THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Daisho Microline Holdings Limited**, you should at once hand this circular to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

DAISHO MICROLINE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0567)

VERY SUBSTANTIAL DISPOSAL
AND
NOTICE OF SPECIAL GENERAL MEETING

Financial Adviser to Daisho Microline Holdings Limited

VMS鼎珮

VMS SECURITIES LIMITED

Capitalised terms used in this cover page shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 4 to 15 of this circular.

A notice convening the SGM to be held at 49/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong on Tuesday, 16 October 2018 at 10:00 a.m. set out on pages SGM-1 to SGM-2 of this circular. A form of proxy for use by the Shareholders at the SGM or any adjourned meeting is also enclosed.

Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

21 September 2018

CONTENT

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

"Board"	board of the Directors
"Company"	Daisho Microline Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed and traded on the Main Board of the Stock Exchange (stock code: 0567)
"Completion"	completion of the Disposal in accordance with the terms of the SPA
"Completion Date"	The date on which the change of shareholders of the Disposal Company is registered with the relevant authority in the PRC and the relevant new business licence is obtained
"Condition"	The condition precedent to the Completion as set out in the SPA
"Consideration"	HK$200,000,000 payable by the Purchaser to the Company in relation to the Disposal subject to the terms and conditions of the SPA
"Director(s)"	director(s) of the Company
"Disposal"	the disposal of the Sale Shares under the SPA subject to and upon the principal terms and conditions as respectively disclosed in this circular
"Disposal Company"	Da Feng Hua Microline Technology (Huizhou) Company Ltd.* (大鋒華微綫科技(惠州)有限公司), a company incorporated in the PRC and an indirectly wholly-owned subsidiary of the Company which owns the entire interest of the Property
"Group"	the Company and its subsidiaries
"HK$"	the lawful currency of Hong Kong for the time being
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Huafeng"	Huafeng Microline (Huizhou) Circuits Limited* (華鋒微綫電子(惠州)工業有限公司)
"Independent Third Party(ies)"	party(ies) independent of and not connected with the Company and its connected persons

"Inter-Pacific"	Inter-Pacific Group Pte. Limited, is a company which is 50% owned by Ms. Cheung Lai Na and 50% owned by an individual Independent Third Party
"Latest Practicable Date"	20 September 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	21 December 2018 or a date agreed in writing between the Vendors and the Purchaser
"MOU"	the memorandum of understanding entered into between the Vendors and the Purchaser, details of which are set out in the MOU Announcement
"MOU Announcement"	The announcement of the Company dated 25 May 2018 in relation to the MOU and the Relocation
"New PCB Plant"	the new PCB production site of the Group in Huizhou, details of which are set out in the MOU Announcement
"PCB"	printed circuit board
"Petroleum Trading Business"	the Group's existing business of trading of petroleum and energy products and related business
"PRC"	the People's Republic of China
"Property"	an industrial complex which comprises a parcel of land together with eight 2 to 8-storey buildings and various structures erected thereon located at No.2, 7th Lane, Eling Road South, Huicheng District, Huizhou City, Guangdong Province, the PRC
"Purchaser"	Sea Time Investment Limited, a company incorporated in Hong Kong
"Relocation"	the relocation of the Group's PCB manufacturing facility to a New PCB Plant, details of which are set out in the voluntary announcement dated 13 April 2018
"Remaining Group"	the Group as if the entire issued share of the Disposal Company is disposed of

"RMB"	Renminbi, the lawful currency of PRC for the time being
"Sale Shares"	US$4,800,000 (equivalent to approximately RMB36,586,000 at historical rate) registered capital of the Disposal Company, being all the registered capital of the Disposal Company
"SFO"	The Securities and Future Ordinance (Chapter 571 of the laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approve, among other things, the SPA and transactions contemplated thereunder
"Shareholders"	holder(s) of the Share(s)
"Shares"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"SPA"	The agreement dated 21 August 2018 entered into between the Vendors and the Purchaser in relation to the Disposal
"sq.m."	square metre(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US$"	United States dollars, the lawful currency of the United States of America for the time being
"Vendors"	Daisho Microline Limited and Juko Industrial Limited, each a company wholly-owned subsidiary of the Company
"VSD Announcement"	the announcement of the Company dated 31 August 2018 relating to the SPA
%	per cent.

* *English name is for identification purpose only*

For the purpose of this circular, unless otherwise indicated, conversion of RMB into HK$ is calculated at the approximate exchange rate of RMB1.00 = HK$1.15, and conversion of US$ into HK$ is based on the approximate exchange rate of US$1.00 = HK$7.80. These exchange rates are for the purpose of illustration only and do not constitute a representation that any amounts in RMB, HK$ and US$ have been, could have been or may be converted at such rate or any other exchange rate.

DAISHO MICROLINE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0567)

Executive Directors:
CHEUNG Lai Na *(Chairman)*
CHEUNG Lai Ming
LEE Man Kwong

Independent non-executive Directors:
LEUNG King Fai
CHOU Yuk Yan
LAW Ping Wah
Dr. CHAN Yau Ching, Bob

Registered Office:
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Principal place of business in Hong Kong:
Units 2001-2003A
20th Floor
Sino Plaza
255-257 Gloucester Road
Causeway Bay, Hong Kong

21 September 2018

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL AND NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to the VSD Announcement on 31 August 2018 in which on 21 August 2018 (after trading hours), the Vendors and the Purchaser entered into a SPA, pursuant to which the Vendors conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Shares at the Consideration of HK$200,000,000.

The purpose of this circular is to provide you with, among other things, further details of the SPA, and the transactions contemplated therein together with such other information as required by the Listing Rules.

SPA

Date: 21 August 2018

Parties to the SPA:

(1) Vendors: (i) Daisho Microline Limited, holding 88% interest in the Disposal Company, and (ii) Juko Industrial Limited, holding 12% interest in the Disposal Company. Both Daisho Microline Limited and Juko Industrial Limited are wholly-owned subsidiaries of the Company; and

(2) Purchaser: Sea Time Investment Limited, a company incorporated in Hong Kong.

To the best of the Board's knowledge, information and belief, and having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are Independent Third Parties.

Consideration

The Consideration of HK$200,000,000 was determined after arm's length negotiations between the Group and the Purchaser with reference to the (i) net asset value as at 30 June 2018 of the Disposal Company; and (ii) valuation of the Property as determined by an independent professional valuer as at 30 June 2018; and (iii) cost of the Relocation including disposal of irremovable installations, relocation costs, stoppage of production, loss of customers and orders and compensation to staff and workers. The excess of the Consideration over the net book value of the Property as at 30 June 2018 is approximately HK$132.3 million. The Board considers that the Consideration is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

As at the Latest Practicable Date, the Purchaser has paid the Company a deposit amount of HK$20,000,000 (the "Deposit") which shall be applied as partial payment of the Consideration pursuant to the MOU and the balance of the Consideration is payable by the Purchaser in the following manner:

(1) HK$90,000,000 shall be payable to the bank account of the escrow agent on the date of the SPA;

(2) HK$90,000,000 shall be payable to the bank account of the escrow agent on the day when the Stock Exchange has confirmed that it has no further comments on the circular in relation to the Disposal;

(3) HK$180,000,000 shall be transferred from the bank account of the escrow agent to the Vendors on the Completion Date.

Condition Precedent and Termination

Completion of the Disposal is conditional upon fulfilment of the Condition which is the passing of the requisite resolution by the Shareholders at the SGM approving the SPA and the transactions contemplated thereunder in accordance with the Listing Rules and the applicable laws and regulations.

If the Condition is not fulfilled on or before the Long Stop Date, the Purchaser is entitled to terminate the SPA with immediate effect by serving written notice and the Deposit will be refunded to the Purchaser.

Completion

Completion shall take place on the Completion Date subject to the fulfilment of the Condition. Upon Completion, the Disposal Company will cease to be a subsidiary of the Group and the financial results of the Disposal Company will no longer be consolidated into the financial statements of the Group.

INFORMATION OF THE PURCHASER

The Purchaser is an investment company established under laws of Hong Kong and is wholly-owned by Sky Team Development Ltd. Sky Team Development Ltd is ultimately owned by an individual, Mr. Huang Chi Heng ("Mr. Huang"). Mr. Huang is the founder and chairman of Guangdong Helenbergh Estate Group Co., Ltd., this company together with its subsidiaries and affiliates are principally engaged in property development, property management and cultural business in the PRC.

Mr. Huang was introduced by the owner of a waste treatment and handling company which has business with the Group. As save disclosed in this circular, Mr. Huang did not have any relationship with any of the Group and the Directors. To the best of the Board's knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are Independent Third Parties.

INFORMATION OF THE DISPOSAL COMPANY

The Disposal Company was incorporated on 2 March 2018. As at the Latest Practicable Date, the Disposal Company owned the entire interest of the Property. Set out below is the unaudited financial information of the Disposal Company for the period from 2 March 2018 (date of incorporation) to 30 June 2018.

	RMB'000	*Equivalent to HK$'000*
Revenue	4	5
Net loss (before taxation)	(571)	(692)
Net loss (after taxation)	(571)	(692)

The unaudited consolidated net asset value of the Disposal Company as at 30 June 2018 was approximately RMB31.8 million (equivalent to approximately HK$37.9 million). As at the Latest Practicable Date, the Disposal Company held the Property solely, and no machinery and equipment was held by the Disposal Company.

