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DAISHO MICROLINE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0567)

PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY ONE EXISTING SHARE HELD ON RECORD DATE AND CHANGE IN BOARD LOT SIZE

Underwriter to the Rights Issue



金利豐證券
KINGSTON SECURITIES

Kingston Securities Limited

Financial adviser to the Company



金利豐財務顧問
KINGSTON CORPORATE FINANCE

Kingston Corporate Finance Limited

PROPOSED RIGHTS ISSUE

The Company proposes to implement the Rights Issue on the basis of one (1) Rights Share for every one (1) existing Share held on the Record Date at the Subscription Price of HK\$0.1 per Rights Share, to raise gross proceeds of approximately HK\$81 million by issuing 806,643,785 Rights Shares to the Qualifying Shareholders.

Qualifying Shareholders are entitled to apply for Rights Shares in excess of their respective entitlements under the Rights Issue.

The net proceeds from the Rights Issue (after deducting the estimated expenses) are estimated to be approximately HK\$78 million. The estimated net subscription price per Rights Share after deducting the related expenses of the Rights Issue is expected to be approximately HK\$0.097. The Company has invested into the healthcare industry by acquiring a small percentage of the shares of a healthcare listed group in Hong Kong and keeps exploring any appropriate opportunities in healthcare, energy and resources, printing and high technology industries. The Company intends to apply the net proceeds from the proposed Rights Issue as follows:

- (i) approximately 48.72% of the net proceeds, or approximately HK\$38 million, for repayment of indebtedness of the Group;
- (ii) approximately 25.64% of the net proceeds, or approximately HK\$20 million, for general working capital of the Group, including general administrative and operating expenses; and
- (iii) approximately 25.64% of the net proceeds, or approximately HK\$20 million, for investments in appropriate opportunities.

The Rights Issue will be fully underwritten by the Underwriter. Details of the underwriting arrangement are set out in the paragraph headed “The Underwriting Agreement” in this announcement.

In order to be registered as members of the Company on the Record Date, all transfers of the Shares (together with the relevant share certificate(s) and/or instrument(s) of transfer) must be lodged with the Registrar at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, by 4:30 p.m. on Monday, 11 October 2021.

The last day of dealing in the Shares on cum-rights basis is Thursday, 7 October 2021. The Shares will be dealt with on an ex-rights basis from Friday, 8 October 2021.

As at the date of this announcement, the Board has not received any information from any Shareholders of their intention to take up the Rights Shares to be provisionally allotted to them.

PROPOSED CHANGE IN BOARD LOT SIZE

As at the date of this announcement, the Shares are traded on the Stock Exchange in board lot of 2,000 Shares. The Board proposes to change the board lot size for trading on the Stock Exchange from 2,000 Shares to 20,000 Shares. The proposed Change in Board Lot Size is conditional upon the passing of relevant resolution(s) in relation to the Rights Issue at the SGM.

LISTING RULES IMPLICATIONS

As the Rights Issue will increase the issued share capital of the Company by more than 50%, under Rule 7.19A and 7.27A of the Listing Rules, the Rights Issue is subject to approval of the Independent Shareholders at the SGM by a resolution on which any controlling Shareholders and their respective associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue. Since there is no controlling Shareholder as at the date of this announcement, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue in accordance with Rule 7.27A of the Listing Rules.

GENERAL

Subject to the fulfillment of certain conditions of the Rights Issue, the Company will despatch the Prospectus Documents containing, among other matters, details of the proposed Rights Issue, to the Qualifying Shareholders. The Company will despatch the Prospectus to the Excluded Shareholders for their information only, but the Company will not send the PAL and EAF to the Excluded Shareholders.

WARNING OF THE RISKS OF DEALINGS IN THE SHARES AND THE NIL-PAID RIGHTS

Shareholders and potential investors of the Company should note that the proposed Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the paragraph headed “Termination of the Underwriting Agreement” under the section headed “The Underwriting Agreement” in this announcement). Accordingly, the proposed Rights Issue may or may not proceed.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

PROPOSED RIGHTS ISSUE

The Company proposes to implement the Rights Issue on the basis of one (1) Rights Share for every one (1) existing Share held on the Record Date at the Subscription Price of HK\$0.1 per Rights Share, to raise gross proceeds of approximately HK\$81 million by issuing 806,643,785 Rights Shares to the Qualifying Shareholders.

