

**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 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 AND PURCHASE AGREEMENT**

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



**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 10 of this circular and a letter from the Independent Board Committee is set out on page 11 of this circular. A letter from Vinco Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 12 to 23 of this circular.

A notice convening a special general meeting of Daisho Microline Holdings Limited to be held at Room 631, 6/F., Kowloonbay International Trade & Exhibition Centre, 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong on Thursday, 24 March 2016 at 10:00 a.m. is set out on pages 27 to 28 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 Level 22, Hopewell Centre, 183 Queen's Road East, 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.

7 March 2016

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## DEFINITIONS

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

“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
“connected person”	as defined under the Listing Rules
“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
“Existing Sales Agreement”	the sales and purchase agreement dated 19 February 2013 entered into between Daisho Denshi (HK) as purchaser and DML as supplier in relation to the sales transactions of PCB between the Group and Daisho Denshi Group, which will expire on 31 March 2016
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

## DEFINITIONS

“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, namely Dr. Li Chi Kwong, Mr. Yeung Chi Shing, Bret, Mr. Chong Chi Wah and Mr. Leung King Fai, established to advise the Independent Shareholders in relation to the terms of the New Sales Agreement, the Transactions and the Proposed Annual Caps
“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”	3 March 2016, 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
“New Sales Agreement”	the sales and purchase agreement dated 15 February 2016 entered into between Daisho Denshi (HK) as purchaser and DML as supplier in relation to the sales transactions of PCB between the Group and Daisho Denshi Group, details of which are set out under the section headed “ <i>The New Sales Agreement</i> ” in the “Letter from the Board” in this circular
“PCB”	printed circuit boards
“Proposed Annual Caps”	the proposed maximum aggregate annual values of the Transactions for each of the three financial years ending 31 March 2017, 2018 and 2019 respectively
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

## DEFINITIONS

“SGM”	the special general meeting of the Company to be held and convened at Room 631, 6/F., Kowloonbay International Trade & Exhibition Centre, 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong on Thursday, 24 March 2016 at 10:00 a.m. to consider, and if thought fit, to approve the New Sales Agreement, the Transactions and the Proposed Annual Caps
“SGM Notice”	the notice convening the SGM as set out on pages 27 to 28 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 New Sales Agreement
“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 New Sales Agreement, the Transactions and the Proposed 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  
CHEUNG Lai Na

*Registered Office:*

Canon's Court  
22 Victoria Street  
Hamilton HM 12  
Bermuda

*Independent Non-Executive Directors:*

LI Chi Kwong  
YEUNG Chi Shing, Bret  
CHONG Chi Wah  
LEUNG King Fai

*Head Office and Principal*

*Place of Business:*

Room 303A, 3rd Floor  
Shui Hing Centre  
No. 13 Sheung Yuet Road  
Kowloon Bay  
Hong Kong

7 March 2016

*To the Shareholders*

Dear Sir or Madam

### CONTINUING CONNECTED TRANSACTIONS SALES AND PURCHASE AGREEMENT

#### INTRODUCTION

On 15 February 2016, the Board announced that DML, a wholly-owned subsidiary of the Company, entered into the New Sales Agreement with Daisho Denshi (HK), a wholly-owned subsidiary of Daisho Denshi, whereby the Daisho Denshi Group agreed to purchase and the Group agreed to sell and deliver PCB to Daisho Denshi Group for their use or consumption and/or for sale on a non-exclusive basis for a term of three years commencing from 1 April 2016. The Transactions are also subject to the Proposed Annual Caps of HK\$39 million for each of the three financial years ending 31 March 2017, 2018 and 2019 respectively.

Daisho Denshi is a substantial shareholder of the Company and is therefore a connected person of the Company. As one or more of the applicable percentage ratios in respect of the Proposed Annual Caps exceed 5%, and the Proposed Annual Caps are more than HK\$10 million, the Transactions are subject to the reporting, announcement, annual review, circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## LETTER FROM THE BOARD

The Board has established the Independent Board Committee to consider and advise the Independent Shareholders on the terms of the New Sales Agreement, the Transactions and the Proposed Annual Caps, and has appointed Vinco Capital as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this connection.