The Property is an industrial complex located at No.2, 7th Lane, Eling Road South, Huicheng District, Huizhou City, Guangdong Province, the PRC. The Property comprises a parcel of land together with eight 2 to 8-storey buildings and various structures erected thereon, of which (i) one was used for office; (ii) one was used for canteen; (iii) two were used for production; and (iv) the remaining four were used for dormitory. The gross floor areas of each building ranges from approximately 1,887 sq.m. to approximately 13,955 sq.m. The site area and total gross floor area of the Property are 52,427.78 sq.m. and 51,497.04 sq.m. respectively. The land use rights of the Property were granted for a term expiring on 3 September 2059 for industrial use. The Property is currently occupied by the Group for industrial and ancillary uses. As at Latest Practicable Date, the production activities of the Group will be relocated to the New PCB Plant.

According to the valuation report on the property as set out in Appendix III to this circular. The valuation of the Property is approximately RMB58,900,000 (equivalent to approximately HK$67,735,000) as at 30 June 2018. Such valuation was assessed by Grant Sherman Appraisal Limited, a firm of independent professional valuers, adopting a combination of the market and cost approach in assessing the land portion and the buildings and structures standing on the lands respectively.

UPDATES ON THE BUSINESS DEVELOPMENT OF THE GROUP

PCB Business

As disclosed in the annual report of the Company for the year ended 31 March 2018 (the "2018 Annual Report"), the Group recorded segmental loss of manufacturing and trading of the PCB business of approximately HK$35.5 million and HK$41.0 million for the two years ended 31 March 2017 and 2018, respectively. The return on the investment of the PCB segment was negative for year ended 31 March 2018, which was mainly attributable to (i) the sudden departure of the former chairman and chief executive officer and certain key management staff since late 2016, and although a new team was engaged and joined the Group in February and March 2017, such incident affected the Group's operation performance at the relevant time; (ii) losses of customers due to the intense market competition and changes in management; and (iii) relatively high costs on maintenance of machineries and environmental improvement. Therefore, the Directors believe that the above factors caused negative return to the Shareholders.

After taking into account of the Group's current financial position, the prospect of the Group's PCB business remains uncertain. In particular various changes to the Board and senior management of the Group since late 2016, including the departure of former chairman and chief executive officer of the Group, Mr. Chan Sik Ming, Harry, details of which are set out in the relevant announcements of the Company. As at the Latest Practicable Date, the Board is continuing to review and improve the PCB business by implementing a suitable business strategy and hiring suitable expertise. In addition, the

Board considers that employees, production activities and client orders at the current PCB plant would be impacted temporarily during the process of the Relocation, but the Relocation will bring long-term benefit to the Group and Shareholders as a whole.

As at May 2018, the Company had twenty three regular customers (the "Existing Customers"), of which eleven customers continue to place orders to the Group for delivery from August to September 2018 during time of the Relocation and those customers understand that the Company will outsource those orders to other factories. As at the Latest Practicable Date, the remaining contract sum of orders with the Existing Customers was approximately HK$15 million. Twelve of the Existing Customers stopped placing orders since June 2018, each of these twelve customers have two to over twenty years of business relationship with the Group. Since none of the Existing Customers has informed the Group that they will not place orders to the Group, at the same time, all Existing Customers have expressed that they will continue the business relationship with the Group after inspection of the New PCB Plant, therefore, the Directors do not consider that the Company has lost any existing customers as a result of the Relocation and expect that orders will be improved gradually after several months upon the completion of Relocation as the customers may require to test the production line initially after the Relocation.

As at the Latest Practicable Date, all machines have been located to the New PCB Plant. However, the Company is currently in the process of re-installation and calibration including any new machines and equipment procured. The Directors expect that such re-installation and calibration will be completed by the end of September 2018 and will conduct test run for the whole production line. The production of the New PCB Plant will commence after the test run completed successfully, which is expected in mid-October 2018. The New PCB Plant is located at Dongjiang Industrial Zone, Huizhou city, Guangdong province, PRC. The New PCB Plant is used mainly for production and has a gross floor area of 21,000 sq.m. The lease term of the New PCB Plant is 6 years with a renewal option to extend the lease and the monthly rent (including tax and surcharge) is RMB318,750 (equivalent to approximately HK$366,563). The gross floor area of the New PCB Plant of approximately 21,000 sq.m. is slightly smaller than that of the current PCB Plant that used for production of approximately 23,000 sq.m. The existing PCB production line has been designed and configured to a monthly production of 30,000 sq.m. After relocation, the production capacity remains the same and the Directors expect that such production capacity is sufficient to support the production needs of the PCB business in foreseeable future given that the efficiency of production capacity will be improved by reducing manpower and production costs and replacing certain obsolete machines. Based on the Group's preliminary assessment to the financial effects on the Relocation, it is expected that the PCB business segment for the six-month period ending 30 September 2018 will incur a loss. However, the Company is in the process to assess the impact and will make further announcement(s) or update(s) to the Shareholders and potential investors if and when necessary.

Going forward, the management shall continue to exercise caution in conducting the PCB business and at present, it intends to maintain the PCB business and has no intention to downsize or cease the PCB business.

Petroleum Trading Business

In mid-2017, the Group undertook the Petroleum Trading Business with a view to facilitate business diversification, broaden the Group's revenue base, create a new income stream for the Group in the long run and improve the overall performance of the Group. As disclosed in the 2018 Annual Report, the Group recorded segmental profit of the Petroleum Trading Business of approximately HK$0.6 million for the year ended 31 March 2018. Subsequent to various changes to the Board and senior management of the Group since late 2016, our executive Director, namely Ms. Cheung Lai Na and Ms. Cheung Lai Ming who have extensive experience in the Petroleum Trading Business, will continue to explore the possibility of expanding the Group's Petroleum Trading Business.

The Group can supply various petroleum products such as fuel oil, ethanol, crude oil, aromatics and bitumen. As at the Latest Practicable Date, the type of products traded by the Group is mainly fuel oil. Since the commencement of Petroleum Trading Business in mid-2017, the average monthly trading volume of Petroleum Trading Business is approximately 8,500 metric tons of fuel oil from the date of commencement to 31 March 2018. For year ended 31 March 2018 and up to the Latest Practicable Date, the Group has derived its revenue from three customers, these customers are trading companies for petroleum related products. In connection with suppliers, the Group has purchased its petroleum related products for trading primarily from four suppliers, being corporations that in the petroleum industry with regional or international presence (the "Suppliers").

In respect of the business model of the Petroleum Trading Business, the Group will source petroleum related products from a variety of suppliers for buyers or vice versa as per the specific requirements of the suppliers or the buyers (as the case may be) on a case-by-case basis. The Company has a good historical track record of fulfilling its duties, and has gained a working knowledge of the Suppliers' internal procedures and processes in addition to having established communication channels with the Suppliers through working closely with the Suppliers previously. In January 2018, a wholly-owned subsidiary of the Group, Pacific Dragon Trading Pte. Ltd. ("Pacific Dragon"), was incorporated in Singapore to conduct Petroleum Trading Business, which will involve trading of larger volume of petroleum and energy products ranging from 150,000 to 300,000 metric tons when the set up is completed. As at the Latest Practicable Date, Pacific Dragon has not commenced any trading business. The Group's historical trading volume upto the Latest Practicable Date ranging from 3,000 to 12,000 metric tons of fuel oil. The trading volume for June to July 2018 monthly average was approximately 3,000 metric tons. The decrease compared the average monthly trading volume of approximately 8,500 metric tons of fuel oil from the date of commencement to 31 March 2018 was due to the devotion of time of our key management and staff to set up of the new wholly-owned subsidiary of the Group, Pacific Dragon, in Singapore to conduct the new division for the cargo trade of crude oil and other petroleum products. As of 31 August 2018, the Group has opened accounts with five suppliers to cater the growth of such business.

As at the Latest Practicable Date, the Group has a total of seven operational and management staff, including Ms. Cheung Lai Na and Ms. Cheung Lai Ming, in Hong Kong and Singapore, who have in an average over 10 years working experience in petroleum trading industry. Ms. Cheung Lai Na, who is supported by Ms. Cheung Lai Ming, supervises the Group's business of petroleum trading. Since Ms. Cheung Lai Na and Ms. Cheung Lai Ming, have over 13 and 7 years of experience, respectively, are familiar with the petroleum trading industry during their respective experience within the operations of bunkering. The extensive experience of both Ms. Cheung Lai Na and Ms. Cheung Lai Ming in the bunkering of petroleum products would provide the Company a significant competitive edge in the Petroleum Trading Business. Both Ms. Cheung Lai Na and Ms. Cheung Lai Ming (i) maintain strong relationship with major oil suppliers and customers; (ii) maintain close relationship with banks which will potentially be beneficial to the Group in obtaining financing; (iii) possess knowledge in relation to trading terms and potential risks; and (iv) are well versed with the market trend and conditions in relation to oil products. By leveraging their connections with major players in the petroleum trading industry, knowledge and experience in the bunkering business, the Directors are of the view that the expansion of petroleum trading business is fair, reasonable and in the interest of the Company and the Shareholders as a whole. Going forward, the management will continue to explore the possibility of expanding the Group's Petroleum Trading Business, subject to the market conditions and availability of the Group's resources at the relevant time.

