made to Daisho Denshi Group and would substantially utilise the Annual Caps. Based on such scenario, we consider that the Annual Cap of HK\$95 million for the year ending 31 March 2014 is justifiable and would allow the Group to capture the business opportunities from Daisho Denshi Group.

The Annual Caps for the two years ending 31 March 2016 are proposed to be increased from HK\$95 million for the year ending 31 March 2014 to HK\$115 million and HK\$140 million respectively. The Company has estimated such Annual Caps based on the annual growth rate of about 20% as estimated by Daisho Denshi Group which have been taken into account of (i) the approximate 10% organic growth on those existing recurring orders given the gradually recovering economic and trading environment; (ii) the subsequent growth of order amount from those new projects given by Daisho Denshi Group; and (iii) any other unanticipated purchase orders from Daisho Denshi Group's other new projects throughout the period covered under the Sales Agreement. In light of the factors above and given that the Annual Caps for the year ending 31 March 2014 is estimated to be substantially utilised and it is the intention of the Group to strengthen the cooperation with Daisho Denshi Group, we therefore concur with the view of the Directors that such growth in the Annual Caps for the two years ending 31 March 2016 could provide the Group a reasonable buffer and flexibility in the Transactions.

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Having taken into consideration that: (i) the current production planning for the potential new projects and the existing orders from Daisho Denshi Group would substantially utilise the Annual Caps; (ii) the annual growth among the Annual Caps could provide a buffer for the organic growth on the sales from existing orders or any unanticipated new purchase order from Daisho Denshi Group; and (iii) the potential new projects could be one of the key drivers in the Group's future performance, we concur with the view of the Directors that the Annual Caps for the three financial years ending 31 March 2016 are justifiable and would be in the interests of the Group's business development.

Shareholders should note that as the Annual Caps are relating to future events and are estimated based on assumptions which may or may not remain valid for the entire period up to 31 March 2016, thus they do not represent forecasts of revenue to be generated from the Transactions contemplated under the Sales Agreement. As such, we express no opinion as to how closely the actual revenue to be generated under the Sales Agreement will correspond with the proposed caps.

D. CONCLUSION

Having considered the above reasons, we are of the view that the Sales Agreement and the Transactions contemplated thereunder (including the Annual Caps) are entered in the ordinary and usual course of business of the Group and on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the SGM in this regard.

Yours faithfully,
For and on behalf of
Grand Vinco Capital Limited
Alister Chung
Managing Director

1. 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.

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)
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:

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	Personal interests (as beneficial owner)	50,000,000	10.41%

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 2012, 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, except for Mr. YEUNG Chi Shing, Bret with a 3-year term service contract, 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 Company within one year without payment of compensation, other than statutory compensation.

7. LITIGATION

As disclosed on page 77 of the 2011-2012 annual report of the Company, DML is currently a defendant in a lawsuit brought by a third party in respect of alleged sales commission payable amounting to US\$532,000 and RMB110,000 (equivalent to approximately HK\$4,261,000 in aggregate) for the period from 1 April 2008 to 31 March 2011. As the court action is at a pre-mature stage of the proceedings, upon the legal advice of the Group's legal adviser, the Directors believe that it is not practicable to form a view as to the probable outcome of this case. However, the directors are of the opinion that the claim is unlikely to succeed on the merits of the case and, therefore, no material liability is likely to result therefrom.

Saved as disclosed above, 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. HANDA Yoshio and Mr. SUGAYA Shozo, executive Directors of the Company, are either directors or senior management of Daisho Denshi or its associates, 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

On 24 January 2013, a fire accident occurred on the third floor of a three-storey production plant in the principal PCB production base of the Group in Huizhou, the People's Republic of China. Although, as at the Latest Practicable Date, the financial impact of the fire accident on the Group is still under review and has not been quantified yet, it is likely that the fire accident will adversely affect the operating performance of the Group in the second half of the financial year ending 31 March 2013. Further, as disclosed in the announcement dated 19 February 2013, the management of the Company considered that the Group with sound financial position and sufficient liquid resources can overcome the difficulty and sustain its continuous operation. Please refer to the announcements of the Company dated 30 January 2013 and 19 February 2013 respectively for further details.

Save as disclosed above, 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 2012, the date to which the latest published audited consolidated financial statements of the Group were made up.

10. QUALIFICATIONS AND CONSENT OF EXPERT

Vinco Capital is a licensed corporation under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO.

The letter and recommendation given by Vinco Capital are given for incorporation in this circular. Vinco Capital 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, Vinco Capital 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, Vinco Capital did not have any direct or indirect interest in any asset which had been, since 31 March 2012, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group.

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 and qualified accountant of the Company is Au Yeung Wai Hung. Mr. Au Yeung is a fellow member of both the 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 the date of the SGM:

- (a) the Sales Agreement;
- (b) the letter from Vinco Capital, the text of which is set out in this circular;
- (c) the consent letter of Vinco Capital as referred to in the section headed "Qualifications and consent of Expert" in this Appendix; and
- (d) the service contract of Mr. YEUNG Chi Shing, Bret, as referred to in the section headed "Directors' Service Contracts" in this Appendix.

NOTICE OF 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 Thursday, 28 March 2013 at 11 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 and the Annual Caps, both 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
CHAN Sik Ming, Harry
Chairman

Hong Kong, 13 March 2013

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. 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 of the executive Directors CHAN Sik Ming, Harry (Chairman & CEO), AU-YEUNG Wai Hung, HANDA Yoshio and SUGAYA Shozo; and of the independent non-executive Directors CHAN Yuk Tong, LI Chi Kwong and YEUNG Chi Shing, Bret.