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## **DAISHO MICROLINE HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 0567)**

### **MAJOR TRANSACTION PROPOSED CHANGE OF LAND USE**

The Board wishes to announce that Huafeng, a wholly-owned subsidiary of the Company, has obtained confirmation from the office of HCTTWSG, a PRC government authority, that the Land has been included under the Plan's scope for transformation. Huafeng has also applied for self-transformation of the Land so that the future land use of the Land can be changed from industrial purpose at present to commercial and residential purposes. Currently, Huafeng does not have the intention to develop the Land immediately after the self-transformation of the Land is formally approved.

As at the date of this announcement, the exact amount of the premium to be paid for the change of use for the Land and the corresponding payment schedule have not been finalised yet. To the best knowledge of the Directors, the Contract cannot be made conditional upon Shareholders' approval. It is expected that once the Contract is entered into, Huafeng will be obliged to pay a premium by way of cash for such change of use, as stated in a payment notice, within approximately 10 days of such issue of notice, or where no such notice is issued, such later date as stipulated in the Contract. Based on the communication between Huafeng and the relevant PRC government authority, Huafeng and HCLRB, a PRC government authority, will need to enter into the Contract in around February 2011 to effect the change of use for the Land. It is currently estimated that the premium payable under the Transaction will not be more than approximately RMB125,000,000 (equivalent to approximately HK\$146,925,000).

On 4 January 2011, the board of directors of Huafeng resolved that the Transaction be approved.

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

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

A circular, containing further details of the Transaction and also including a valuation report on the Land, will be despatched to the Shareholders on or before 13 January 2011.

## **INTRODUCTION**

Pursuant to the Plan (a land transformation plan as organised by the Huizhou Municipal Government with high-level implementation guidance officially released in August 2010), the land transformation work on old towns, old factory buildings and old villages in Huizhou is in the pipeline. Concrete preparations and planning up until 2015 have already been completed by the Huizhou Municipal Government under the Plan and in the long run, it is expected that further preparations and planning up until 2020 will be carried out. The Land is situated in an area which has been planned by the Huizhou Municipal Government for such land transformation between 2010 and 2012 under the Plan.

Huafeng has obtained confirmation from the office of HCTTWSG, a PRC government authority, that the Land has been included under the Plan's scope for transformation. Huafeng has also applied for self-transformation of the Land so that the future land use of the Land can be changed from industrial purpose at present to commercial and residential purposes. Currently, Huafeng does not have the intention to develop the Land immediately after the self-transformation of the Land is formally approved.

## **PRINCIPAL TERMS OF THE TRANSACTION**

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

To the best knowledge of the Directors, the Contract to be entered into is based on a standard template as formulated jointly by the Ministry of Land and Resources of PRC and the State Administration for Industry & Commerce of PRC used for all kinds of assignment of land use rights in the PRC.

### **Particulars of the Contract**

Expected Date : February 2011

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

Land Use : Residential and commercial

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, HCLRB is a third party independent of the Company and its connected persons (as defined in the Listing Rules).

## **Estimated Premium and Payment Schedule**

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

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

Estimate of premium = (A x B x C) - D

where A = land use rights area of the Land in square metres

B = estimated price based on the proposed new use per square meter of the Land with reference to the published standard land price for the land in Huizhou and the extent of appreciation in land price during the intervening period

C = an estimate of the plot ratio

D = estimated market value of the Land based on its existing land use

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

## **The Land**

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

A valuation report on the Land as required under the Listing Rules by an independent valuer will be included in the circular to be despatched to the Shareholders.

## **REASONS FOR AND BENEFITS OF THE TRANSACTION**

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

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

## **REQUIREMENTS UNDER THE LISTING RULES**

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

A circular, containing further details of the Transaction and also including a valuation report on the Land, will be despatched to the Shareholders on or before 13 January 2011.

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

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

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

## GENERAL

The principal business activity of the Company is investment holding. The principal business activities of the subsidiaries of the Company are investment holding and the manufacture and trading of printed circuit boards.

## DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Board”	the board of Directors
“Company”	Daisho Microline Holdings Limited, a company incorporated in Bermuda, the shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Contract”	a State-owned construction land use rights assignment contract for the Land to be entered into between Huafeng and HCLRB
“Director(s)”	a director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huafeng”	Huafeng Microline (Huizhou) Circuits Limited (華鋒微綫電子(惠州)工業有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Huizhou”	Huizhou, a city located in Guangdong province of the PRC
“HCLRB”	Huizhou City Land and Resources Bureau (惠州市國土資源局)
“HCTTWSG”	Huizhou City “Three-Old” Transformation Work Steering Group (惠州市「三舊」改造工作領導小組), a PRC government authority
“HK\$”	Hong Kong dollars, the lawful currency in Hong Kong
“Land”	the piece of land which is currently held solely for industrial purpose and upon which a factory of Huafeng is situated, particulars of which are set out in the paragraph headed “Principal terms of the Transaction – the Land”
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange

“Plan”	a land transformation plan as organised by the Huizhou Municipal Government with high-level implementation guidance officially released in August 2010 for the land transformation of old towns, old factory buildings and old villages in Huizhou
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the holders of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	subject to the grant of formal approval for self-transformation of the Land into commercial and residential land, the signing of the Contract and the payment to the Huizhou Municipal Government of a premium which is currently estimated to be not more than approximately RMB125,000,000 (equivalent to approximately HK\$146,925,000) pursuant to the Plan
“2009 Change of Use”	change of land use for the Land from allotted land to industrial land by Huafeng in 2009

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

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

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

Hong Kong, 4 January 2011

*As at the date of this announcement, the Board consists of five executive directors, namely, CHAN Sik Ming, Harry, Motofumi TSUMURA, Hiroto SASAKI, Hiroyuki KIKUCHI and AU-YEUNG Wai Hung, and three independent non-executive directors, namely, Kohu KASHIWAGI, CHAN Yuk Tong and LI Chi Kwong.*