As disclosed above, given that (i) the prospect of the Group's PCB business remains uncertain; (ii) various changes to the Board and senior management of the Group since late 2016; (iii) the current members of the Board have solid knowledge and extensive experience in the petroleum trading industry; and (iv) the recent development of Petroleum Trading Business for the year ended 31 March 2018, the Directors are of the view that approximately 50% of the net proceeds from the Disposal used for the further development of the Petroleum Trading Business would enhance the profitability of the Group, which to be fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

UPDATE ABOUT THE ACQUISITION OF FOUR VESSELS

The Group entered into an agreement for the acquisition of four vessels from Inter-Pacific and leasing back to Inter-Pacific, which was approved by the independent shareholders of the Company on 16 January 2018. The transfer of the first vessel was completed on 27 March 2018. Accordingly, the Group had a vessel of approximately HK$39.6 million recognised in the financial statements of the Group for the year ended 31 March 2018. As at the Latest Practicable Date, the first vessel is being leased out to Pacific Energy 28 Pte Limited, a wholly-owned subsidiary of Inter-Pacific, for 12 months from 1 April 2018 with an option, granted to charterer for extension of an additional 12 months. Since Inter-Pacific requires additional time for the registration of the transfer of the titles in relation to the remaining three vessels, the Company and Inter-Pacific agreed to extend the long stop date for the relevant agreements for the acquisition and leasing of the remaining vessels to 30 September 2018.

REASONS FOR AND BENEFITS OF THE DISPOSAL

As set out in the announcement of the Company dated 13 April 2018, the Group established the Property in 1990's for PCB production and the aging plant has caused a tremendous reduction in the Group's gross profit in recent years due to production inefficiency and high operating costs. In addition, with the introduction of new policies and regulations of urban development and environmental protections by the local government of the PRC, chemical pollution and noises inherent from production activities at the Property and the increasing number of complaints brought by neighbouring residents and potential sanctions enacted by the local government, the Group is exposed to the risk of production suspension.

Having considered the above, the Directors have decided to relocate the production activities to the New PCB Plant. The Directors consider that the New PCB Plant is located in an industrial park 15 kilometers away from the current PCB plant. The industrial park is planned to be the bases for high technologies, electronic industry and auto parts manufacturing and research and development. The industrial park is remote from residential area. The landlord of the New PCB Plant has obtained permit for emission of wasted water of 720,000 tons per annum from the Environment Protection Bureau of Huizhou, the PRC and this will be enough for the Group's planned wasted water emission of 360,000 tons per year. Given the above circumstances, the New PCB Plant is able to provide the environment and the facilities to avoid the risk of potential sanctions and production suspension enacted by the government. The Directors also consider that the Disposal, if completed, would enable the Group to release the value of the Property, so as to facilitate the Group to re-allocate financial resources more effectively to support the development of the existing businesses of the Group, strengthen the liquidity and capital base of the Company and maximise benefits of the Shareholders. After the Disposal, the Group (a) will incur lease payment for the New PCB Plant; and (b) may face the risk of cessation of operation and the Relocation if the landlord chooses to terminate the lease agreements with the Group. In order to meet the more stringent environmental requirements and to avoid potential sanctions and production suspension, the Group would inevitably need to incur sizable capital investment to upgrade the current PCB plant. Therefore, the Directors consider that the Relocation is necessary for continuous development of the PCB business and it is appropriate and necessary for the Group to enter the new lease agreements for the Relocation and to set up the New PCB Plant. Since (i) the lease term of the New PCB Plant is 6 years with a renewal option to extend the lease; and (ii) the landlord will require to pay for 6 months rent compensation to the Group if the landlord chooses to terminate the relevant lease agreements with the Group, it is unlikely that the landlord would chooses to terminate the lease agreements with the Group in the near future. Therefore, as at the Latest Practicable Date, the Directors consider that the risk of cessation of operation and the Relocation if the landlord chooses to terminate the lease agreements with the Group is remote. Based on the above, the Directors consider that the entering into of the SPA and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL AND THE USE OF PROCEEDS FROM THE DISPOSAL

Based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix IV, the Group will realise a gain on disposal before taxation of approximately HK$166 million, which is calculated with reference to the Consideration, unaudited net asset value of the Disposal Company as at 30 June 2018 and the associate estimated direct cost, transaction costs and professional fees in relation to the Disposal.

The net proceeds from the Disposal are estimated to be approximately HK$198 million. Actual gain and net proceeds arising from the Disposal depend on actual amount of net assets of the Disposal Company, actual direct cost, transaction costs and professional fees incurred up to the date of completion of the Disposal, as well as reclassification adjustment of exchange reserve on the Disposal. The Group intends to apply the net proceeds from the Disposal for the following purposes:

(a) approximately HK$100 million will be used for the further development of Petroleum Trading Business. The Company has recently set up a new division for the cargo trade of crude oil and other petroleum products. It will commence the business with contracts of approximately one million barrels, with estimated cost of approximately HK$600 million, and expect to increase to approximately 2.5 million barrels, with estimated cost of approximately HK$1.5 billion. The trade will be financed and negotiated by a back to back letter of credit ("L/C") and secured deposits. The Group targets to secure respective L/C or bank facilities with 5 to 10% cash deposit to the amount of L/C to be issued or bank facilities. Accordingly, the Group intends to use approximately HK$100 million to secure approximately US$200 million (equivalent to approximately HK$1,560 million) back to back L/C bank facility for the development of Petroleum Trading Business.

(b) approximately HK$40 million will be reserved for the repayment of part of convertible bonds when they fall due;

(c) approximately HK$40 million will be used for the repayment of bank borrowings in order to release RMB deposit pledged. Upon repayment of bank borrowing and release of pledged RMB deposit, such amount will then be used for (i) relocation, installation and calibration of production line to the New PCB Plant with of approximately HK$20 million; and (ii) acquiring a total of eleven units of machineries, equipment and software of approximately HK$20 million, including PCB etching machines, data sharing software and other components to upgrade and replace some equipment. The cost of each machinery, software and equipment are estimated to range from RMB7,500 to RMB980,000. Upon installation of such machineries, software and equipment, they will help increase efficiency and reduce labour cost, such that they can enhance the Group's overall competitiveness in the market; and

(d) the remaining net proceeds will be used as general working capital of the Group.

EFFECTS OF THE DISPOSAL ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP

As at 31 March 2018, the audited consolidated total assets and total liabilities of the Group amounted to approximately HK$484 million and HK$333 million respectively. As set out in Appendix IV to this circular, assuming the Completion had taken place on 31 March 2018, (i) the unaudited pro forma consolidated total assets of the Remaining Group would have increased to approximately HK$642 million; and (ii) the unaudited pro forma consolidated total liabilities of the Remaining Group would have increased to approximately HK$349 million. The Disposal Company has recorded a net loss of RMB571,000 (equivalent to approximately HK$692,000) for the period from 2 March 2018 (date of incorporation) to 30 June 2018 and the Disposal is not expected to have any significant impact on the earnings of the Remaining Group except for the estimated unaudited gain before taxation of approximately HK$166 million which may be recorded as a result of the Disposal.

RECENT FUND RAISING ACTIVITIES OF THE COMPANY

The net proceeds from issue of new shares under placing agreement dated 28 February 2017, details of which are set out in announcement dated 28 February 2017, were approximately HK$46.6 million and completed on 20 March 2017. Up to the Latest Practicable Date, the use of net proceeds are as follows:

Date of particulars of the placing	**Net proceeds raised (approximately)**	**Intended use of proceeds**	**Actual use of proceeds (approximately)**
Placing of 96,000,000 new shares under general mandate on 20 March 2017 at a placing price of HK$0.5 per share	HK$46.6 million	(1) Business development (2) Repayment of bank borrowings	(1) Bank loan repayment of HK$22 million (2) Marketing department establishment of HK$5.2 million (3) Purchase of machineries of HK$5 million (4) Factory and machineries improvement program of HK$13.1 million (5) Information system improvement of HK$0.15 million (6) Consultants for business development of HK$1.2 million
		Utilised	**HK$46.6 million**
		Unutilised	**HK$nil**

The net proceeds from issue of convertible bonds under the supplemental placing agreement dated 26 May 2017, details of which are set out in the announcement dated 26 May 2017, were approximately HK$77.2 million and completed on 22 September 2017. Up to the Latest Practicable Date, the use of net proceeds are as follows:

Date of particulars of the convertible bonds	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of proceeds (approximately)
222,222,222 new shares to be issued upon full conversion on 21 September 2020 at conversion price of HK$0.36 per share	HK$77.2 million	(1) Marketing development (2) Purchase of new machineries and equipment of the existing PCB business (3) Purchase on petroleum related products (4) Purchase of vessels (5) Bank facility line secured for petroleum trading (6) Working capital for petroleum trading	(1) Deposit for purchase of vessels of HK$34.1 million (2) Purchase of Petroleum related products of HK$30 million (3) Purchase of new machineries of existing PCB business of HK$1.39 million (4) Marketing development of HK$0.33 million (5) Working capital for Petroleum Trading Business of HK$11.4 million
		Utilised	**HK$77.2 million**
		Unutilised	**HK$nil**

LISTING RULES IMPLICATIONS

As the relevant applicable percentage ratios set forth under Rule 14.07 of the Listing Rules in respect of the Disposal exceed 75% or more, the Disposal constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. The SGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the SPA and the transactions contemplated thereunder.

SGM

Set out on pages SGM-1 and SGM-2 of this circular is a notice convening the SGM to be held at 49/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong on Tuesday, 16 October 2018 at 10:00 a.m. at which an ordinary resolution will be proposed at the SGM to the Shareholders for the approval of the SPA and the transactions contemplated thereunder.

To the best of the Directors' knowledge, belief and having made all reasonable enquiries, no Shareholder was required to abstain from voting on the resolutions for approving the SPA and the transactions contemplated thereunder at the SGM.

