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DAISHO MICROLINE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0567)

CONTINUING CONNECTED TRANSACTIONS SALES AGREEMENT

On 5 February 2010, DML, a wholly-owned subsidiary of the Company, entered into the Sales Agreement with Daisho Denshi (HK), a wholly-owned subsidiary of Daisho Denshi, whereby Daisho Denshi Group agreed to purchase and the Group agreed to sell and deliver to Daisho Denshi Group PCB for their use or consumption and/or for sale on a non-exclusive basis for a term of three years commencing from 1 April 2010. The Transactions are also subject to the Annual Caps of HK\$120 million, HK\$144 million and HK\$173 million for each of the three financial years ending 31 March 2011, 2012 and 2013 respectively.

Daisho Denshi is a substantial shareholder of the Company and therefore is a connected person of the Company under the Listing Rules. The applicable percentage ratios for the Transactions on an annual basis exceed 2.5% and the annual consideration is more than HK\$10 million. Therefore, the entering into of the Sales Agreement and the Transactions between the Group and Daisho Denshi Group constitute non-exempt continuing connected transactions for the Company under Rule 14A.35 of the Listing Rules, and are subject to the reporting and disclosure requirements under Rules 14A.45 to 14A.47 of the Listing Rules, the approval of the Independent Shareholders under Rule 14A.48 of the Listing Rules and the annual review requirements by the independent non-executive Directors and the auditors of the Company under Rules 14A.37 and 14A.38 of the Listing Rules.

In view of the interests of Daisho Denshi in the Transactions, Daisho Denshi and its associates will abstain from voting in relation to the ordinary resolution approving the Sales Agreement, the Transactions and the Annual Caps at the SGM.

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

A circular containing, amongst other things, particulars about the Sales Agreement, the Transactions and the Annual Caps, a letter from an independent financial adviser containing its advice to the Independent Board Committee and the Independent Shareholders and the recommendations of the Independent Board Committee, together with a notice convening the SGM, will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

BACKGROUND

Reference is made to the announcement of the Company dated 29 January 2007 and the circular of the Company dated 27 February 2007 in relation to the sales transactions of PCB between the Group and Daisho Denshi Group. Pursuant to the Company's special general meeting on 16 March 2007, an ordinary resolution was passed to approve the sales transactions of PCB between the Group and Daisho Denshi Group and the maximum aggregate annual values of HK\$132 million, HK\$158 million and HK\$190 million of the sales transactions for the two financial years ended 31 March 2008 and 31 March 2009 and the financial year ending 31 March 2010.

The Board wishes to continue to sell PCB to Daisho Denshi Group after the financial year ending 31 March 2010 on an on-going basis. On 5 February 2010, DML, a wholly-owned subsidiary of the Company, entered into the Sales Agreement with Daisho Denshi (HK), a wholly-owned subsidiary of Daisho Denshi, whereby Daisho Denshi Group agreed to purchase and the Group agreed to sell and deliver to Daisho Denshi Group PCB for their use or consumption and/or for sale on a non-exclusive basis for a term of three financial years commencing from 1 April 2010.

THE SALES AGREEMENT

Date

5 February 2010

Parties

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

Term

The term of the Sales Agreement is three financial years commencing from 1 April 2010 and ending on 31 March 2013.

Condition Precedent

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

Particulars of the Sales Agreement

The Sales Agreement is a master agreement which sets out the principles upon which detailed terms are to be determined between the relevant members of the Group and Daisho Denshi Group. Pursuant to the Sales Agreement, members of the Group and Daisho Denshi Group will enter into separate and definitive agreements from time to time to provide for the detailed terms of each single transaction in accordance with the principles in the Sales Agreement. Such detailed terms include (but without limitation) the basis on and particular specification for which the PCB will be supplied, the price of the PCB, payment and settlement terms and other terms and conditions in relation to the provision of PCB by the Group to Daisho Denshi Group. The parties agree that such detailed terms shall be on normal commercial terms and shall be determined with reference to and be comparable with the market rates and the terms and conditions for the provision of PCB by the Group to the Independent Third Parties, or if there are insufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) the Independent Third Parties.

ANNUAL CAPS

The Transactions between the Group and Daisho Denshi Group under the Sales Agreement are subject to the reporting and disclosure requirements, the approval of the Independent Shareholders and the annual review requirements by the independent non-executive Directors and the auditors of the Company under Chapter 14A of the Listing Rules. The Transactions are also subject to the maximum aggregate annual value of HK\$120 million, HK\$144 million and HK\$173 million for the three financial years ending 31 March 2011, 2012 and 2013 respectively.

The Annual Caps are based on:

1. Historical figures of the amounts of the sales transactions with Daisho Denshi Group:

Year ended 31 March 2007	Approximately HK\$58 million
Year ended 31 March 2008	Approximately HK\$73 million
Year ended 31 March 2009	Approximately HK\$67 million
Nine months ended 31 December 2009	Approximately HK\$36 million

Based on the unaudited total amount of the sales transactions with Daisho Denshi Group for the nine months ended 31 December 2009 of approximately HK\$36 million and the estimated orders to be placed by Daisho Denshi Group to the Group for PCB in January to March 2010, the aggregate annual value for the year ending 31 March 2010 is estimated to be HK\$50 million;

2. The projected sales of PCB to Daisho Denshi Group for each of the three financial years ending 31 March 2013:

To facilitate the Group's production planning, Daisho Denshi Group has already indicated in a letter of intent and the Sales Agreement that the projected aggregate annual value of the PCB to be purchased from the Group will be around HK\$120 million, HK\$144 million and HK\$173 million for each of the three financial years ending 31 March 2011, 2012 and 2013 respectively on the basis that Daisho Denshi Group has intended to place purchase orders for PCB to the Group with monthly monetary value of approximately HK\$10 million for the financial year ending 31 March 2011.