The SGM will be convened and held for the Independent Shareholders to consider, and if thought fit, to approve, among other things, the New Sales Agreement, the Transactions and the Proposed Annual Caps. In view of the interests of Daisho Denshi in the Transactions, Daisho Denshi and its associates will abstain from voting in respect of such resolution.

The purpose of this circular is (i) to provide you with further information relating to the New Sales Agreement, the Transactions and the Proposed 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 New Sales Agreement, the Transactions and the Proposed Annual Caps.

### **BACKGROUND**

Reference is made to the announcement of the Company dated 19 February 2013 and the circular of the Company dated 13 March 2013 in relation to the sales transactions of PCB between the Group and Daisho Denshi Group under the Existing Sales Agreement.

The Existing Sales Agreement will expire on 31 March 2016, and the Board wishes to continue to sell PCB to Daisho Denshi Group after the financial year ending 31 March 2016 on an ongoing basis. On 15 February 2016, DML, a wholly-owned subsidiary of the Company, entered into the New 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 PCB to Daisho Denshi Group for their use or consumption and/or for sale on a non-exclusive basis.

### **THE NEW SALES AGREEMENT**

#### **Date**

15 February 2016

#### **Parties**

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

#### **Term**

The term of the New Sales Agreement is three financial years commencing from 1 April 2016 and ending on 31 March 2019.

## LETTER FROM THE BOARD

### **Condition Precedent**

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

### **Particulars of the New Sales Agreement**

The New 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 New 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 New 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 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) 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 by the marketing department of the Group, such as the market reaction to the pricing of the PCB products during the negotiation process with the Group's existing and potential customers, including but not limited to, the feedback of the customers on the quoted unit price and any reference pricing information counter offered or provided by the customers related to other market players for similar type of PCB products. Based on such information, the Group has established an internal price matrix for certain broad categories of PCB products under standard requirements and specifications, which sets out the internal reference price for specific types of PCB products with specific number of layers, surface treatment method, type of laminate, board thickness and hole density, etc. The finance department of the Group will regularly review and update the internal price matrix for the purpose of ensuring that the market rates for the PCB products of standard requirements and specifications as set out in the internal price matrix are up-to-date. The prices in the internal price matrix represent the lower end of the market rates, with reference to which the Group determines whether to accept the quoted price received from the purchasers.



## LETTER FROM THE BOARD

For PCB products with non-standard requirements and specifications, the Group would use an in-house developed quotation system, which is a more sophisticated mechanism taking into consideration all relevant cost-sensitive factors on top of those standard requirements and specifications under the internal price matrix, to estimate the quotation price for the specific type of PCB products. Such quotation price would have built in an estimated gross profits margin of approximately 10% to 30%, depending on factors such as the complexity of the required procedures. Almost all of the purchasing orders from the Daisho Denshi Group are for PCB products with non-standard requirements and specifications.

For each model of PCB products, the actual selling price will be arrived at through arms' length negotiation with the purchasers taking into account of the internal price matrix or quotation price (as the case may be) as estimated using the methods mentioned above, as well as the volume required for each model of PCB, and also the timing of delivery of the relevant PCB products.

Each purchasing order will be reviewed and monitored by the finance department of the Group to ensure that the relevant transactions are conducted in accordance with the pricing policies of the Group as mentioned above, and also to ensure that the relevant continuing connected transactions are conducted on terms no less favourable to the Group than terms available to Independent Third Parties. Periodically, the Group also reviews and analyzes 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.

### PROPOSED ANNUAL CAPS

The Transactions are subject to the proposed maximum aggregate annual value of HK\$39 million for the three financial years ending 31 March 2017, 2018 and 2019 respectively.

The Proposed Annual Caps are determined based on:

1. Historical figures of the sales transactions amount with Daisho Denshi Group under the Existing Sales Agreement:

Financial year ended 31 March 2014	Approximately HK\$38 million
Financial year ended 31 March 2015	Approximately HK\$40 million
2. The purchase forecast of Daisho Denshi (HK) for each of the three financial years ending 31 March 2017, 2018 and 2019 respectively after considering the existing orders from Daisho Denshi Group.