A proxy form for use at the SGM is enclosed. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon as soon as possible to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong and in any event not less than 48 hours before the time appointed for holding the SGM. Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

RECOMMENDATION

Having considered the reasons set out herein, the Directors are of the opinion that the terms of the SPA are on normal commercial terms, fair and reasonable and that the Disposal is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolution as set out in the notice of SGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

In case of any inconsistency between the English and Chinese versions of this circular, the English version shall prevail.

Yours faithfully,
For and on behalf of the Board
Daisho Microline Holdings Limited
Cheung Lai Na
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group, where applicable, together with the accompanying notes, for each of the three years ended 31 March 2016, 2017 and 2018 are disclosed in the annual reports of the Company for the financial years ended 31 March 2016 (pages 27 to 82), 31 March 2017 (pages 36 to 90), and 31 March 2018 (pages 53 to 120), respectively.

The said annual reports of the Company are available on the following website at www.irasia.com/listco/hk/daisho/ and website of the Stock Exchange at www.hkexnews.hk through the links below. In addition, please also refer to the management discussion and analysis of the Group for the years ended 31 March 2016, 2017 and 2018 set out in the published annual reports of the Company for the relevant period:

http://www.hkexnews.hk/listedco/listconews/SEHK/2016/1023/LTN20161023027.pdf

http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0713/LTN20170713293.pdf

http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0711/LTN20180711501.pdf

2. STATEMENT OF INDEBTEDNESS

Borrowings

At the close of business on 31 July 2018, being the latest practicable date for the purpose of preparing this indebtedness statement, the Group had outstanding secured bank borrowings of approximately HK$136,274,000, unsecured 6% convertible bonds with aggregate principal amount of HK$80,000,000 due on 21 September 2020 and unsecured interest free promissory note payable with principal amount of HK$18,360,250 due on 27 March 2020. As at 31 July 2018, all bank loans of approximately HK$136,274,000 are secured by the Group's pledged bank deposits amounting to RMB132,010,000 (equivalent to approximately HK$151,812,000).

Contingent liabilities

At the close of business on 31 July 2018, save for the litigation as disclosed in Appendix V under paragraph headed "6. Claims and Litigation", the Group had neither any guarantee nor any other contingent liabilities in existence.

Details of litigation in which the Group has been engaged and which are considered to be of importance to the Group are set out in the section headed "Claims and Litigation" in Appendix V to this circular.

General

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of business, the Group did not have any other outstanding borrowings, mortgages, charges, debentures, loan capital and overdraft, debt securities or other similar indebtedness, finance leases or hire purchase commitment, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities at the close of business on 31 July 2018, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Circular.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the presently available financial resources to the Group including the internally generated funds, the currently available banking facilities and the proceeds to be received from the Disposal, and in the absence of unforeseen circumstances, the Group will have sufficient working capital to satisfy its present requirements for at least the next twelve months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

There will be no change to the principal business of the Remaining Group as a result of the Disposal. After the Disposal, the Remaining Group will continue to be principally engaged in the manufacturing and trading of PCB Business and the Petroleum Trading Business. Details of the financial and trading prospects have been disclosed under paragraph headed "Updates on the Business Development of the Group" under section headed the Letter from the Board in this circular.

The Group will continue to strengthen, develop and diversify its portfolio to ensure sustainable business growth and generate stable return and promising business growth to the Shareholders.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up.

6. MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

There will be no change to the principal business of the Remaining Group as a result of the Disposal. After the Disposal, the Remaining Group will continue to be principally engaged in (i) the PCB Business and; (ii) the Petroleum Trading Business.

Following the Disposal, the Remaining Group shall comprise the Company and its subsidiaries but exclude the Disposal Company. There will be no change to the existing business of the Remaining Group. The Management discussion and analysis of the Remaining Group for the three years ended 31 March 2018 are set out as follows:

FOR THE YEAR ENDED 31 MARCH 2018

Business and Financial Review

The Remaining Group's total revenue for the year ended 31 March 2018 was approximately HK$412 million, representing an increase of 142% as compared with approximately HK$170 million for the preceding year. The increase was resulted from the engaging in the trading of petroleum and energy products and related business commenced since June 2017. The revenue generated from PCB business was approximately HK$200 million, a significantly increase of 17.4% as compared with the preceding year and the revenue generated from trading of petroleum and energy products and related business segment was approximately HK$212 million.

The Remaining Group recorded net loss for the year ended 31 March 2018 was approximately HK$79 million. In comparison, the Remaining Group recorded a net loss of HK$50 million in the preceding year.

The Remaining Group has continuously made improvement on gross profit margin of approximately 0.04% in the preceding year to a gross profit margin of approximately 3.01% in year ended 31 March 2018. Gross profit margin of the Petroleum Trading Business segment was approximately 0.97%. Gross profit margin of PCB segment was approximately 5.18%. The aforesaid continuously improvement on gross profit on PCB segment was mainly due to the success enhancement of the manufacturing process, including (i) the implementation of the tight control on various manufacturing cost; (ii) the improvement in production efficiency so as to reduce in scrap rate; (iii) the reduction in the purchase price of certain major raw material by sourcing different suppliers and (iv) the new marketing team plays a role to canvass for new sales orders from both existing and potential customers. Administrative expenses decreased by 5% compared with the preceding year was mainly due to the reduction on the directors' emolument. Selling and distribution expenses decreased by 9% compared with the preceding year was mainly due to the decrease in the customer compensation on product quality and cost savings in carriage outwards on PCB. Other operating expenses significantly decreased by 71% compared with the preceding year was mainly due to the decrease in the loss on foreign currency translation.

The Remaining Group's gearing ratio (defined as interest-bearing borrowings, promissory note payable and liability component of convertible bonds divided by total capital) as at 31 March 2018 was 134% (2017: 55%). The Remaining Group's current ratio as at 31 March 2018 and 2017 was 1.64 times and 1.56 times respectively. The Remaining Group's operations had a net cash outflow of approximately HK$30 million during the year ended 31 March 2018 (2017: approximately HK$18 million).

As at 31 March 2018, the Remaining Group's total cash and bank balances (including pledged bank deposits) were approximately HK$214 million (2017: HK$198 million) and the Remaining Group's total interest-bearing borrowings amounting to approximately HK$106 million (2017: HK$114 million). Therefore, the Remaining Group had a net cash balance of approximately HK$108 million (2017: HK$84 million). Besides, the total credit facilities available to the Remaining Group were approximately HK$218 million (2017: HK$360 million) and, therefore, the unutilised credit facilities were approximately HK$112 million (2017: HK$246 million).

Capital structure

The capital structure of the Remaining Group for the year ended 31 March 2018 is summarised as below:

Bank borrowings

As at 31 March 2018, all bank loans of approximately HK$106 million are secured by the Remaining Group's pledged bank deposits amounting to approximately HK$154 million. The effective interest rate is ranged from HIBOR + 1.2% to LIBOR + 3.924% and all bank loans are repayable within one year.

Promissory note

As at 31 March 2018, the Remaining Group had outstanding promissory note in the principal amount of HK$33 million issued on 27 March 2018 upon the completion of acquisition of one of four vessels and fulfillment of the conditions set out in the relevant sale and purchase agreement. The promissory note was interest-free and would be matured in 2 years from the issue date.

Convertible bonds

As at 31 March 2018, the Remaining Group had 6% interest-bearing convertible bonds. Summary of the movement of the convertible bonds is as follow.

Date of issue	Principal amount *(HK$)*	Maturity date	Conversion price per share *(HK$)*	Amount convert into shares during the year *(HK$)*	Balance *(HK$)*	Number of shares to be issued upon full conversion
22 September 2017	80,000,000	21 September 2020	0.36	–	80,000,000	222,222,222

Foreign exchange exposure

The Remaining Group's transaction and monetary assets were principally denominated in either HK$, US$ or RMB. The Remaining Group has not experienced any difficulties or effects on its operations or liquidity as a result of the fluctuations in currency exchange rates during the year ended 31 March 2018. The Remaining Group did not enter any foreign exchange derivative contract to manage the currency translation risk of RMB against US$ and US$ against HK$ during the year ended 31 March 2018, but the Remaining Group will continue to review its foreign exchange exposure regularly and might consider using financial instruments to hedge against foreign exchange exposure at appropriate time.

Litigation

In January 2017, Mr. Harry Chan, a former executive director, Chief Executive Officer and Chairman of the Company who was removed from his duties effective from 23 December 2016, filed a claim for a total sum of approximately HK$4,300,000 in respect of wages in lieu of notice, annual leave pay, rest day pay and long service payment (the "Claims") in the Labour Tribunal against the Company which was then transferred to the Court of First Instance as High Court Action No. HCA 1082/2017 (the "1st Action").

The directors of the Company consider that the claim from Mr. Harry Chan is without merit and have been advised by the Group's lawyers that the Group is not likely that the High Court would find the Company liable for the 1st Action. The directors of the Company are of the opinion that it is not probable that an outflow of economic benefits will be required and therefore no provision for the Claims is considered necessary.

On 24 May 2017, the Company and Huafeng as first and second plaintiffs filed a statement of claim to the High Court in High Court Action No. 818/2018 against Mr. Harry Chan for his breaches (i) under the terms of his service agreement; and/or (ii) of his fiduciary and statutory duties to both the Company and Huafeng as an executive director (the "2nd Action"). The ultimate liability or amount is to be assessed. Pursuant to the order made by the High Court on 20 June 2017, the 1st Action was consolidated with the 2nd Action. The directors of the Company are of the opinion, with reference to the opinion of the Group's lawyer, any damages (or part thereof) may be set off against any amounts which may be awarded in Mr. Harry Chan's favour (if any) in the 1st Action.

