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DAISHO MICROLINE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0567)

PLACING OF NEW SHARES UNDER GENERAL MANDATE

Placing Agent

 **KINGSTON SECURITIES**

On 28 February 2017 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Placing Shares on the Stock Exchange.

The Placing Shares will be issued pursuant to the General Mandate. Accordingly, the allotment and issue of the Placing Shares is not subject to further approval of the Shareholders. The Placing is conditional upon, among other things, the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Placing Shares.

Upon Completion, the Company and the Placing Agent may consider to reduce the maximum amount of the Convertible Bonds. In this regard, the Company will make further announcements in compliance with the Listing Rules.

Completion of the Placing is subject to the satisfaction of the conditions precedent in the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

PLACING AGREEMENT

On 28 February 2017 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement. The principal terms of the Placing Agreement are set out below.

Subject matter

The Placing Agent has conditionally agreed, subject to the terms and conditions of the Placing Agreement, to act as agent for the Company to procure the Placees to subscribe for the Placing Shares at the Placing Price on a best effort basis.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are independent of the Company and its connected persons (as defined in the Listing Rules).

The Placing Shares will be placed to not less than 6 Placees.

The Placing Agent has agreed to use its best endeavours to ensure that the Placees will be third parties independent of and not acting in concert with the Company or its connected persons (as defined in the Listing Rules) and that none of the Placees will, immediately upon Completion, become a substantial shareholder of the Company (as defined in the Listing Rules).

Placing Shares

The Placing Shares represent:

- i. approximately 20.00% of the existing issued share capital of the Company (consisting of 480,243,785 Shares in issue as at the date of this announcement); and
- ii. approximately 16.66% of the Company's issued share capital as enlarged by the Placing.

The aggregate normal value of the Placing Shares is HK\$9,600,000 as at the date of this announcement.

Ranking

The Placing Shares, when issued and fully paid, will rank pari passu in all respects among themselves and with the existing Shares and will have the right to receive all dividends or other distributions hereafter declared paid or made on such Shares with reference to a record date occurring on or after the Completion.

Placing Price

The Placing Price of HK\$0.50 represents:

- i. a discount of approximately 19.35% to the closing price of HK\$0.62 per Share as quoted on the Stock Exchange on 28 February 2017 (being the last trading day prior to the release of this announcement); and
- ii. a premium of approximately 0.60% over the average closing price of approximately HK\$0.497 per Share as quoted on the Stock Exchange for the last five consecutive trading days prior to 28 February 2017 (being the last trading day prior to the release of this announcement).

The net Placing Price under the Placing is approximately HK\$0.484 per Placing Share.

The Placing Price was negotiated on an arm's length basis between the Company and the Placing Agent with reference to the prevailing market price of the Shares.

Commission

The Placing Agent will be entitled to receive a placing commission of 2.0 per cent. of the gross proceeds from the placing.

The commission was negotiated on an arm's length basis among the Company and the placing Agent and determined with reference to, among other things, the prevailing commission rate charged by other placing agent. The Directors (including the independent non-executive Directors) are of the view that the placing commission is fair and reasonable.

Conditions

Completion will take place within four business days (the "**Completion Date**") after the satisfaction of and/or waiver (except that condition (i) below cannot be waived) the following conditions by not later than 14 March 2017 (or such later date as may be agreed between the Placing Agent and the Company):

- i. the Stock Exchange granting the listing of, and the permission to deal in the Placing Shares; and
- ii. the obligations of the Placing Agent under the Placing Agreement not being terminated in accordance with the terms of the Placing Agreement, including provisions regarding force majeure events.

Termination

The Placing Agent reserves its right to terminate the Placing Agreement by notice in writing prior to 9:00 a.m. on the Completion Date, if in the absolute opinion of the Placing Agent, the success of the Placing would be materially and adversely affected by any force majeure events:

- (a) the introduction of any new laws or regulations or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position of the Group as a whole; or
- (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date hereof) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances (inclusive of any pandemics or epidemics) which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or adversely prejudices the success of the placing of the Placing Shares to potential investor(s) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the Placing; or
- (c) any change in market conditions or combination of circumstances in Hong Kong (including without limitation to suspension or material restriction or trading in securities) occurs which affect the success of the Placing (such success being the placing of the Placing Shares to potential investor(s)) or otherwise in the reasonable opinion of the Placing Agent makes it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Placing.