## LETTER FROM THE BOARD

### REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW SALES AGREEMENT

As mentioned above, the Board wishes to continue to sell PCB to Daisho Denshi Group after the financial year ending 31 March 2016 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, which has a large customer base in Japan and through which the Group may gain the opportunities to expand to the Japanese market; (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 keep the business between the Group and Daisho Denshi Group by the entering into of the New 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" in this circular) consider that the New Sales Agreement and the Transactions (including the Proposed 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.

### 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.

### 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.

Daisho Denshi (HK) is a wholly-owned subsidiary of Daisho Denshi, and is principally engaged in the trading of PCB.

## LETTER FROM THE BOARD

### LISTING RULES REQUIREMENTS

Daisho Denshi is a substantial shareholder of the Company and is therefore a connected person of the Company. As one or more of the applicable percentage ratios in respect of the Proposed Annual Caps exceed 5%, and the Proposed Annual Caps are more than HK\$10 million, the Transactions are subject to the reporting, announcement, annual review, circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

The Board has established the Independent Board Committee to consider and advise the Independent Shareholders on the terms of the New Sales Agreement, the Transactions and the Proposed Annual Caps, and has appointed an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this connection.

### SPECIAL GENERAL MEETING

Set out on pages 27 to 28 of this circular is the SGM Notice convening the SGM to be held at Room 631, 6/F., Kowloonbay International Trade & Exhibition Centre, 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong on Thursday, 24 March 2016 at 10:00 a.m. at which an ordinary resolution will be proposed at the SGM to the Independent Shareholders for the approval of the New Sales Agreement, the Transactions and the Proposed Annual Caps.

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 New Sales Agreement, the Transactions and the Proposed 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 New Sales Agreement, the Transactions and the Proposed 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 Level 22, Hopewell Centre, 183 Queen's Road East, 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 INDEPENDENT BOARD COMMITTEE

Your attention is drawn to (i) the letter from the Independent Board Committee dated 7 March 2016 set out on page 11 of this circular which contains the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the New Sales Agreement, the Transactions and the Proposed Annual Caps; and (ii) the letter of advice from Vinco Capital dated 7 March 2016 set out on pages 12 to 23 of this circular which contains the recommendation from Vinco Capital to the Independent Board Committee and the Independent Shareholders in relation to the New Sales Agreement, the Transactions and the Proposed 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 New Sales Agreement and the Transactions (including the Proposed 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, 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 New Sales Agreement, the Transactions and the Proposed Annual Caps.

### RECOMMENDATION OF THE BOARD

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

### CONTINUING CONNECTED TRANSACTIONS SALES AND PURCHASE AGREEMENT

7 March 2016

*To the Independent Shareholders*

Dear Sir or Madam

### CONTINUING CONNECTED TRANSACTIONS SALES AND PURCHASE AGREEMENT

We refer to the circular of the Company to the Shareholders dated 7 March 2016 (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 the New Sales Agreement, the Transactions and the Proposed Annual Caps.

We wish to draw your attention to the letter of advice from Grand Vinco Capital Limited (“**Vinco Capital**”) as set out on pages 12 to 23 of the Circular and the letter from the Board as set out on pages 4 to 10 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 New Sales Agreement and the Transactions (including the Proposed 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 that the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the New Sales Agreement, the Transactions and the Proposed Annual Caps.

Yours faithfully,  
For and on behalf of  
**The Independent Board Committee**  
**LI Chi Kwong**  
**YEUNG Chi Shing, Bret**  
**CHONG Chi Wah**  
**LEUNG King Fai**  
*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 New Sales Agreement and the Transactions (including the Proposed Annual Caps), which has been prepared for the purpose of incorporation in this circular:*



### Grand Vinco Capital Limited

Units 4909–4910, 49/F., The Center  
99 Queen's Road Central, Hong Kong

7 March 2016

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

Dear Sirs,

### CONTINUING CONNECTED TRANSACTIONS SALES AND PURCHASE 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 New Sales Agreement and the Transactions (including the Proposed 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 7 March 2016 (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 Existing Sales Agreement dated 19 February 2013, 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 2013 to 31 March 2016. The PCB sales transactions with Daisho Denshi Group contemplated thereunder the Existing Sales Agreement with annual monetary limits of HK\$95 million, HK\$115 million and HK\$140 million (the "**Existing Annual Caps**") for the financial year ended 31 March 2014 and 2015 respectively and the financial year ending 31 March 2016 were duly approved by the Independent Shareholders at the special general meeting of the Company held on 28 March 2013.