As to the Latest Practicable Date, there is no further update from the High Court for the above cases.

Capital Commitments

As at 31 March 2018, the Remaining Group had a total capital commitment of approximately HK$129 million, contracted for but not provided for in the consolidated financial statements, of which mainly consisted of the remaining capital commitments for acquisition of vessels. The amounts are to be settled by internal resources and external financing.

Charge on assets and pledge on the Remaining Group

As at 31 March 2018, bank deposit of approximately HK$154 million were to secure bank loan granted to the Remaining Group. Save as disclosed above, no other asset was pledged.

Share Option Scheme

A share option scheme (the "Share Option Scheme") was approved and conditionally adopted by an ordinary resolution of the shareholder of the Company on 22 November 2016. On 23 June 2017, the Share Option Scheme was confirmed by the Stock Exchange.

No share options had been granted by the Company under the Share Option Scheme since its adoption.

Contingent Liabilities

As at 31 March 2018, the Remaining Group did not have any material contingent liability.

Employee Benefits

As at 31 March 2018, the Remaining Group had 461 (2017: 468) employees, including directors, working mainly in the PRC. For the year ended 31 March 2018, the Remaining Group's total staff costs including directors' emoluments were approximately HK$46 million (2017: approximately HK$49 million). The decrease in employee benefits for the year was mainly attributable to, among other factors, the combined net effects of (i) the decrease in directors' emolument; (ii) the increase of salary increment in the PRC; and (iii) the increase of the foreign exchange translation on RMB against HK$.

Significant Investment, Material Acquisition and Disposals of Subsidiaries and Associated Companies

For the year ended 31 March 2018, the Remaining Group had made the disposal of its equity interests in Daisho Denshi Co., Ltd. ("Daisho Denshi") to Daisho Denshi at a consideration of Japanese Yen 80 million (equivalent to approximately HK$5.9 million). Accordingly, a loss on disposal of HK$3.4 million was recognised in consolidated profit or loss.

FOR THE YEAR ENDED 31 MARCH 2017

Business and Financial Review

The Remaining Group had made a turnaround from a gross loss margin of approximately 8.91% in the preceding year to a gross profit margin of approximately 0.04% in the year. The aforesaid turnaround from gross loss to gross profit was mainly due to the review and enhancement of the manufacturing process since second half of 2016, including (i) the implementation of the tight control on various manufacturing cost; (ii) the improvement in production efficiency so as to reduce in scrap rate; and (iii) the reduction in the purchase price of certain major chemical material, by sourcing different suppliers.

The Remaining Group's revenue for the year was approximately HK$170 million, decreased by 18% from the preceding year. The Remaining Group's net loss for the year was approximately HK$50 million.

The Remaining Group's gearing ratio (defined as interest-bearing borrowings divided by total equity) as at 31 March 2017 was 55% (2016: 104%). The Remaining Group's current ratio as at 31 March 2017 and 2016 was 1.56 times and 1.35 times respectively. The Remaining Group's operations had a net cash outflow of approximately HK$18 million during the year ended 31 March 2017 (2016: net cash outflow of approximately HK$7 million).

As at 31 March 2017, the Remaining Group's total cash and bank balances were approximately HK$198 million (2016: HK$318 million) and the Remaining Group's total interest-bearing borrowings amounting to approximately HK$114 million (2016: HK$241 million). Therefore, the Remaining Group had a net cash balance of approximately HK$84 million (2016: HK$77 million). Besides, the total credit facilities available to the Remaining Group were approximately HK$360 million (2016: HK$246 million) and, therefore, the unutilised credit facilities were approximately HK$246 million (2016: HK$5 million). The increase in the total credit facilities was resulted from the business development to the Remaining Group with a bank before 31 March 2017.

On 20 March 2017, the Company completed the placing of 96,000,000 new shares under general mandate (the "Placement"). The net proceeds from the Placement was approximately HK$46.6 million.

Capital Structure

The capital structure of the Remaining Group for the year ended 31 March 2017 is summarised as below:

Bank borrowings

As at 31 March 2017, all banks of approximately HK$114 million were secured by the Remaining Group's pledged bank deposits amounting to approximately HK$124 million. The effective interest rate is ranged from HIBOR+1.2% to LIBOR+1.5% and all bank loans were repayable within one year.

Foreign Exchange Exposure

As at 31 March 2017, the Remaining Group's assets and liabilities were mostly denominated in either HK$, US$ or RMB. Because the exchange rate for US$ against HK$ was relatively stable in Hong Kong for the moment, the Remaining Group had not adopted any hedging tool against its assets or liabilities denominated in US$. The Remaining Group conducts the production in the PRC. The major portion of expenses, non-current assets and trade and other payables are denominated in RMB. Depreciation of RMB would be favorable to the Remaining Group operation, however, the depreciation of RMB may had an adverse impact on the Remaining Group's book value on the non-current assets.

Litigation

In January 2017, Mr. Harry Chan, a former executive director, Chief Executive Officer and Chairman of the Company who was removed from his duties effective from 23 December 2016, filed a claim for a total sum of approximately HK$4.3 million in respect of wages in lieu of notice, annual leave pay, rest day pay and long service payment (the "Claims") in the Labour Tribunal against the Company (the "Labour Tribunal Claim No. LBTC248/2017"). After a preliminary hearing, the Labour Tribunal transferred the Labour Tribunal Claim No. LBTC248/2017 to the High Court of the Hong Kong Special Administrative Region (the "High Court") in May 2017 (the "High Court Action No. 1082/2017"). A directions hearing will be held on 21 June 2017.

The directors of the Company consider that the claim from Mr. Harry Chan is without merit and have been advised by the Group's lawyers that the Group is not likely that the High Court would find the Company liable for the High Court Action No. 1082/2017. The directors of the Company are of the opinion that it is not probable that an outflow of economic benefits will be required and therefore no provision for the Claims is considered necessary.

On 24 May 2017, the Company and Huafeng as first and second plaintiffs filed a statement of claim to the High Court against Mr. Harry Chan for his breaches (i) under the terms of his service agreement; and/or (ii) of his fiduciary and statutory duties to both the Company and Huafeng as an executive director (the "High Court Action No. 818/2017"). The ultimate liability or amount is to be assessed. The directors of the Company are of the opinion that the High Court Action No. 1082/2017 is likely to be consolidated with the High Court Action No. 818/2017, and it is also possible that any damages (or part thereof) may be set off against any amounts which may be awarded in Mr. Harry Chan's favour (if any) in the High Court Action No. 1082/2017.

Capital Commitments

As at 31 March 2017, the Remaining Group had a total capital commitment of approximately HK$1.1 million, contracted for but not provided for in the consolidated financial statements, of which mainly consisted of the purchase of property, plant and equipment. The amounts were to be settled by internal resources.

Charge on assets and pledge on the Remaining Group

As at 31 March 2017, bank deposit of approximately HK$124 million were to secure bank loan granted to the Remaining Group. Save as disclosed above, no other asset was pledged.

Share Options Scheme

Pursuant to the Company's special general meeting on 22 November 2016, an ordinary resolution was passed to approve and adopt the new share option scheme of the Company (the "New Share Option Scheme"). As detailed in the circular of the Company dated 4 November 2016 and announcement dated 22 November 2016, the New Share Option Scheme is further subject to approval by the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, any ordinary share of the Company which may fall to be issued pursuant to the exercise of the options. The New Share Option Scheme is pending for approval by the Listing Committee of the Stock Exchange was pending as of 19 June 2017.

Contingent Liabilities

As at 31 March 2017, the Remaining Group did not have any material contingent liability (2016: Nil). The Company has provided certain banks with corporate guarantees of approximately HK$210 million (2016: approximately HK$238 million) to secure banking facilities granted to its subsidiaries. As at 31 March 2017, the facilities were utilised to the extent of approximately HK$114 million (2016: approximately HK$237 million).

Employee Benefits

As at 31 March 2017, the Remaining Group had 468 (2016: 557) employees, including directors, working mainly in the PRC. For the year ended 31 March 2017, the Remaining Group's total staff costs including directors' emoluments were approximately HK$49 million (2016: approximately HK$54 million). The decrease in the staff costs during the year was mainly due to the enhancement of manufacturing process.

Significant Investment, Material Acquisition and Disposals of Subsidiaries and Associated Companies

For the year ended 31 March 2017, there was no significant investment, material acquisition and disposals of subsidiaries and associated companies.

FOR THE YEAR ENDED 31 MARCH 2016

Business and Financial Review

The Remaining Group's revenue for the year was approximately HK$207 million, down 13% from the preceding year which was mainly due to the slow-down of the global economy. Contrary to the net profit of approximately HK$14 million for the preceding year, the Remaining Group's net loss for the year was approximately HK$60 million, mainly due to the recognition of the total insurance compensation of approximately HK$74 million for the preceding year relating to the fire accident occurred in the principal production base of the Remaining Group in Huizhou, the PRC on 24 January 2013. If all one-off events (namely the total insurance compensation, impairment loss on property, plant and equipment, impairment loss on available-for-sale financial assets, impairment loss on other receivables, deposits and prepayments, gain on disposal of non-current asset classified as held for sale and income tax expenses) had been excluded, the Remaining Group would have recorded a net loss of approximately HK$28 million for the preceding year instead.