3. Strategy to broaden the customer base:

The Group's sales orders for the past three years were mostly from the telecommunication products customers. Daisho Denshi Group can continue to help accelerate the Group's expansion in the fields of non-telecommunication products and further broaden the customer base, which is parallel with the Group's strategic plan, by way of acting as a platform for the Group to meet well-known customers of delicate PCB.

INFORMATION ON THE GROUP

The Group is principally engaged in 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.

REASONS FOR ENTERING INTO THE SALES AGREEMENT

The Group's sales orders were mostly from the telecommunication products customers and Daisho Denshi Group would continue to help accelerate the Group's expansion in the fields of non-telecommunications products and further broaden the Group's customer base. This is in line with the Group's strategic plan.

With experience gained from the manufacture of highly delicate PCB for Daisho Denshi Group, the Group would further sharpen its edge in the application of advanced technology for the manufacture of highly delicate PCB in the future.

Due to (i) the strong sales network of PCB possessed by Daisho Denshi Group; (ii) the well-established long-term business relationship between the Group and Daisho Denshi Group, the Board is of the view that it is justified to have continuous growth in business between the Group and Daisho Denshi Group by entering into of the Sales Agreement.

Accordingly, the Directors (apart from the independent non-executive Directors who have deferred their views until after considering the opinion of the independent financial adviser) consider that the terms of the Sales Agreement and the Transactions are entered in the ordinary and usual course of business of the Group, made on an arm's length basis or on terms no less favourable than terms available to or from the Independent Third Parties. They are also of the view that the terms of the Sales Agreement, the Transactions and the Annual Caps are fair and reasonable and in the best interest of the Group and the Shareholders as a whole.

LISTING RULES REQUIREMENTS

Daisho Denshi is a substantial shareholder of the Company and therefore is a connected person of the Company under the Listing Rules. The applicable percentage ratios for the Transactions on an annual basis exceed 2.5% and the annual consideration is more than HK\$10 million. Therefore the entering into of the Sales Agreement and the Transactions between the Group and Daisho Denshi Group constitute non-exempt continuing connected transactions for the Company under Rule 14A.35 of the Listing Rules, and are subject to the reporting and disclosure requirements under Rules 14A.45 to 14A.47 of the Listing Rules, the approval of the Independent Shareholders under Rule 14A.48 of the Listing Rules and the annual review requirements by the independent non-executive Directors and the auditors of the Company under Rules 14A.37 and 14A.38 of the Listing Rules.

In view of the interests of Daisho Denshi in the Transactions, Daisho Denshi and its associates will abstain from voting in relation to the ordinary resolution approving the Sales Agreement, the Transactions and the Annual Caps at the SGM.

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

A circular containing, amongst other things, particulars about the Sales Agreement, the Transactions and the Annual Caps, a letter from an independent financial adviser containing its advice to the Independent Board Committee and the Independent Shareholders and the recommendations of the Independent Board Committee, together with a notice convening the SGM, will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

DEFINITIONS

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

“Annual Caps”	the proposed maximum aggregate annual values of the Transactions for each of the three financial years ending 31 March 2013
"associates"	as defined under the Listing Rules
"Board"	the board of Directors
"Company"	Daisho Microline Holdings Limited, a company incorporated in Bermuda, the shares of which are listed on the main board of the Stock Exchange
"Daisho Denshi"	Daisho Denshi Co., Ltd., a company incorporated in Japan with limited liability and a substantial shareholder of the Company holding 10.41% of the issued share capital of the Company as at the date of this Announcement
"Daisho Denshi Group"	Daisho Denshi and its subsidiaries
"Daisho Denshi (HK)"	Daisho Denshi (H.K.) Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of Daisho Denshi
"Directors"	directors of the Company
"DML"	Daisho Microline Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent committee of the Board, comprising the independent non-executive Directors, Mr. Kohu Kashiwagi, Mr. Chan Yuk Tong and Mr. Li Chi Kwong, established to advise the Independent Shareholders in relation to the terms of the Sales Agreement, the Transactions and the Annual Caps
"Independent Shareholders"	Shareholders other than Daisho Denshi and its associates

"Independent Third Parties"	persons or companies which are independent of any member of the Group, the directors, the chief executives, the controlling shareholders, the substantial shareholders of the Company or its subsidiaries, and their respective associates
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PCB"	printed circuit boards
"Sales Agreement"	the sales and purchase agreement dated 5 February 2010 entered into between Daisho Denshi (HK) as purchaser and DML as supplier
"SGM"	the special general meeting of the Company to be held to approve the Sales Agreement, the Transactions and the Annual Caps
"Shareholder(s)"	holder(s) of the ordinary share(s) of HK\$0.10 each in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiaries"	as defined under the Listing Rules
"Transactions"	the transactions as contemplated under the Sales Agreement
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong

By Order of the Board
DAISHO MICROLINE HOLDINGS LIMITED
CHAN Sik Ming, Harry
Chairman

Hong Kong, 5 February 2010

As at the date of this announcement, the Board comprises the following members:

Executive directors:

CHAN Sik Ming, Harry (Chairman & CEO)
Motofumi TSUMURA
Hiroto SASAKI
Hiroyuki KIKUCHI
AU-YEUNG Wai Hung

Independent non-executive directors:

Kohu KASHIWAGI
CHAN Yuk Tong
LI Chi Kwong