## LETTER FROM VINCO CAPITAL

In order for the Group to continue to sell PCB to Daisho Denshi Group after 31 March 2016, DML, a wholly-owned subsidiary of the Company, entered into the New Sales Agreement with Daisho Denshi (HK), a wholly-owned subsidiary of Daisho Denshi Group, on 15 February 2016 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 2016 to 31 March 2019.

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 and the corresponding Transactions constitute continuing connected transactions for the Company.

As the applicable percentage ratios calculated with reference to Proposed Annual Caps exceeds 5%, and the annual amounts exceed HK\$10 million, the New Sales Agreement and the Transactions between the Group and Daisho Denshi Group constitute non-exempt continuing connected transactions for the Company. Accordingly, the New Sales Agreement, the Transactions and the Proposed Annual Caps are subject to the reporting, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. In this regard, Daisho Denshi and its associates will abstain from voting on the SGM in relation to the resolution approving the New Sales Agreement, the Transactions and the Proposed Annual Caps.

The Independent Board Committee comprising Dr. Li Chi Kwong, Mr. Yeung Chi Shing, Bret, Mr. Chong Chi Wah and Mr. Leung King Fai all being the independent non-executive Directors, has been formed to advise the Independent Shareholders on the terms of the New Sales Agreement and the Transactions (including the Proposed Annual Caps). We have been appointed and have been approved by the Independent Board Committee, as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the New Sales Agreement and the Transactions (including the Proposed 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 New Sales Agreement and the Transactions (including the Proposed Annual Caps) are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

As at the Latest Practicable Date, we were not aware of any relationships or interest between Vinco Capital and the Company or any other parties that could be reasonably be regarded as hindrance to Vinco Capital's independence as defined under Rule 13.84 of Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the New Sales Agreement and the Transactions (including the Proposed Annual Caps). We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates, and accordingly, are eligible to give independent advice and recommendations

## LETTER FROM VINCO CAPITAL

on the terms of the proposed ordinary resolution of the New Sales Agreement and the Transactions (including the Proposed Annual Caps). Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates. We have not acted as the independent financial adviser for the Company's other transactions in the past two years. We are not aware of the existence of or change in any circumstances that would affect our independence. Accordingly, we consider that we are considered eligible to give independent advice on the New Sales Agreement and the Transactions (including the Proposed Annual Caps).

### **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, 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 New Sales Agreement and the Transactions (including the Proposed Annual Caps), as referred to in Rule 13.80 of the Listing Rules (including the notes thereto).



## LETTER FROM VINCO CAPITAL

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the New Sales Agreement and the Transactions (including the Proposed 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 New Sales Agreement and the Transactions (including the Proposed Annual Caps), we have considered the following principal factors and reasons:

#### 1. Background and reasons for the entering into of the New 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 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. Daisho Denshi (HK) is a wholly-owned subsidiary of Daisho Denshi, and is principally engaged in trading of PCB.

##### *(iii) Reasons for entering into the New 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 13 March 2013, the Group and Daisho Denshi entered into the Existing Sales Agreement with annual monetary limits of HK\$95 million, HK\$115 million and HK\$140 million for the three years ending 31 March 2016 respectively. Given that the Existing Sales Agreement will soon expire and the Group would like to continue to carry PCB sales transactions with Daisho Denshi Group after 31 March 2016, DML entered into the New Sales Agreement with Daisho Denshi (HK) on 15 February 2016 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 2016 to 31 March 2019.

## LETTER FROM VINCO CAPITAL

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 latest annual report of the Company for the financial year ended 31 March 2014 and the latest interim report of the Company for the six months ended 30 September 2014, the transaction volumes of PCB sold to Daisho Denshi Group were approximately HK\$38 million and HK\$22 million respectively, which accounted for approximately 15.6% and 17.9% 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 New Sales Agreement and the Transactions, the Group can continue to enjoy the strong sales network of PCB in Japan possessed by Daisho Denshi Group, which has a large customer base in Japan, through which the Group may gain the opportunities to expand to the Japanese market. Besides, the Group can utilise this sales platform to enhance the Group's customer base and revenue portfolio, according to the historical transaction from the Company, we noted that Daisho Denshi Group has been one of its key customers.