Contrary to the Remaining Group's gross profit margin of approximately 3.3% for the preceding year, the Remaining Group's gross loss margin for the year was approximately 8.9%. The gross loss for the year was mainly due to (i) the reduction in variable contribution resulting from the decrease in the Remaining Group's revenue as mentioned above; (ii) the increase in the minimum wages level in the PRC by approximately 20% since May 2015 and such increase in labour cost could not be totally shared by the Remaining Group's customers at once due to the fixed selling price for certain models of PCB during the contract period; (iii) the postponement of repair or replacement of certain production machinery until the year causing substantial increase in repair and maintenance expenses as well as scrap cost during the year.

The Remaining Group's gearing ratios (defined as interest-bearing borrowings divided by total equity) as at 31 March 2016 was 104% (2015: 77%). The Remaining Group's current ratio as at 31 March 2016 and 31 March 2015 was 1.35 times and 1.66 times respectively. The Remaining Group's PCB operations had a net cash outflow of approximately HK$7 million during the year (2015: net cash inflow of approximately HK$14 million).

Capital Structure

The capital structure of the Remaining Group for the year ended 31 March 2016 is summarised as below:

Bank borrowings

As at 31 March 2016, all banks of approximately HK$241 million were secured by the Remaining Group's pledged bank deposits amounting to approximately HK$244 million. The effective interest rate is ranged from HIBOR+1.2% to LIBOR+1.5% and all bank loans are repayable within one year.

As at 31 March 2016, the Remaining Group's total cash and bank balances (including pledged bank deposits) were approximately HK$318 million (2015: HK$372 million) and the Remaining Group's total interest-bearing borrowings amounting to approximately HK$241 million (2015: HK$242 million). Therefore, the Remaining Group had a net cash balance of approximately HK$77 million (2015: HK$130 million). Besides, the total credit facilities available to the Remaining Group were approximately HK$246 million (2015: HK$341 million) and, therefore, the unutilised credit facilities were approximately HK$5 million (2015: HK$99 million). The decrease in the total credit facilities was caused by the granting of credit facilities to the Remaining Group by a bank before 31 March 2015, which were utilised after 31 March 2015 to repay the borrowings from another bank.

Foreign Exchange Exposure

As at 31 March 2016, the Remaining Group's assets and liabilities were mostly denominated in either HK$, US$ or RMB. Because the exchange rate for US$ against HK$ is relatively stable in Hong Kong for the moment, the Remaining Group has not adopted any hedging tool against its assets or liabilities denominated in US$. Because the Remaining Group's subsidiary in the PRC had net assets as at 31 March 2016 and the Remaining Group considers that the extent of any depreciation of RMB against HK$ should not be substantial in light of the current circumstance, the Remaining Group has not adopted any hedging tool against its assets or liabilities denominated in RMB.

Litigation

As of 31 March 2016, the Remaining Group had no outstanding litigation.

Capital Commitments

As at 31 March 2016, the Remaining Group had a total capital commitment of approximately HK$1.8 million, contracted for but not provided for in the consolidated financial statements, of which mainly consisted of the purchase of property, plant and equipment. The amounts are to be settled by internal resources.

Charge on assets and pledge on the Remaining Group

As at 31 March 2016, bank deposit of approximately HK$244 million were to secure bank loan granted to the Remaining Group. Save as disclosed above, no other asset was pledged.

Share Options Scheme

As of 31 March 2016, the Remaining Group had no share options scheme in place.

Contingent Liabilities

As at 31 March 2016, the Remaining Group did not have any material contingent liability (2015: Nil). The Company has provided certain banks with corporate guarantees of approximately HK$238 million (2015: approximately HK$314 million) to secure banking facilities granted to its subsidiaries. As at 31 March 2016, the facilities were utilised to the extent of approximately HK$237 million (2015: approximately HK$238 million). The decrease in the total corporate guarantees was caused by the granting of credit facilities to the Remaining Group by a bank before 31 March 2015, which required the provision of corporate guarantee by the Remaining Group and such credit facilities were utilised after 31 March 2015 to repay the borrowings from another bank, which also required the provision of corporate guarantee by the Company previously.

Employee Benefits

As at 31 March 2016, the Remaining Group had 557 (2015: 605) employees, including directors, working mainly in the PRC. For the year ended 31 March 2016, the Remaining Group's total staff costs including directors' emoluments were approximately HK$54 million (2015: approximately HK$49 million). The increase in the staff costs during the year was mainly due to the increase in the minimum wages level in the PRC by approximately 20%.

Significant Investment, Material Acquisition and Disposals of Subsidiaries and Associated Companies

For the year ended 31 March 2016, there was no significant investment, material acquisition and disposals of subsidiaries and associated companies.

FINANCIAL INFORMATION OF THE DISPOSAL COMPANY

Set out below are the financial information of the Disposal Company which comprises the unaudited statement of financial position of the Disposal Company as at 30 June 2018 and the unaudited statement of profit or loss and other comprehensive income, unaudited statement of changes in equity and unaudited statement of cash flows of the Disposal Company for the period from 2 March 2018 (date of incorporation) to 30 June 2018 and certain explanatory notes (the "Da Feng Hua Financial Information").

The Da Feng Hua Financial Information has been prepared and presented on the basis as set out in note 2 to the Da Feng Hua Financial Information and Rule 14.68(2)(a)(i)(A) of the Listing Rules.

The reporting accountants of the Disposal Company, Mazars CPA Limited, were engaged to review the Da Feng Hua Financial Information set out on pages II-1 to II-5 of this circular in accordance with the Hong Kong Standard on Review Engagements 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" and with reference to Practice Note 750 "*Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal*" issued by the Hong Kong Institute of Certified Public Accountants. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable the reporting accountants to obtain assurance that the reporting accountants would become aware of all significant matters that might be identified in an audit. Accordingly, the reporting accountants do not express an audit opinion.

Based on the review, nothing has come to the reporting accountants' attention that causes them to believe that the Da Feng Hua Financial Information is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2 to the Da Feng Hua Financial Information.

UNAUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE PERIOD FROM 2 MARCH 2018 (DATE OF INCORPORATION) TO 30 JUNE 2018

	RMB'000
Revenue	4
Administrative expenses	(575)
Loss before taxation	(571)
Income tax expense	–
Loss and total comprehensive loss for the period	(571)

UNAUDITED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2018

	RMB'000
Non-current assets	
Property, plant and equipment	21,415
Prepaid lease payments	10,334
	31,749
Current assets	
Prepayments	257
Cash and cash equivalents	485
	742
Current liabilities	
Amount due to a fellow subsidiary	481
Other payables and accruals	204
	685
Net current assets	57
Total assets less current liabilities	31,806
Net assets	31,806
Capital and reserves	
Registered capital	36,586
Reserves	(4,780)
Total equity	31,806

UNAUDITED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM 2 MARCH 2018 (DATE OF INCORPORATION) TO 30 JUNE 2018

		Reserves			
	Registered capital	**Capital reserves**	**Accumulated losses**	**Sub-total**	**Total**
	RMB'000	*RMB'000* *(Note)*	*RMB'000*	*RMB'000*	*RMB'000*
At 2 March 2018 (date of incorporation)	36,586	(4,209)	–	(4,209)	32,377
Loss and total comprehensive loss for the period	–	–	(571)	(571)	(571)
At 30 June 2018	36,586	(4,209)	(571)	(4,780)	31,806

Note: The amount represented difference between the net asset value of transferred assets and the registered capital as a result of spin-off restructuring.

UNAUDITED STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM 2 MARCH 2018 (DATE OF INCORPORATION) TO 30 JUNE 2018

	RMB'000
OPERATING ACTIVITIES	
Loss before taxation	(571)
Adjustments for:	
Amortisation of prepaid lease payments	86
Depreciation	285
Operating cash flows before changes in working capital	(200)
Changes in working capital:	
Amount due to a fellow subsidiary	481
Other payables and accruals	204
Net cash from operating activities	485
Net increase in cash and cash equivalents and cash and cash equivalents at end of the period, represented by bank balances and cash	485

MAJOR NON-CASH TRANSACTION

Pursuant to a resolution passed by shareholders of Huafeng Microline (Huizhou) Circuits Limited* (華鋒微綫電子(惠州)工業有限公司) ("Huafeng"), a fellow subsidiary of Da Feng Hua, in January 2018 and following completion of a spin-off restructuring, the registered capital of Huafeng has been reduced from US$62,000,000 to US$57,200,000 for setting up Da Feng Hua, with registered capital of US$4,800,000 under common shareholders.

* *English name is for identification purpose only.*

NOTES TO THE UNAUDITED FINANCIAL INFORMATION

FOR THE PERIOD FROM 2 March 2018 (DATE OF INCORPORATION) TO 30 JUNE 2018

1. General

Da Feng Hua Microline Technology (Huizhou) Company Ltd.* (大鋒華微綫科技（惠州）有限公司) ("Da Feng Hua") was registered in the People's Republic of China as the wholly foreign-owned enterprise. The principal activity of Da Feng Hua is property holding during the period.

2. Basis of preparation of the unaudited financial information

The financial information of Da Feng Hua for the period from 2 March 2018 (date of incorporation) to 30 June 2018 (the "Da Feng Hua Financial Information") has been prepared in accordance with Rule 14.68(2)(a)(i) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and solely for the purpose of inclusion in the circular to be issued by Daisho Microline Holdings Limited (the ''Company'') in connection with the very substantial disposal of the entire registered capital of Da Feng Hua on 21 September 2018.

The Da Feng Hua Financial Information has been prepared using the same accounting policies as those adopted by the Company and its subsidiaries for the year ended 31 March 2018, which conform with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Da Feng Hua Financial Information neither contains sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 "*Presentation of Financial Statement*" nor a set of condensed financial statements as defined in Hong Kong Accounting Standard 34 "*Interim Financial Reporting*" issued by the HKICPA. It should be read in connection with the published annual report of the Company for the year ended 31 March 2018.