On 2 September 2021 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter in respect of the Rights Issue. Further details of the Rights Issue are set out below:

Issue statistics

Basis of the Rights Issue	:	one (1) Rights Share for every one (1) existing Share held on the Record Date
Subscription Price	:	HK\$0.1 per Rights Share
Number of Shares in issue at the date of this announcement	:	806,643,785 Shares
Number of Rights Shares	:	806,643,785 Rights Shares (assuming no change in the share capital of the Company on or before the Record Date)
Aggregate nominal value of the Rights Shares	:	HK\$80,664,378.50 (assuming no change in the share capital of the Company on or before the Record Date)
Number of Shares as enlarged by the allotment and issue of the Rights Shares	:	1,613,287,570 Shares (assuming no change in the share capital of the Company on or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued)
Number of Rights Shares underwritten by the Underwriter	:	all the Rights Shares which are fully underwritten by the Underwriter pursuant to the terms and conditions set out in the Underwriting Agreement, being 806,643,785 Rights Shares

As at the date of this announcement, the Group had no outstanding derivatives, options, warrants, convertible or exchangeable securities carrying rights to subscribe for, convert or exchange into Shares.

Assuming no Shares are issued or repurchased on or before the Record Date, 806,643,785 Rights Shares to be issued pursuant to the terms of the proposed Rights Issue represents (i) 100% of the total number of issued Shares as at the date of this announcement; and (ii) 50% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares.

Subscription Price

The Subscription Price is HK\$0.1 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 44.44% to the closing price of HK\$0.180 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of 37.5% to the average of the closing prices of HK\$0.160 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 28.57% to the theoretical ex-rights price of HK\$0.140 per Share as adjusted for the effect of the Rights Issue, based on the closing price of HK\$0.180 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (iv) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 22.22%, represented by the theoretical diluted price of approximately HK\$0.140 per Share to the benchmarked price of HK\$0.180 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) previous consecutive trading days prior to the date of this announcement).

The Subscription Price was determined after arm's length negotiation between the Company and the Underwriter with reference to, among others, (i) the market prices of the Shares under the prevailing market conditions and the relevant discount to the closing prices; (ii) the latest business performance and financial position of the Group; and (iii) the reasons for and benefits of proposed Rights Issue as discussed in the section headed "REASONS FOR AND BENEFITS OF THE PROPOSED RIGHTS ISSUE AND INTENDED USE OF PROCEEDS" in this announcement.

The Directors (including the independent non-executive Directors) consider that, despite any potential dilution impact of the proposed Rights Issue on the shareholding interests of the Shareholders, the terms of the proposed Rights Issue, including the Subscription Price, to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole, after taking into account the following factors: (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the proposed Rights Issue are able to sell the nil-paid rights in the market; (ii) the proposed Rights issue allows the Qualifying Shareholders an opportunity to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing

shareholding interests in the Company and an opportunity to subscribe for excess Rights Shares subject to the level of acceptance; and (iii) the proceeds from the Rights Issue can fulfil the funding needs of the Group.

Qualifying Shareholders

The Company will send the Prospectus Documents to the Qualifying Shareholders only. For the Excluded Shareholders, the Company will send copies of the Prospectus to them for their information only, but no PAL and EAF will be sent to the Excluded Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company and not be an Excluded Shareholder on the Record Date.

Shareholders whose Shares are held by nominee companies (or which are deposited in CCASS) should note that the Board will regard a nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Shareholders with their Shares held by nominee companies (or which are deposited in CCASS) are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

In order to be registered as members of the Company on the Record Date, a Shareholder must lodge the relevant transfer(s) of Share(s) (with the relevant share certificates) with the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on 11 October 2021.

The last day of dealing in the Shares on cum-rights basis is Thursday, 7 October 2021. The Shares will be dealt with on an ex-rights basis from Friday, 8 October 2021.

Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Excluded Shareholders should note that their shareholdings in the Company will be diluted.

Rights of Overseas Shareholders

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholder(s) may not be eligible to take part in the Rights Issue as explained below.

In compliance with the necessary requirements of the Listing Rules, the Company will make enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholder(s) (if any). If, based on legal opinions, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholder(s) on account either of the legal restrictions under the laws of the relevant place(s) or the requirements of the relevant regulatory body or stock exchange in that (those) place(s), the Rights Issue will not be extended to such Overseas Shareholder(s). As at the date of this announcement, there are a total of seven (7) Overseas Shareholder holding an aggregate of 60,004 Shares.