Daisho Denshi Group 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 New Sales Agreement and the Transactions would provide opportunities for the Group to facilitate the technological exchange with Daisho Denshi Group, which is one of the top PCB suppliers in Japan manufacturing delicate PCB for numerous world-renowned electronic and telecommunication products customers, 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 future, we consider that the entering into of the New Sales Agreement and the Transactions is 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.

## LETTER FROM VINCO CAPITAL

### 2. Principal terms of the New Sales Agreement

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

Date:	15 February 2016
Effective Period:	From 1 April 2016 to 31 March 2019
Parties:	DML as the supplier Daisho Denshi (HK) as the purchaser
Nature of the Transactions:	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 New 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 New 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 New 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 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) 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 tailor-made according to the customer's requirements and specifications, it is unable to directly compare among the products sold to 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. For the price to Daisho Denshi Group, the parties agree that the price of the products under separate and definitive agreements, which will be entered into between the relevant members of Daisho Denshi Group and the Group from time to time, shall be determined based on (i) the complexity and associated costs of the customer requirements and specifications for the relevant product; (ii) the market rates of the same or similar type of products obtained from the Group's negotiation with existing and potential customers; and (iii) the volume of each model of the PCB products requested by customers. As

## LETTER FROM VINCO CAPITAL

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 New 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 New Sales Agreement is a master agreement of which detailed terms of the Transactions will be specified in the corresponding individual definitive 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 review 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 2015 (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 3.9% for the year ended 31 March 2014 and approximately 6.9% for the six months ended 30 September 2014. 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 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 requirement of the customers. 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 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 3 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 were justifiable and reasonable.

Besides assessing the pricing offered to Daisho Denshi Group, we have also reviewed ten samples of purchase orders and the sales invoices from top five customers of the Company, including Daisho Denshi Group and four other independent customers with comparable PCB products purchased 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

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offered to other independent customers purchasing similar type of PCB products with comparable creditworthiness and/or history of business relationship with the Group. Also, we noted that the Group has applied the same pricing basis to Daisho Denshi Group and other independent customers and the terms of the sales transactions were consistent with those offered to other independent customers.

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 internal price matrix the Group also adopts its own quotation system to price PCB products with non-standard requirements and specification to ensure that same pricing policy would be applied to all of the Group's customers. We have reviewed the Group's internal price matrix and quotation system and we noted that the market rates of PCB is determined based on the market information obtained by the marketing department of the Group, such as the market reaction to the pricing of the PCB products during the negotiation process with the Group's existing and potential customers, including but not limited to, the feedback of the customers on the quoted unit price and any reference pricing information counter offered or provided by the customers related to other market players for similar type of PCB products. Based on such information, the Group has established an internal price matrix for certain broad categories of PCB products under standard requirements and specifications, which sets out the internal reference price for specific types of PCB products with specific number of layers, surface treatment method, type of laminate, board thickness and hole density, etc. The finance department of the Group will regularly review and update the internal price matrix for the purpose of ensuring that the market rates for the PCB products of standard requirements and specifications as set out in the internal price matrix are up-to-date. The prices in the internal price matrix represent the lower end of the market rates, with reference to which the Group determines whether to accept the quoted price received from the purchasers. For PCB products with non-standard requirements and specifications, the Group would use an in-house developed quotation system, which is a more sophisticated mechanism taking into consideration all relevant cost-sensitive factors on top of those standard requirements and specifications under the internal price matrix, to estimate the quotation price for the specific type of PCB products. Such quotation price would have built in an estimated gross profits margin of approximately 10% to 30%, depending on factors such as the complexity of the required procedures. Almost all of the purchasing orders from the Daisho Denshi Group are for PCB products with non-standard requirements and specifications. For each model of PCB products, the actual selling price will be arrived at through arms' length negotiation with the purchasers taking into account of the internal price matrix or quotation price (as the case may be) as estimated using the methods mentioned above, as well as the volume required for each model of PCB, and also the timing of delivery of the relevant PCB products.