* *English name is for identification purpose only.*

The following is the text of letter and valuation report prepared for the purpose of incorporation in this circular, received from Grant Sherman Appraisal Limited, an independent property valuer, in connection with their valuation as at 30 June 2018 of the property interests held by the Group in the People's Republic of China.

Grant Sherman

Unit 1005, 10/F., Capital Centre,
151 Gloucester Road,
Wanchai,
Hong Kong

21 September 2018

The Board of Directors
Daisho Microline Holdings Limited
Units 2001-2003A,
20th Floor,
Sino Plaza, 255-257 Gloucester Road,
Causeway Bay, Hong Kong

Dear Sirs,

Re.: Valuation of an industrial complex at No.2, 7th Lane, Eling Road South, Huicheng District, Huizhou City, Guangdong Province, the People's Republic of China (the "Property")

In accordance with your instructions to value the property interests held by Daisho Microline Holdings Limited (the "Company") and its subsidiaries (together referred to as the "Group") located in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interests as at 30 June 2018 (the "Valuation Date") for inclusion in the circular issued by the Company dated 21 September 2018 (the "Circular").

Our valuation is our opinion of market value which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

Market value is understood as the value of a property estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

In valuing the Property, we have adopted a combination of the market and cost approach in assessing the land portion and the buildings and structures standing on the lands respectively. Hence, the sum of the two results represents the market value of the Property as a whole. In the valuation of the land portion, we have adopted the market approach. The market approach provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available. As the nature of the buildings and structures cannot be valued on the basis of market value, they have therefore been valued on cost approach. The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, as evidenced by observed condition or obsolescence present, whether arising from physical, functional or economic causes. Actual costs incurred for upgrading of the assets to be appraised will also be considered in this approach. The cost approach generally furnishes the most reliable indication of value for assets without a known used market.

Our valuation has been made on the assumption that the owner sells the property interests on the market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the values of the property interests. In addition, no forced sale situation in any manner is assumed in our valuation.

No allowance has been made in our valuation for any charge, mortgage or amount owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

We have been provided with copies of extracts of title documents relating to the Property. However, we have not conducted land searches on the Property and we have not inspected the original documents to verify ownership or to verify any amendments which may not appear on the copies handed to us.

We have relied to a considerable extent on the information provided by the Company and have accepted advice given to us by the Company on matters such as statutory notices, easements, tenure, occupancy, floor areas, identification of the Property and all other relevant matters. We have no reason to doubt the truth and accuracy of the information provided to us by the Company. We have relied on the Company's confirmation that no material fact has been omitted from the information so supplied. All documents have been used as reference only. All dimensions, measurements and areas are approximations. No on-site measurement has been taken.

In undertaking our valuation for the property interests, we have relied on the legal opinions (the "PRC legal opinion") provided by the Group's PRC legal adviser, Guangdong Kaiyang Law Office.

No environmental impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed unless otherwise stated, defined, and considered in the valuation report. It is also assumed that all required licenses, consents, or other legislative or administrative authority from any local, provincial, or national government private entity or organization either have been or can be obtained or renewed for any use which the valuation report cover.

We have inspected the exteriors and, where possible, the interiors of the Property in respect of which we have been provided with such information as we have required for the purpose of our valuation. However, no structural survey has been carried out and it was not possible to inspect the wood work and other parts of the structures which were covered, unexposed or inaccessible. We are therefore, unable to report that the Property is free of rot, infestation or any structural defect. No tests have been carried out on any of the building services.

In valuing the property interests, we have fully complied with the HKIS Valuation Standards 2017 published by The Hong Kong Institute of Surveyors (HKIS) and the requirements set out in Chapter 5 of and Practice Note 12 to the Rule Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and Rule 11 of the Code on Takeovers and Mergers issued by Securities and Futures Commission.

Unless otherwise stated, all values are denominated in Hong Kong Dollars (HK$). The exchange rates used in valuing the property interests are rates as at the Valuation Date, which was RMB1: HK$1.15. There has been no significant fluctuation in the exchange rate for these currencies against Hong Kong Dollars between that date and the date of this letter.

We enclose herewith the valuation report.

Respectfully submitted,
For and on behalf of
GRANT SHERMAN APPRAISAL LIMITED

Lawrence Chan Ka Wah
MRICS MHKIS RPS(GP) MCIREA MHIREA
RICS Registered Valuer
Director
Real Estate Group

Note: Mr. Lawrence Chan Ka Wah is a member of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors, Registered Professional Surveyors in the General Practice Section and a member of the China Institute of Real Estate Appraisers and Agents, RICS Registered Valuer who has over 15 years' experience in the valuation of properties in Hong Kong, Macau, the PRC and the Asian Rim.

VALUATION REPORT

Group I – Property interests held by the Group for self-occupation purpose in the PRC

Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2018
An industrial complex located at No.2, 7th Lane, Eling Road South, Huicheng District, Huizhou City, Guangdong Province, the PRC	The Property comprises a parcel of land together with eight 2 to 8-storey buildings and various structures completed in between 1991 and 2017 erected thereon. The site area and total gross floor area of the Property are approximately 52,427.78 sq.m. and 51,497.04 sq.m. respectively. The land use rights of the Property were granted for a term expiring on 3 September 2059 for industrial use.	The Property was occupied by the Group for industrial and ancillary uses as at the Valuation Date.	RMB58,900,000 (equivalent to approximately HK$67,735,000)

Notes:

1. Pursuant to 8 Real Estate Ownership Certificates, the land use rights of the Property with a site area of approximately 52,427.78 sq.m. were granted to Da Feng Hua Microline Technology (Huizhou) Company Limited (the "Disposal Company") for a term expiring on 3 September 2059 for industrial uses.

   Moreover, the ownership of eight buildings of the Property with a total gross floor area of approximately 51,497.04 sq.m. is vested in the Disposal Company. The particulars of the buildings of the Property are as below:

Building(s)	Approximate Gross Floor Area *(sq.m.)*	No. of storey	Real Estate Ownership Certificates *(Document Nos.)*
Office	12,248.98	8	Yue (2018) Hui Zhou Shi Bu Dong Chan Quan No. 0046990
Dormitory	3,170.27	5	Yue (2018) Hui Zhou Shi Bu Dong Chan Quan No. 0046991
Dormitory	4,164.36	5	Yue (2018) Hui Zhou Shi Bu Dong Chan Quan No. 0046986
Dormitory	3,388.44	6	Yue (2018) Hui Zhou Shi Bu Dong Chan Quan No. 0046993
Workshop	9,394.35	2	Yue (2018) Hui Zhou Shi Bu Dong Chan Quan No. 0046996
Canteen	3,288.16	2	Yue (2018) Hui Zhou Shi Bu Dong Chan Quan No. 0047002
Dormitory	1,886.99	7	Yue (2018) Hui Zhou Shi Bu Dong Chan Quan No. 0047221
Workshop	13,955.49	3	Yue (2018) Hui Zhou Shi Bu Dong Chan Quan No. 0046988
Total	51,497.04		

2. Our Mr. Cris Chan Kwan Lok (BSc) has inspected the Property on 12 March 2018, the external and internal conditions of the Property were fair.

3. The Property is situated at the junction of Eling Road South and Kouan Road in Huicheng District, buildings in the locality are low to medium-rise industrial complexes and medium to high-rise residential/commercial buildings. Dongguan–Huizhou Intercity Railway–Longfeng Station is about 10-minute walking distance from the Property. Railway, taxis and buses are accessible to the Property.

4. The unit rate of industrial land parcel in the locality as at the Valuation Date is in the range of RMB250 per sq.m. to RMB500 per sq.m.

5. As advised by the Company, the Disposal Company is a company incorporated in the PRC and an indirectly wholly-owned subsidiary of the Company which owns the entire interest of the Property.

6. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, Guangdong Kaiyang Law Office, which contains, inter alia, the following information:

   (a) the Disposal Company is the current registered owner of the Property;

   (b) the Property is free from any mortgages, charges and legal encumbrances which may cause adverse effects on the ownership of the Property.

A. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountant, Mazars CPA Limited, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information of the Remaining Group for the purpose of this Circular.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

MAZARS
中 审 众 环

MAZARS CPA LIMITED
中審眾環(香港)會計師事務所有限公司
42nd Floor, Central Plaza,
18 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道18號中環廣場42樓

21 September 2018

The Board of Directors
Daisho Microline Holdings Limited
Units 2001-2003A
20th Floor
Sino Plaza, 255-257 Gloucester Road
Causeway Bay, Hong Kong

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Daisho Microline Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") prepared by the directors of the Company (the "Directors") for illustrative purpose only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 March 2018, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 March 2018, and related notes as set out on pages IV-1 to IV-15 of the circular in connection with the proposed disposal of the equity interest of Da Feng Hua Microline Technology (Huizhou) Company Limited ("Da Feng Hua" or the "Disposal Company") (the "Proposed Disposal") dated 21 September 2018 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on Appendix IV to the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Proposed Disposal on the Group's financial position as at 31 March 2018 and its financial performance and cash flows for the year ended 31 March 2018 as if the Proposed Disposal had taken place on 31 March 2018 and 1 April 2017 respectively. As part of this process, information about the Group's audited consolidated financial position as at 31 March 2018, audited consolidated financial performance and cash flows for the year ended 31 March 2018 has been extracted by the Directors from the Group's annual report for the year ended 31 March 2018.