The basis for excluding the Excluded Shareholders(s), if any, from the Rights Issue will be set out in the Prospectus. The Company will send the Prospectus (without the PAL and the EAF) to the Excluded Shareholders for their information only.

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholder(s) to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses and stamp duty, of more than HK\$100 will be paid pro rata to the Excluded Shareholder(s). The Company will retain individual amounts of HK\$100 or less for the benefit of the Company. Any unsold entitlement of Excluded Shareholder(s) to the Rights Shares and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders will be made available for excess applications by Qualifying Shareholders under the EAF(s).

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue. Accordingly, Overseas Shareholders should exercise caution when dealing in the securities of the Company.

Closure of register of members

The register of members of the Company will be closed from Thursday, 30 September 2021 to Wednesday, 6 October 2021 (both days inclusive) for determining the Shareholders' entitlements to the voting at the SGM.

The register of members of the Company will be closed from Tuesday, 12 October 2021 to Tuesday, 19 October 2021 (both days inclusive) for determining the Shareholders' entitlements to the Rights Issue.

No transfer of Shares will be registered during the above book closure periods.

Basis of provisional allotment

The basis of the provisional allotment shall be one (1) Rights Share for every one (1) existing Share in issue and held by the Qualifying Shareholders at the close of business on the Record Date at the Subscription Price payable in full on acceptance and otherwise on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by lodging a duly completed PAL and a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

Fractional entitlements to the Rights Shares

On the basis of provisional allotment of one (1) Right Share for every one (1) Share held on the Record Date, no fractional entitlements to the Rights Shares shall be issued to the Shareholders. No entitlements of the Excluded Shareholders to the Rights Shares shall be issued to the Excluded Shareholders.

Status of the Rights Shares

The Rights Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares in their fully-paid form.

Share certificates and refund cheques for the Rights Issue

Subject to the fulfillment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post at their own risk on or before Thursday, 11 November 2021. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before Thursday, 11 November 2021 by ordinary post to the applicants at their own risk, to their respective registered addresses.

Application for excess Rights Shares

Under the proposed Rights Issue, Qualifying Shareholders may apply, by way of excess application, for (i) any unsold entitlements of the Excluded Shareholder; and (ii) any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares.

Application for excess Rights Shares can be made by the Qualifying Shareholders only and by duly completing and signing an EAF (in accordance with the instructions printed therein) and lodging the same with a separate remittance for the excess Rights Shares being applied for with the Registrar no later than 4:00 p.m. on Wednesday, 3 November 2021.

The Directors will allocate any excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

- (i) any excess Rights Shares will be allocated to Qualifying Shareholders who apply for them on a pro rata basis by reference to the number of the excess Rights Shares applied for under each application;
- (ii) no reference will be made to the Rights Shares subscribed through applications by PALs or the existing number of Shares held by Qualifying Shareholders; and
- (iii) no preference will be given to applications for topping up odd-lot holdings to whole lot holdings.

Shareholders with their Shares held by a nominee company (or which are deposited in CCASS) should note that the Board will regard such nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to the relevant beneficial owners individually save and except for the beneficial owner(s) which the Company may permit in its absolute discretion. Shareholders with their Shares held by a nominee company (or which are held in CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares under their own names on or prior to the Record Date for the purpose of the Rights Issue. Shareholders who would like to have their names registered on the register of members of the Company on the Record Date, must lodge all necessary documents with the Registrar for registration by no later than 4:30 p.m. on Monday, 11 October 2021. Shareholders and investors should consult their professional advisers if they are in doubt as to their status.

Application for listing of the Rights Shares

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares, in both their nil-paid and fully-paid forms.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement dates of the dealings in the Rights Shares in both their nil-paid and fully-paid forms or such other dates as may be determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Dealing in the Rights Shares in both their nil-paid and fully-paid forms which are registered in the register of members of the Company in Hong Kong will be in the board lots of 2,000 Rights Shares and will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the fully-paid Rights Shares and, regarding Excluded Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares on their behalf.

Conditions of the Rights Issue

The Rights Issue is conditional upon the Underwriting Agreement having become unconditional and not being terminated in accordance with the terms thereof.

THE UNDERWRITING AGREEMENT

The Underwriting Agreement

On 2 September 2021 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter, pursuant to which the Underwriter has conditionally agreed to fully underwrite all Underwritten Shares, subject to the terms and conditions of the Underwriting Agreement.

