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DAISHO MICROLINE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0567)

SUPPLEMENTAL INFORMATION IN RELATION TO ANNUAL REPORTS FOR THE YEAR ENDED 31 MARCH 2019 AND 31 MARCH 2020

References are made to the annual report of Daisho Microline Holdings Limited (the “**Company**”) for the year ended 31 March 2019 (the “**2019 Annual Report**”) published by the Company on 30 July 2019 and for the year ended 31 March 2020 (the “**2020 Annual Report**”, together with the 2019 Annual Report, the “**Annual Reports**”) published by the Company on 29 July 2020. Under otherwise expressly indicated, capitalised terms used herein shall have the same meanings as those defined in the Annual Reports.

In addition to the information provided in the Annual Reports, the Company would like to provide supplemental information set out in this announcement.

SUPPLEMENTAL INFORMATION IN RELATION TO THE 2019 ANNUAL REPORT

(1) USE OF PROCEEDS FROM THE PLACING OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

As disclosed on pages 9 and 10 of the 2019 Annual Report, the Company issued convertible bonds (the “**CB**”) in the principal amount of HK\$80,000,000 on 22 September 2017, with net proceeds of approximately HK\$77.2 million. The Company

would like to provide further information on the use of such net proceeds, which had been fully utilized as at 31 March 2019, as follows:

Use of proceeds	Intended breakdown as disclosed in the circular of the Company dated 21 July 2017 (approximately) HK\$	Actual breakdown (approximately) HK\$	Reason for deviation
(1) Marketing development	3 million	0.3 million	The Company has leveraged on the management team's network to carry out marketing development to achieve cost saving and was able to save most of the costs planned.
(2) Purchase of new machineries of the existing PCB business	4 million	1.4 million	As the PCB factory in Huizhou was relocated to new premises in June/July 2018 (details of which are set out in the announcements of the Company dated 13 April 2018 and 25 May 2018), the business model of PCB operation has been changed. Part of the manufacturing process has been outsourced and as a result, the CAPEX of the PCB operation was reduced.
(3) Purchase on petroleum related products	30 million	30 million	Not applicable.
(4) Purchase of vessels	30 million	34.1 million	The vessels purchase agreement required a 15% deposit (equivalent to approximately HKD30m) which was paid in September 2017. As there were savings from (1) marketing development expenses, and (2) the purchase of new machineries of the PCB business, the savings of about HK\$4.1 million were re-directed towards the payment of the acquisition costs of the vessels in May 2018.

Use of proceeds	Intended breakdown as disclosed in the circular of the Company dated 21 July 2017 (approximately) HK\$	Actual breakdown (approximately) HK\$	Reason for deviation
(5) Working capital for petroleum trading	5 million	11.4 million	The Group was negotiating with a bank to obtain a banking facilities line for petroleum trading. As part of the security package, pledged deposit was required to be provided. However, the banking facilities were not utilized in the end due to the fact that the banking facilities granted were not suitable for the trading requirement and pledged deposit was no longer required. Accordingly, more funds had been allocated to and were used as working capital for petroleum trading business.
(6) Bank facility line secured for petroleum trading	3 million	0	

The Board is of the view that the net proceeds of the CB were utilized in accordance with the purposes as originally intended and the adjustment in the breakdown of the net proceeds as allocated among such original purposes was prompted by the change in circumstances as explained above including cost savings in marketing development and the relocation of PCB plant resulting in lower CAPEX. Savings made in certain categories of usage were re-allocated to other categories of usage which were also as originally intended and such adjustments in the breakdown of the net proceeds did not constitute a material change. Accordingly, the Board is of the view that the actual use of proceeds of the CB was in the interests of the Company and its shareholders as a whole.

(2) RELATED PARTY TRANSACTIONS

Details of the significant related party transactions undertaken in the normal course of business of the Group during the year ended 31 March 2019 are provided under note 31 to the consolidated financial statements in the 2019 Annual Report. None of these related party transactions constituted a connected transaction as defined under the Listing Rules that was required to be disclosed, except for those described in the paragraph headed “Continuing Connected Transactions” on page 19 of the 2019 Annual Report, in respect of which the disclosure requirements in accordance with Chapter 14A of the Listing Rules have been complied with.

SUPPLEMENTAL INFORMATION IN RELATION TO THE 2020 ANNUAL REPORT

Details of the significant related party transactions undertaken in the normal course of business of the Group during the year ended 31 March 2020 are provided under note 27 to the consolidated financial statements in the 2020 Annual Report. None of these related party transactions constituted a connected transaction as defined under the Listing Rules that was required to be disclosed, except for those described in the paragraph headed “Continuing Connected Transactions” on page 19 of the 2020 Annual Report, in respect of which the disclosure requirements in accordance with Chapter 14A of the Listing Rules have been complied with.

The above addition information does not affect other information contained in the Annual Reports and save as disclosed above, all other information in the Annual Reports remains unchanged.

By Order of the Board
Daisho Microline Holdings Limited
CHEUNG Lai Ming
Chairman

Hong Kong, 15 September 2020

As at the date of this announcement, the Board consists of three executive directors, namely, CHEUNG Lai Ming, LEE Man Kwong and WONG Siu Hung, Patrick, a non-executive director namely, YAU Pak Yue, and three independent non-executive directors, namely, LEUNG King Fai, CHOU Yuk Yan and CHAN Yau Ching, Bob.