## LETTER FROM VINCO CAPITAL

Each purchasing order will be reviewed and monitored by the finance department of the Group to ensure that the relevant transactions are conducted in accordance with the pricing policies of the Group as mentioned above, and also to ensure that the relevant continuing connected transactions are conducted on terms no less favourable to the Group than terms available to Independent Third Parties.

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 selling prices are comparable with market rates. According to the historical transaction data provided by the Group, we noted that 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 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 New Sales Agreement.

### 3. The Proposed Annual Caps

In assessing the reasonableness of the Proposed Annual Caps, we have reviewed and discussed with the management of the Company about the basis in determining the Proposed 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; and (ii) the purchase forecast of Daisho Denshi Group for the period between 1 April 2016 and 31 March 2019 after considering the existing orders from Daisho Denshi Group.

The following table sets out (i) the amount of the Existing Annual Caps for the three years ending 31 March 2016; (ii) the historical transaction amount for the two years ended 31 March 2015; (iii) the historical and estimated utilisation rates on the existing annual caps; and (iv) the amounts of the Proposed Annual Caps for the three years ending 31 March 2019:

	<b>For the year ended 31 March</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Existing Annual Caps	95,000	115,000	140,000
Historical/estimated transaction amounts	38,382	39,631	N/A
Utilisation rates	40.4%	34.5%	N/A

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	For the year ending 31 March 2017 <i>HK\$'000</i>	For the year ending 31 March 2018 <i>HK\$'000</i>	For the year ending 31 March 2019 <i>HK\$'000</i>
Proposed Annual Caps	39,000	39,000	39,000

As illustrated above, the historical transaction amounts with the Group and Daisho Denshi Group for the two years ended 31 March 2015 were relatively low when compared to the Existing Annual Caps.

We understand from the management of the Company that the performance of the Group has been affected since the significant reduction in the Group's PCB production capacity resulting from the fire accident occurred in the Group's principal PCB production base in Huizhou, People's Republic of China (the "PRC") on 24 January 2013 and the subsequent transfer of some purchase orders for PCB by certain customers of the Group to other PCB suppliers because the Group could not meet their demand. The Group's revenue for the year ended 31 March 2014 was about HK\$244 million, decreasing 17% comparing to the year ended 31 March 2013. According to the latest annual reports of the Company for the financial year ended 31 March 2014 and the latest interim report of the Company for the six months ended 30 September 2014, the Group's gross profit margin decreased from about 5.3% for the year ended 31 March 2013 to 3.9% for the year ended 31 March 2014. Apart from the abovementioned reduction in the volume of sales orders, which drove up the average fixed overhead cost per unit, the increase in subcontracting charges resulting from the abovementioned fire accident and the increase in minimum wages level in the PRC during the year ended 31 March 2014 were also the reasons for the decrease in gross profit margin. Despite of facing the aforesaid challenges in recent year, the management of the Company expect that purchase orders from the Group's PCB customers (including Daisho Denshi Group) will remain stable.

With reference to the research performed by research house, namely Research and Markets, which has announced the addition of the "Global Printed Circuit Board Market 2016-2020", the report showed that the global PCB market will grow at a compound annual growth rate of 3.08% during the period 2016-2020. 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.

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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 2014 and the interim report for the six months ended 30 September 2014, the sales from Daisho Denshi Group accounted for approximately 14.5%, 10.5%, 13.1%, 13.3%, 15.7% and 17.8% of the Group's total revenue respectively, with an average of approximately 14.2%. As stated in above, the performance of the Group in recent years, including the Group's revenue for the year ended 31 March 2014, has been affected by fire accident occurred in the Group's principal PCB production base in Huizhou, PRC on 24 January 2013 and the subsequent transfer of some purchase orders for PCB by certain customers of the Group to other PCB suppliers because the Group could not meet their demand. As such, we concur with the view of the Directors that Daisho Denshi 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 use it 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 Proposed 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 2016 to 31 March 2019. The estimated purchase amounts are estimated by Daisho Denshi Group after taking into consideration of the estimated purchase amounts of purchase orders from existing recurring projects in the coming years with the assumption that (i) the amounts of existing recurring orders from Daisho Denshi Group would remain stable; and (ii) 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 2019 as stipulated in the forecast. We notice that Group's forecasted sales revenues to be generated from Daisho Denshi Group remain stable in the coming years, which is estimated to be similar to the historical transaction amounts of approximately HKD\$38 million and HKD\$40 million for the two years ended 31 March 2015. Based on such scenario, we consider that the Proposed Annual Cap of HK\$39 million for the year ending 31 March 2017 is justifiable and would allow the Group to maintain business activities to Daisho Denshi Group.