Date	:	2 September 2021 (after trading hours)
Underwriter	:	Kingston Securities Limited
Number of Rights Shares	:	806,643,785 Rights Shares
Underwriting commitment of the Underwriter	:	All the Rights Shares which are fully underwritten by the Underwriter pursuant to the terms and conditions set out in the Underwriting Agreement, being 806,643,785 Rights Shares
Underwriting Commission	:	2% of the aggregate Subscription Price in respect of the maximum number of Underwritten Shares

The Underwriter is a company incorporated in Hong Kong with limited liability and a corporation licensed to carry on Type 1 (dealing in securities) regulated activities under the SFO whose ordinary course of business includes underwriting of securities. To the best of the Directors' knowledge, information and belief, the Underwriter and its ultimate beneficial owner(s) are Independent Third Parties.

The terms of the Underwriting Agreement, including the underwriting commission rate, were determined after arm's length negotiation between the Company and the Underwriter with reference to the existing financial position of the Group, the size of the Rights Issues, and the current and expected market condition. The Directors consider the entering into of the Underwriting Agreement with the Underwriter and the terms of the Underwriting Agreement (including the underwriting commission) to be fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Conditions of the Underwriting Agreement

The Underwriting Agreement is conditional upon the following conditions being fulfilled or waived (as appropriate):

- (a) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the approval for the listing of, and permission to deal in, the Rights Shares (in their nil-paid and fully-paid forms) prior to the Latest Time for Termination;
- (b) the filing and registration of all the Prospectus Documents (together with any other documents required by applicable law or regulation to be annexed thereto) with the Registrar of Companies in Hong Kong by no later than the Prospectus Posting Date;
- (c) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus for information only to the Excluded Shareholders, if any, by no later than the Prospectus Posting Date;
- (d) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms thereof on or before the Latest Time for Termination;
- (e) there being no breach of the undertakings and obligations of the Company under the terms of the Underwriting Agreement at the Latest Time for Termination;
- (f) there being no Specified Event (as defined in the Underwriting Agreement) occurring on or before the Latest Time for Termination; and
- (g) the passing of the necessary resolutions at the SGM to approve the Underwriting Agreement, the Rights Issue and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Rights Shares) by the Independent Shareholders.

Save for the conditions (e) and (f) which can be waived by the Underwriter, none of the above conditions can be waived. If any of the conditions referred to above is not fulfilled, or waived (where applicable) by the Latest Time for Termination, the Rights Issue will not proceed.

Termination of the Underwriting Agreement

If, prior to the Latest Time for Termination, one or more of the following events or matters shall occur, arise, exist, or come into effect:

- (1) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) after the signing of the Underwriting Agreement;

- (2) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring after the signing of the Underwriting Agreement or continuing after the signing of the Underwriting Agreement) of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets;
- (3) any material adverse change after the signing of the Underwriting Agreement in the business or in the financial or trading position of any member of the Group;
- (4) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out occurring after the signing of the Underwriting Agreement;
- (5) after signing of the Underwriting Agreement, there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange whether due to exceptional financial circumstances or otherwise;
- (6) there is, after signing of the Underwriting Agreement, any change or any development involving a prospective change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, imposition of economic sanctions, in/on Hong Kong, the People's Republic of China or other jurisdiction relevant to any member of the Group and a change in currency conditions for the purpose of this clause includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs; or
- (7) the Prospectus when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company, which event or events is or are in the absolute opinion of the Underwriter:
 - (a) likely to have a material adverse effect on the business or financial or trading position or prospects of the Group as a whole; or
 - (b) likely to have a material adverse effect on the success of the Rights Issue or the level of the Rights Shares taken up; or
 - (c) make it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue,

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

Upon giving of notice pursuant to the Underwriting Agreement, the obligations of the Underwriter and the Company under the Underwriting Agreement shall terminate forthwith provided that the Company shall remain liable to pay to the Underwriter such fees and expenses (other than the underwriting commission) payable by the Company pursuant to the Underwriting Agreement. If the Underwriter exercises such right, the proposed Rights Issue will not proceed.

As at the date of this announcement, the Board has not received any information from any Shareholders of their intention to take up the Rights Shares to be provisionally allotted to them.

