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DAISHO MICROLINE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0567)

VOLUNTARY ANNOUNCEMENT RELOCATION OF THE PRINTED CIRCUIT BOARD MANUFACTURING FACILITY LOCATED IN HUIZHOU

This announcement is made by Daisho Microline Holdings Limited (the “**Company**”) to inform the shareholders and potential investors of the Company of the latest development of the business of the Company and its subsidiaries (collectively, the “**Group**”).

On 28 March 2018, Huafeng Microline (Huizhou) Circuits Limited, a wholly-owned subsidiary of the Company, entered into a leasing agreement (the “**Leasing Agreement**”) with an independent third party (the “**Independent Third Party**”) in relation to the relocation of the current printed circuit board (“**PCB**”) manufacturing facility (the “**Current PCB Plant**”) to vacant plant spaces of the Independent Third Party in Dongjiang Industrial Zone, Huizhou (the “**Relocation**”).

REASONS FOR AND PLAN OF THE RELOCATION

The Current PCB Plant is the Group’s manufacturing base built in Huizhou in the early 1990’s. As Huizhou has undergone rapid growth in recent years, most of the land surrounding the Current PCB Plant has been developed into residential and commercial areas with growing population of high density. With the introduction of new policies and regulations of urban development and environmental protections by the Local Government, chemical pollution and noises inherent from production activities at the Current PCB Plant and the increasing number of complaints brought by neighbouring residents and potential sanctions enacted by the Local Government, the Company is exposed to the risk of production suspension. In order to meet the more stringent environmental requirements and to avoid potential sanctions and production suspension, the Group would inevitably need to incur sizable capital investment to upgrade the Current PCB Plant.

In view of the aforesaid, on 28 March 2018, the Group entered into the Leasing Agreement with the Independent Third Party to relocate its manufacturing base from the Current PCB Plant to certain portion of the Independent Third Party’s production site (the “**New PCB Plant**”) and to explore further cooperation opportunities with the Independent Third Party which is also engaged in PCB manufacturing (the “**Cooperation**”), having taking into

account (i) the fact that the location of the New PCB Plant is in the same city as the Current PCB Plant, causing minimal and immaterial associated compensation payable to the existing employees of the Group; and (ii) the expected synergy created through the Cooperation, each with its respective technological advantages and customer bases.

It is expected that the Relocation will commence in June 2018. As the Group has an established track record of advanced technology and solid foundation in the industry of PCB, it is expected that the Relocation and the Cooperation will provide an opportunity for the Company to optimise its resources to further strengthen its marketing force and broaden its customer base.

POTENTIAL OPERATIONAL AND FINANCIAL EFFECTS ON THE GROUP

During the process of Relocation, employees, production activities and client orders at the Current PCB Plant would be impacted. To mitigate such impacts, the Group would schedule its production plans to complete certain existing orders in advance of the expected Relocation period and/or temporarily outsource certain orders to the Independent Third Party and other plants during the Relocation, if necessary.

In addition, it is expected that the Relocation would have impact on the financial position of the Group, depending on the future development with regards to the Current PCB Plant and its affiliated land, as set out in the later section headed “Potential redevelopment or disposal of the current PCB plant and its affiliated land” of this announcement.

While the Group is in the process of making an assessment of the financial impact of the Relocation, having considered that (a) the New PCB Plant will have relatively new production facilities as compared to those at the Current PCB Plant; (b) the partial loss of existing clients and orders as a result of the Relocation is expected to be compensated by new client connections in Mainland China gained through new marketing drive from our marketing team and potential referrals through the Cooperation, the Board is of the view that the Relocation does not have a material adverse effect on the business operations and financial position of the Group and is in the long term interest of the development of the PCB business of the Group.

POTENTIAL REDEVELOPMENT OR DISPOSAL OF THE CURRENT PCB PLANT AND ITS AFFILIATED LAND

As production activities of the Group would be relocated to the New PCB Plant, the Group has no intended use of the Current PCB Plant and its affiliated land (the “**Relevant Properties**”). In order to release value of the Relevant Properties and maximize benefits of shareholders of the Company, the Group would commence to explore opportunities of redevelopment of the Relevant Properties jointly with other parties and approach potential purchasers for the disposal of the Relevant Properties. Should a disposal of the Relevant Properties be materialised, such disposal may constitute a notifiable transaction for the Company under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and therefore further announcement(s) in respect of the redevelopment or disposal of the Relevant Properties will be made by the Company if the Group reaches an agreement and when appropriate in accordance with the Listing Rules.

The Board wishes to emphasise that no memorandum of understanding nor binding agreement in relation to the redevelopment or disposal of the Relevant Properties has been entered into as at the date of this announcement. Accordingly, the potential redevelopment or disposal of the Relevant Properties may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By Order of the Board
Cheung Lai Na
Chairman

Hong Kong, 13 April 2018

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