The Proposed Annual Caps for the two years ending 31 March 2019 are proposed to be same as the Proposed Annual Cap of HK\$39 million for the year ending 31 March 2017. The Company has estimated such the Proposed Annual Caps based on (i) the historical figures of the amounts of the sales transactions with Daisho Denshi Group; and (ii) the purchase forecast of Daisho Denshi Group for the period between 1 April 2016 and 31 March 2019 after considering the existing orders from Daisho Denshi Group. In light of the factors above and given that the Proposed Annual Caps for the three years ending 31 March 2019 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 the Proposed Annual Caps for the three years ending 31 March 2019 are fair and reasonable.



## LETTER FROM VINCO CAPITAL

Shareholders should note that as the Proposed 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 2019, thus they do not represent forecasts of revenue to be generated from the Transactions. As such, we express no opinion as to how closely the actual revenue to be generated under the New Sales Agreement will correspond with the proposed caps.

### D. CONCLUSION

Having considered the above reasons, we are of the view that the New Sales Agreement and the Transactions (including the Proposed 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*

*Note:* Mr. Alister Chung is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Grand Vinco Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong for over 10 years.

## 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 Issuers 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)	23,412,001	4.88%
	Personal interests (as beneficiary of a trust)	292,415 <sup>(Note)</sup>	0.06% <sup>(Note)</sup>
Au-Yeung Wai Hung	Personal interests (as beneficial owner)	1,300,000	0.27%
Cheung Lai Na	Trustee	120,068,000	25.00%

*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 292,415 Shares representing approximately 0.06% 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 Issuers as contained in the Listing Rules.

### **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 2014, 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**

Mr. Yeung Chi Shing, Bret has entered into a service contract with the Company for a fixed term of three years commencing from 21 November 2014, unless terminated in accordance with the terms of the service contract.

Each of Ms. Cheung Lai Na and Mr. Leung King Fai has entered into a service contract with the Company for a fixed term of three years commencing from 9 June 2015, unless terminated in accordance with the terms of their respective service contract.

Save as aforesaid, 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. COMPETING INTEREST**

As at the Latest Practicable Date, none of the Directors or their respective close 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.

**7. 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 2014, the date to which the latest published audited consolidated financial statements of the Group were made up.

**8. 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.

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 to nominate persons to subscribe for securities in any member of the Group.

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 did not have any direct or indirect interest in any asset which had been, since 31 March 2014, 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.

**9. GENERAL**

The English language text of this circular shall prevail over the Chinese language text in case of inconsistency.

**10. 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 Room 303A, 3rd Floor, Shui Hing Centre, No. 13 Sheung Yuet Road, Kowloon Bay, Hong Kong during normal business hours up to and including the date of the SGM:

- (a) the Existing Sales Agreement;
- (b) the New Sales Agreement;
- (c) the letter from Vinco Capital, the text of which is set out in this circular; and
- (d) the consent letter of Vinco Capital as referred to in the section headed "Qualifications and consent of Expert" 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 Room 631, 6/F., Kowloonbay International Trade & Exhibition Centre, 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong on Thursday, 24 March 2016 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) the New Sales Agreement and the Proposed 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 New 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, 7 March 2016

## NOTICE OF SPECIAL GENERAL MEETING

*Principal place of business:*

Room 303A, 3rd Floor  
Shui Hing Centre  
No. 13 Sheung Yuet 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 Level 22, Hopewell Centre, 183 Queen's Road East, 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 and CHEUNG Lai Na; and of the independent non-executive Directors LI Chi Kwong, YEUNG Chi Shing, Bret, CHONG Chi Wah and LEUNG King Fai.