PROPOSED CHANGE IN BOARD LOT SIZE

The Board proposes that the board lot size of the Shares for trading on the Stock Exchange will be changed from 2,000 Shares to 20,000 Shares with effect from 9:00 a.m. on Friday, 12 November 2021. Pursuant to the “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by The Hong Kong Exchange and Clearing Limited on 28 November 2008 and updated on 1 October 2020, the expected value per board lot should be greater than HK\$2,000 taking into account the minimum transaction costs for a securities trade. Based on the theoretical ex-rights price of HK\$0.140 per Share (calculated based on the closing price of HK\$0.180 per Share as quoted on the Stock Exchange on the Last Trading Day) and assuming that the Rights Issue having become effective and the dealings in the Shares on an ex-rights basis having commenced, if the Shares were continued to be trading in board lots of 2,000, the value of each board lot of Shares would be below HK\$2,000. The Change in Board Lot Size will not result in any change in the relative rights of the Shareholders. The Board is of the opinion that the Change in Board Lot Size is in the interests of the Company and its Shareholders as a whole.

Shareholders should take note that Shareholders’ approval is not required for the Change in Board Lot Size. However, the Change in Board Lot Size is conditional upon the passing of relevant resolution(s) in relation to the Rights Issue at the SGM. Therefore, the Company will not proceed with the Change in Board Lot Size if the Rights Issue is not approved by the Independent Shareholders at the SGM.

Based on the theoretical ex-rights price of HK\$0.140 per Share (calculated based on the closing price of HK\$0.180 per Share as quoted on the Stock Exchange on the Last Trading Day), the market value of each existing board lot is HK\$280 and the estimated market value of each proposed new board lot is HK\$2,800. To alleviate the difficulties in trading odd lots of the Shares arising from the change in board lot size of the Shares, the Company has appointed Kingston Securities Limited as an agent to provide matching services to the Shareholders who wish to top up or sell their holdings of odd lots of the

Shares during the period from 9:00 a.m. on Friday, 12 November 2021 to 4:10 p.m. on Friday, 17 December 2021 (both dates inclusive). Further details of the odd lots matching arrangements will be disclosed in the circular of the Company in relation to the Rights Issue. Holders of the Shares in odd lots should note that successful matching of the sale and purchase of odd lots of the Shares is not guaranteed. The Shareholders are recommended to consult their professional advisers if they are in doubt about the above arrangement.

All existing share certificates in board lot of 2,000 Shares will remain good evidence of the legal title to the Shares and continue to be valid for delivery, transfer, trading and settlement purposes. No new share certificates for existing Shareholders will be issued as a result of the change in the board lot size, and therefore no arrangement for free exchange of existing share certificates in board lot size of 2,000 Shares to new share certificate in board lot size of 20,000 Shares is necessary.

EXPECTED TIMETABLE

Set out below is the expected timetable for the proposed Rights Issue which is indicative only and has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled:

Expected Timetable	2021
Announcement of the Rights Issue	Thursday, 2 September
Expected despatch date of the circular, proxy form and notice of the SGM	Friday, 17 September
Latest time for lodging transfers of the Shares in order to qualify for attendance and voting at the SGM	4:30 p.m. on Wednesday, 29 September
Closure of register of members of the Company for determination of the identity of the Shareholders entitled to attend and vote at the SGM (both dates inclusive)	Thursday, 30 September to Wednesday, 6 October
Latest time for lodging proxy forms for the SGM	11:00 a.m. on Monday, 4 October
Expected time and date of the SGM	11:00 a.m. on Wednesday, 6 October
Announcement of poll results of the SGM.	Wednesday, 6 October

The following events are conditional upon passing the relevant resolutions approving the Rights Issue at the SGM

Last day of dealings in Shares on a cum-rights basis Thursday, 7 October

First day of dealings in Shares on an ex-rights basis Friday, 8 October

Latest time for lodging transfer of Shares
in order to qualify for the Rights Issue. 4:30 p.m. on
Monday, 11 October

Register of members of the Company
closes (both days inclusive). Tuesday, 12 October to
Tuesday, 19 October

Record Date for determining entitlements
to the Rights Issue. Tuesday, 19 October

Register of members of the Company re-opens Wednesday, 20 October

Despatch of Prospectus Documents (in the case of
Excluded Shareholders, the Prospectus only). Wednesday, 20 October