If, at or prior to 9:00 a.m. on the Completion Date:

- (a) the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed or assumed under the Placing Agreement; or
- (b) any suspension in the trading of the Shares on the Stock Exchange for more than ten consecutive trading days save for the purposes of clearing of the announcement relating to the Placing Agreement or announcements under Chapter 14 of the Listing Rules; or

- (c) the Placing Agent shall become aware of the fact that any of the representations or warranties contained in the Placing Agreement was, when given, untrue or inaccurate or would in any respect be untrue or inaccurate, the Placing Agent shall, in its absolute opinion, determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the financial or trading position or prospects of the Group taken as a whole or will otherwise likely to have a material prejudicial effect on the Placing,

the Placing Agent shall be entitled (but not bound) by notice in writing to the Company to elect to terminate the Placing Agreement.

Upon giving of notice pursuant to the paragraphs above, all obligations of the parties to this Placing Agreement thereunder shall cease and determine and no party shall have any claim against any other parties in respect of any matter or thing arising out of or in connection with this Placing Agreement, save for any antecedent breaches.

APPLICATION FOR LISTING

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Placing Shares on the Stock Exchange.

GENERAL MANDATE

The Placing Shares will be issued pursuant to the General Mandate. As at the date of this announcement, the General Mandate has not been utilised. The Placing Shares to be allotted and issued will fully utilise the General Mandate.

REASONS FOR THE PLACING AND USE OF PROCEEDS FROM THE PLACING

The Group is principally engaged in investment holding and manufacturing and trading of printed circuit boards. In mid 2016, the Group also undertook the business of indent trading of petrochemical products as well as petroleum and energy products.

The gross proceeds from the Placing are expected to be HK\$48 million. The net proceeds from the Placing, after the deduction of all related costs, fees, expenses and commission, are estimated to be approximately HK\$46.5 million. The Company intends to utilise the net proceeds as follows:

(1) Business development

Since the resumption of the trading in the Shares, the Company has received positive feedback from its existing and current customers. To capture the business opportunities, the Company intends to accelerate the measures set out in (a) to (f) in the section headed “7. Use of proceeds and fund raising activities in the past twelve months” in the Resumption Announcement. The Company intends to apply approximately HK\$24.5 million out of the net proceeds to this end.

(2) Repayment of bank borrowings

To better deploy its financial resources and minimise its exposure to its foreign exchange risks, the Company intends to repay bank borrowings in the principal amount of HK\$22 million. The borrowings are secured by the Group's deposit in the PRC with the bank for the same amount. Upon repayment, the pledge of the Group's bank deposit will be released.

The Directors consider that the terms of the Placing including the Placing Price are fair and reasonable based on the current market conditions and the Placing is in the interests of the Company and the Shareholders as a whole.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company as at the date of this announcement and upon Completion on the assumption that (a) there will be no other change to the share capital of the Company between the date of this announcement and the Completion; and (b) the Places do not and will not hold any Shares other than the Placing Shares, is summarised as follows:

Shareholders/directors	As at the date of this announcement		Immediately upon Completion and assuming none of the Convertible Bonds have been converted		Immediately upon Completion and assuming full conversion of the Convertible Bonds	
	Number of Shares	Approximate percentage	Number of Shares	Approximate percentage	Number of Shares	Approximate percentage
Cheung Ling Mun	120,068,000	25.00%	120,068,000	20.84%	120,068,000	15.47%
Daisho Denshi Co., Ltd.	50,000,000	10.41%	50,000,000	8.68%	50,000,000	6.44%
Places	–	0%	96,000,000	16.67%	96,000,000	12.37%
Bondholder(s)	–	0%	–	0%	200,000,000	25.77%
Other public Shareholders	310,175,785	64.59%	310,175,785	53.81%	310,175,785	39.95%
Total	<u>480,243,785</u>	<u>100.00%</u>	<u>576,243,785</u>	<u>100.00%</u>	<u>776,243,785</u>	<u>100.00%</u>

Completion of the Placing is subject to the satisfaction of the conditions precedent in the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

POTENTIAL REDUCTION AND FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Upon Completion, the Company and the Placing Agent may consider reducing the maximum amount of the Convertible Bonds. In this regard, the Company will make further announcements in compliance with the Listing Rules.