First day of dealing in nil-paid Rights Shares Friday, 22 October

Latest time for splitting of the PAL. 4:30 p.m. on
Tuesday, 26 October

Last day of dealing in nil-paid Rights Shares Friday, 29 October

**Latest time for acceptance of and payment for
the Rights Shares and application and
payment for excess Rights Shares. 4:00 p.m. on
Wednesday, 3 November**

Latest Time for Termination of the Underwriting
Agreement and for the Rights Issue to
become unconditional (if applicable). 4:00 p.m. on
Friday, 5 November

Announcement of allotment results Wednesday, 10 November

Despatch of certificates for fully-paid Rights Shares
and refund cheques, if any, in respect of wholly or
partially unsuccessful application for excess Rights Shares . . . Thursday, 11 November

Effective date of the new board lots size of 20,000 Shares Friday, 12 November

Expected first day of dealings in fully-paid Rights Shares. Friday, 12 November

Designated broker starts to stand in the market
to provide matching services for odd lots of Shares 9:00 a.m. on
Friday, 12 November

Designated broker ceases to stand in the market
to provide matching services for odd lots of Shares 4:00 p.m. on
Friday, 17 December

Dates or deadlines specified in expected timetable above or in other parts of this announcement are indicative only and may be varied by agreement between the Company and the Underwriter. Any changes to the expected timetable will be published or notified to the Shareholders and the Stock Exchange as and when appropriate.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES

The latest time for acceptance of and payment for the Rights Shares will not take place if there is a tropical cyclone warning signal no. 8 or above, or a “black” rainstorm warning or “extreme conditions” caused by super typhoons:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Wednesday, 3 November 2021. Instead, the latest time for acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Wednesday, 3 November 2021. Instead, the latest time for acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Shares does not take place on or before 4:00 p.m. on Wednesday, 3 November 2021, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event.

REASONS FOR AND BENEFITS OF THE PROPOSED RIGHTS ISSUE AND INTENDED USE OF PROCEEDS

The principal activity of the Company is investment holding. The activities of its principal subsidiaries consist of investment holding, manufacturing and trading of printed circuit boards, trading of petroleum and energy products and related business, and manufacturing and trading of printing and packaging products.

The net proceeds from the Rights Issue (after deducting the estimated expenses) are estimated to be approximately HK\$78 million. The estimated net subscription price per Rights Share after deducting the related expenses of the Rights Issue is expected to be approximately HK\$0.097. The Company has invested into the healthcare industry by acquiring a small percentage of the shares of a healthcare listed group in Hong Kong and keeps exploring any appropriate opportunities in healthcare, energy and resources, printing and high technology industries. The Company intends to apply the net proceeds from the proposed Rights Issue as follows:

- (i) approximately 48.72% of the net proceeds, or approximately HK\$38 million, for repayment of bank loan of the Group;
- (ii) approximately 25.64% of the net proceeds, or approximately HK\$20 million, for general working capital of the Group, including general administrative and operating expenses; and
- (iii) approximately 25.64% of the net proceeds, or approximately HK\$20 million, for investments in appropriate opportunities..

The Board considers that the Rights Issue will increase the capital base of the Company and give the Qualifying Shareholders equal opportunity to maintain their respective pro-rata shareholding interests in the Company. Hence, the Board considers that fund raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole. **However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Excluded Shareholders should note that their shareholdings will be diluted.**

CHANGE IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE RIGHTS ISSUE

For illustration purposes only, set out below is the shareholding structure of the Company as at the date of this announcement, and the effect on the shareholding structure of the Company upon completion of the Rights Issue in the manner contemplated under the Underwriting Agreement, is as follow:

Shareholders	(i) As at the date of this announcement		(ii) Immediately upon completion of the Rights Issue assuming full acceptance by all Qualifying Shareholders under the Rights Issue		(ii) Immediately upon completion of the Rights Issue assuming no acceptance by all Qualifying Shareholders under the Rights Issue	
	No. of Shares	Approximate % of total no. of Shares in issue	No. of Shares	Approximate % of total no. of Shares in issue	No. of Shares	Approximate % of total no. of Shares in issue
Cheung Ling Mun	120,068,000	14.88	240,136,000	14.88	120,068,000	7.44
Lee Man Kwong (Note 2)	10,000	0.001	20,000	0.001	10,000	0.001
Underwriter (Note 3)	-	-	-	-	806,643,785	50.00
Public shareholders	686,565,785	85.12	1,373,131,570	85.12	686,575,785	42.56
Total	806,643,785	100	1,613,287,570	100	1,613,287,570	100