Except as disclosed below, the Company has not undertaken any fund-raising activity or any issue of equity securities in the past 12 months before the date of this announcement:

Date of announcement	Date of completion	Fund-raising activity	Net proceeds raised	Proposed use of the proceeds	Actual use of the proceeds
24 January 2017	Not completed as at the date of this announcement	Placing of convertible bonds	Approximately HK\$125 million	<p>(a) approximately HK\$20 million will be used to establish a marketing department to promote the Company's business of manufacturing PCB for automobile components in PRC, including but not limited to, hiring operational staff, experts and marketing materials;</p> <p>(b) approximately HK\$15 million will be used for purchases of new machineries and equipment for the replacement and/or addition of new machineries and equipment. The Group intends to acquire a total of 29 units of machineries and equipment, including PCB etching machines and other components to upgrade and replace some old machineries and equipment on or before 30 September 2017. The cost of each machinery and equipment are estimated to range from RMB50,000 to RMB3.0 million. Upon installation of such machineries and equipment, they will help to increase efficiency, automation, minimise labour cost, and to enhance the Group's overall competitiveness in the market;</p> <p>(c) approximately HK\$5 million will be used to strengthen the Company's brand through branding building, advertisements, improving investor relationship and corporate image;</p> <p>(d) approximately HK\$5 million will be used to implement a factory improvement program for improving fit out of the Group's factory;</p> <p>(e) approximately HK\$5 million will be used to improve the Group's information system to enhance our overall production capabilities and quality of corporate management;</p>	Proceeds have not been utilised.

Date of announcement	Date of completion	Fund-raising activity	Net proceeds raised	Proposed use of the proceeds	Actual use of the proceeds
				(f) approximately HK\$5 million will be used to appoint the external consultants and/or establish internal control department to continue monitoring and/or improving the internal control of the Group from time to time; and	
				(g) the remaining proceeds of approximately HK\$70 million will be used as general working capital of the Group for the existing PCB business, including but not limited to any additional expenditure on inventory, procurement of raw materials, labour cost and other related administrative expenses which may be incurred as a result of the anticipated increase in production after the implementation of the cost-saving and quality improvement measures as mentioned on page 11 of the Resumption Announcement and the future plans for the use of proceeds as mentioned under paragraphs (a) to (e) above.	

DEFINITION

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“Bondholder(s)”	has the meaning as set out in the Resumption Announcement by the director(s) of the Company
“Company”	Daisho Microline Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of Stock Exchange (Stock Code: 0567)
“Completion”	completion of the Placing
“Convertible Bonds”	has the meaning as set out in the Resumption Announcement by the director(s) of the Company

“General Mandate”	the general mandate granted to the Directors by a resolution of by the Shareholders passed at the annual general meeting of the Company held on 22 November 2016 to allot and Shares subject to the limit of up to 96,048,757 Shares (representing 20% of the issued share capital of the Company in issue on that date)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	14 March 2017 (or such other date as the Company and the Placing Agent shall agree in writing)
“Placees”	any professional, institutional or other investor(s) or any of their respective subsidiaries or associates procured by the Placing Agent to subscribe for any of the Placing Shares pursuant to the Placing Agent’s obligations under the Placing Agreement
“Placing Agent”	Kingston Securities Limited, acting as the placing agent for the Placing of the Placing Shares under the Placing Agreement and a licensed corporation to carry on Type 1 regulated activity (dealing in securities) under Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreement”	the placing agreement dated 28 February 2017 entered into between the Company and the Placing Agent in respect of the Placing
“Placing Price”	HK\$0.50 per Placing Share
“Placing Shares”	96,000,000 new Shares
“Placing”	the placing of the Placing Shares by the Placing Agent on a best effort basis
“PRC”	the People’s Republic of China, which for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan

“Resumption Announcement”	the announcement of the Company dated 24 January 2017
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

By order of the Board
Cheung Lai Na
Interim Chairman

Hong Kong, 28 February 2017

As at the date of this announcement, the Board consists of two executive directors, namely, CHEUNG Lai Na and CHEUNG Lai Ming, and four independent non-executive directors, namely, YEUNG Chi Shing Bret, LEUNG King Fai, CHOU Yuk Yan and LEE Man Kwong.