Note:

1. Certain percentage figures included in the above table have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.
2. The 10,000 Shares are held by Lee Man Kwong, an executive Director.
3. These scenarios are for illustrative purpose only. Under the Underwriting Agreement, the Underwriter has undertaken that it shall use its reasonable endeavours to ensure that (i) sub-underwriter(s), if any, are Independent Third Party(ies); (ii) the public float requirements under the Listing Rules be fulfilled by the Company upon completion of the Rights Issue; (iii) it shall not, together with party(ies) acting in concert with it, hold 30% or more of the voting rights of the Company upon completion of the Rights Issue; (iv) sub-underwriters and placees procured by them, together with parties acting in concert with each of them, will not hold 20% or more of the voting rights of the Company upon completion of the Rights Issue; and (v) it and parties acting in concert (within the meaning of the Takeovers Code) with it will not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of it in respect of performing its obligation hereunder.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

Save for the fund raising activity set out below, the Company has not conducted any other equity fund raising activities in the twelve (12) months immediately preceding from the date of this announcement.

Date of initial announcement	Event	Net proceeds (approximate)	Intended use of proceeds as announced	Actual use of proceeds
19 February 2021	Placing of new shares under general mandate	HK\$12.7 million	The general working capital of the Group, including the repayment of debts of the Group when they fall due.	All net proceeds have been used for the intended purpose
18 August 2020	Placing of new shares under general mandate	HK\$17.6 million	The general working capital of the Group, including the repayment of debts of the Group when they fall due.	All net proceeds have been used for the intended purpose

LISTING RULES IMPLICATIONS

As the Rights Issue will increase the issued share capital of the Company by more than 50%, under Rule 7.19A and 7.27A of the Listing Rules, the Rights Issue is subject to approval of the Independent Shareholders at the SGM by a resolution on which any controlling Shareholders and their respective associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue. Since there is no controlling Shareholder as at the date of this announcement, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue in accordance with Rule 7.27A of the Listing Rules.

As at the date of this announcement, save for 10,000 Shares held by Lee Man Kwong, an executive Director, no other Directors and/or and the chief executive of the Company, and their respective associates held any Shares.

GENERAL

The Independent Board Committee, comprising all the independent non-executive Directors, will be established to provide recommendation to the Independent Shareholders in connection with the Rights Issue. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue. The Independent Financial Adviser will be appointed by the Company with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in this regard.

The SGM will be convened and held to consider, and, if thought fit, to approve, among other matters, the Rights Issue, the Underwriting Agreement and the transactions contemplated respectively thereunder. A circular containing, among other things, (i) further details of the Rights Issue; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue; and (iv) a notice convening the SGM will be despatched by the Company to the Shareholders on or before 17 September 2021.

Subject to the fulfillment of certain conditions of the Rights Issue, the Company will despatch the Prospectus Documents containing, among other matters, details of the proposed Rights Issue, to the Qualifying Shareholders. The Company will despatch the Prospectus to the Excluded Shareholders for their information only, but the Company will not send the PAL and EAF to the Excluded Shareholders.

WARNING OF THE RISKS OF DEALINGS IN THE SHARES AND THE NIL-PAID RIGHTS

Shareholders and potential investors of the Company should note that the proposed Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the paragraph headed “Termination of the Underwriting Agreement” under the section headed “The Underwriting Agreement” above). Accordingly, the proposed Rights Issue may or may not proceed.

The Shares are expected to be dealt in on an ex-rights basis from Friday, 8 October 2021. Dealings in the Rights Shares in nil-paid form are expected to take place from Friday, 22 October 2021 to Friday, 29 October 2021 (both days inclusive). Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares.

Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s). Any Shareholder or other person dealing in the Shares or in the nil-paid Rights Shares up to the date on which all the conditions to which the proposed Rights Issue is subject are fulfilled (and the date on which the Underwriter’s right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the proposed Rights Issue may not become unconditional or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday and Sunday and any day on which “extreme conditions” caused by super typhoons is announced by the Government of Hong Kong or a tropical cyclone warning signal no. 8 or above is issued or remains issued between 9:00 a.m. and 12:00 noon and is not cancelled at or before 12:00 noon or on which a “black” rainstorm warning is issued or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Change in Board Lot Size”	the proposed change in board lot size of the Shares for trading on the Stock Exchange from 2,000 Shares per board lot to 20,000 Shares per board lot
“Company”	Daisho Microline Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on Main Board of the Stock Exchange

“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EAF(s)”	the form(s) of application for use by the Qualifying Shareholders who wish to apply for excess Rights Shares, being in such form as may be agreed between the Company and the Underwriter
“Excluded Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, based on legal opinions provided by the Company’s legal advisers, consider it necessary or expedient not to offer the Rights Shares to such Shareholders on account either of restrictions under the laws of the relevant place or the requirements of a relevant regulatory body or stock exchange in that place
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	the Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee, comprising all the independent non-executive Directors, which will be established to make recommendations to the Independent Shareholders in respect of the terms of the Rights Issue, the Underwriting Agreement and the transactions contemplated respectively thereunder
“Independent Financial Adviser”	an independent financial adviser to be appointed by the Company to advise for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the terms of the Rights Issue, the Underwriting Agreement and the transactions contemplated respectively thereunder
“Independent Shareholders”	Shareholders other than the controlling shareholders and their associates or, where there is no controlling shareholder, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates

“Independent Third Party(ies)”	third party(ies) who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, are independent of and not acting in concert or connected with the Company and its connected persons or any of their respective associates
“Last Trading Day”	2 September 2021, being the last full trading day of the Shares on the Stock Exchange prior to the release of this announcement
“Latest Time for Acceptance”	4:00 p.m. on Wednesday, 3 November 2021 or such later time or date as may be agreed between the Underwriters and the Company, being the latest time for acceptance of, and payment for, the Rights Shares as described in the Prospectus Documents
“Latest Time for Termination”	4:00 p.m. on the second Business Day after the Latest Time for Acceptance or such later time or date as may be agreed between the Underwriters and the Company, being the latest time to terminate the Underwriting Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date and whose address(es) as shown on such register is/are in a place(s) outside Hong Kong
“PAL(s)”	the renounceable provisional allotment letter(s) in respect of the Rights Issue proposed to be issued to the Qualifying Shareholders
“Prospectus”	the prospectus to be despatched to the Shareholders by the Company containing details of the proposed Rights Issue
“Prospectus Documents”	the Prospectus, the PAL and the EAF
“Prospectus Posting Date”	Wednesday, 20 October 2021, or such other day as may be agreed between the Company and the Underwriter for the dispatch of the Prospectus Documents

“Qualifying Shareholder(s)”	Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date, other than the Excluded Shareholders
“Record Date”	Tuesday, 19 October 2021 or such other date as may be agreed between the Company and the Underwriters in writing for the determination of the entitlements under the Rights Issue
“Registrar”	the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Rights Issue”	the proposed issue by way of rights on the basis of one (1) Rights Share for every one (1) existing Share held by the Qualifying Shareholders on the Record Date at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents
“Rights Share(s)”	Shares to be allotted and issued under the proposed Rights Issue on the basis of one (1) Rights Share for every one (1) existing Share in issue on the Record Date, being 806,643,785 Rights Shares based on the Company’s total number of issued Shares as at the date of this announcement
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held at which resolution(s) will be proposed to consider, and, if thought fit, to approve, among other things, the Rights Issue, the Underwriting Agreement and the transactions contemplated respectively thereunder
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.1 per Rights Share

“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers (as amended and supplemented from time to time)
“Underwriter”	Kingston Securities Limited, a corporation licensed to carry on Type 1 (dealing in securities) regulated activities under the SFO whose ordinary course of business includes underwriting of securities
“Underwriting Agreement”	the underwriting agreement dated 2 September 2021 entered into between the Company and the Underwriter in relation to the underwriting arrangement in respect of the Rights Issue
“Underwritten Share(s)”	all the Rights Shares which are fully underwritten by the Underwriter pursuant to the terms and conditions set out in the Underwriting Agreement, being 806,643,785 Rights Shares
“%”	percentage

By order of the Board
Daisho Microline Holdings Limited
LEE Man Kwong
Chairman

Hong Kong, 2 September 2021

As at the date of this announcement, the Board consists of two executive Directors, namely, LEE Man Kwong and WONG Siu Hung, Patrick, one non-executive director, namely, YAU Pak Yue and three independent non-executive Directors, namely, LEUNG King Fai, CHAN Yau Ching, Bob and LEUNG Hoi Ming.