Directors' responsibility for the unaudited pro forma financial information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 *"Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars"* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Reporting accountant's independence and quality control

We have complied with the independence and other ethical requirements of the "*Code of Ethics for Professional Accountants*" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

We apply Hong Kong Standard on Quality Control 1 "*Quality Control for Firms That Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements*" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountant's responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "*Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*" issued by the HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions as at 31 March 2018 and 1 April 2017, respectively, would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and

- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Mazars CPA Limited
Certified Public Accountants
Hong Kong

B. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

1. INTRODUCTION

The following is a summary of illustrative unaudited pro forma financial information consisting of the unaudited pro forma consolidated statement of financial position, unaudited pro forma consolidated statement of profit or loss and other comprehensive income, and unaudited pro forma consolidated statement of cash flows, in connection with the proposed disposal of Da Feng Hua Microline Technology (Huizhou) Company Limited ("Da Feng Hua") (the "Proposed Disposal"). The unaudited pro forma financial information presented below is prepared to illustrate (i) the financial position of the Group immediately after completion of the Proposed Disposal (collectively referred to as the "Remaining Group") as at 31 March 2018 as if the Proposed Disposal had been completed on 31 March 2018; and (ii) the financial performance and cash flows of the Remaining Group for the year ended 31 March 2018 as if the Proposed Disposal had been completed on 1 April 2017.

The unaudited pro forma financial information is prepared based on (i) the audited consolidated statement of financial position of the Group as at 31 March 2018 as extracted from the annual report of the Group for the year ended 31 March 2018 after taking into account the pro forma adjustments relating to the Proposed Disposal as if the Proposed Disposal had been completed on 31 March 2018; and (ii) the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 March 2018 as extracted from the annual report of the Group for the year ended 31 March 2018 after taking into account the pro forma adjustments relating to the Proposed Disposal as if the Proposed Disposal had been completed on 1 April 2017.

The unaudited pro forma financial information is presented after making pro forma adjustments that are clearly shown and explained, directly attributable to the Proposed Disposal and not relating to future events or decisions, factually supportable and clearly identified as to those have/have no continuing effect on the Remaining Group.

The unaudited pro forma financial information has been prepared by the Directors in accordance with paragraph 4.29(1) of the Listing Rules, for the purposes of illustrating the effect of the Proposed Disposal is based on a number of assumptions, estimates and uncertainties. As a result of these assumptions, estimates and uncertainties, it may not give a true picture of the financial position, financial performance and cash flows of the Remaining Group had the Proposed Disposal been completed as of 31 March 2018 or 1 April 2017, where applicable, or any future date.

The unaudited pro forma financial information should be read in conjunction with the historical financial information of the Group as set out in the annual report of the Group for the year ended 31 March 2018 and other financial information included elsewhere in the Circular.

2. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE REMAINING GROUP

The unaudited pro forma consolidated statement of financial position of the Remaining Group as at 31 March 2018 has been prepared based on the audited consolidated statement of financial position of the Group as at 31 March 2018, which have been extracted from the annual report of the Company for the year then ended, after making pro forma adjustments relating to the Proposed Disposal.

	The Group at 31 March 2018	**Pro forma adjustments**		**Pro forma Remaining Group at 31 March 2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)
	(Note 1)	*(Note 2)*	*(Note 3)*	
Non-current assets				
Property, plant and equipment	104,847	(26,982)	–	77,865
Prepaid lease payments	12,972	(12,972)	–	–
Deposits paid for acquisition of property, plant and equipment	23,501	–	–	23,501
	141,320	(39,954)	–	101,366
Current assets				
Inventories	31,504	–	–	31,504
Trade receivables	83,538	–	–	83,538
Other receivables, deposits and prepayments	13,412	(321)	–	13,091
Pledged bank deposits	154,441	–	–	154,441
Cash and cash equivalents	59,607	–	198,322	257,929
	342,502	(321)	198,322	540,503

	The Group at 31 March 2018	Pro forma adjustments		Pro forma Remaining Group at 31 March 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)
	(Note 1)	*(Note 2)*	*(Note 3)*	
Current liabilities				
Trade payables	77,044	–	–	77,044
Other payables and accruals	25,846	–	–	25,846
Interest-bearing borrowings	105,543	–	–	105,543
Tax payable	–	–	15,680	15,680
	208,433	–	15,680	224,113
Net current assets	134,069	(321)	182,642	316,390
Total assets less current liabilities	275,389	(40,275)	182,642	417,756
Non-current liabilities				
Promissory note payable	28,272	–	–	28,272
Derivative financial instruments	27,386	–	–	27,386
Convertible bonds	69,311	–	–	69,311
	124,969	–	–	124,969
Net assets	150,420	(40,275)	182,642	292,787

3. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE REMAINING GROUP

The unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Remaining Group has been prepared based on the audited consolidated statement of comprehensive income of the Group for the year ended 31 March 2018, which have been extracted from the annual report of the Group for the year then ended, after making pro forma adjustments relating to the Proposed Disposal.

	The Group for the year ended 31 March 2018	**Pro forma adjustments**		**Pro forma Remaining Group for the year ended 31 March 2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)
	(Note 1)	*(Note 3)*	*(Note 4)*	
Revenue	411,859	–	–	411,859
Cost of sales	(399,461)	–	–	(399,461)
Gross profit	12,398	–	–	12,398
Other income	11,354	–	–	11,354
Selling and distribution expenses	(7,176)	–	–	(7,176)
Administrative expenses	(43,310)	–	1,309	(42,001)
Other operating expenses	(844)	–	–	(844)
Gain on disposal of a subsidiary	–	166,131	–	166,131
Impairment loss of property, plant and equipment	(24,291)	–	–	(24,291)
Loss on disposal of available-for-sale financial assets	(3,357)	–	–	(3,357)
Fair value loss on derivative financial instruments	(17,136)	–	–	(17,136)
Finance costs	(7,715)	–	–	(7,715)

	The Group for the year ended 31 March 2018	Pro forma adjustments		Pro forma Remaining Group for the year ended 31 March 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)
	(Note 1)	*(Note 3)*	*(Note 4)*	
(Loss) Profit before taxation	(80,077)	166,131	1,309	87,363
Income tax expenses	–	(15,680)	–	(15,680)
(Loss) Profit for the year	(80,077)	150,451	1,309	71,683
Other comprehensive income (loss)				
Items that are classified or may be reclassified subsequently to profit or loss				
Exchange difference on translation of functional currency to presentation currency	22,132	–	–	22,132
Reclassification adjustment of exchange reserve on disposal of a subsidiary	–	(8,084)	–	(8,084)
Other comprehensive income (loss) for the year	22,132	(8,084)	–	14,048
Total comprehensive (loss) income for the year	(57,945)	142,367	1,309	85,731

4. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE REMAINING GROUP

The unaudited pro forma consolidated statement of cash flows of the Remaining Group has been prepared based on the audited consolidated statement of cash flows of the Group for the year ended 31 March 2018, which have been extracted from the annual report of the Company for the year then ended, after making pro forma adjustments relating to the Proposed Disposal.

	The Group for the year ended 31 March 2018	**Pro forma adjustments**		**Pro forma Remaining Group for the year ended 31 March 2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)
	(Note 1)	*(Note 5)*	*(Note 6)*	
OPERATING ACTIVITIES				
Loss before taxation	(80,077)	1,309	166,131	87,363
Adjustments for:				
Interest income	(2,392)	–	–	(2,392)
Depreciation	12,074	(1,004)	–	11,070
Amortisation of prepaid lease payments	305	(305)	–	–
Dividend income from listed equity investments	(80)	–	–	(80)
Fair value loss on derivative financial instruments	17,136	–	–	–
Gain on disposal of a subsidiary	–	–	(166,131)	(166,131)
Gain on disposal of financial assets at fair value through profit or loss, net	(310)	–	–	(310)
Impairment loss of property, plant and equipment	24,291	–	–	24,291
Loss on disposal of available-for-sale financial assets	3,357	–	–	3,357
Loss on disposal of property, plant and equipment	160	–	–	160
Finance costs	7,715	–	–	7,715

	The Group for the year ended 31 March 2018	Pro forma adjustments		Pro forma Remaining Group for the year ended 31 March 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)
	(Note 1)	*(Note 5)*	*(Note 6)*	
Operating cash flows before changes in working capital	(17,821)	–	–	(17,821)
Changes in working capital:				
Financial assets at fair value through profit or loss	1,925	–	–	1,925
Inventories	(2,410)	–	–	(2,410)
Trade receivables	(54,274)	–	–	(54,274)
Other receivables, deposits and prepayments	2,346	–	–	2,346
Trade payables	40,520	–	–	40,520
Other payables and accruals	(2,768)	–	–	(2,768)
Cash used in operations	(32,482)	–	–	(32,482)
Interest received	2,476	–	–	2,476
Net cash used in operating activities	(30,006)	–	–	(30,006)
INVESTING ACTIVITIES				
Dividend income from listed equity investments	80	–	–	80
Payment for purchase of property, plant and equipment, including deposits paid	(35,474)	–	–	(35,474)
Proceeds from disposal of property, plant and equipment	210	–	–	210
Proceeds from disposal of available-for-sale financial assets	5,924	–	–	5,924
Proceeds from disposal of a subsidiary	–	–	198,322	198,322
Increase in pledged bank deposits	(17,477)	–	–	(17,477)
Net cash (used in) from investing activities	(46,737)	–	198,322	151,585

	The Group for the year ended 31 March 2018	Pro forma adjustments		Pro forma Remaining Group for the year ended 31 March 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)
	(Note 1)	*(Note 5)*	*(Note 6)*	
FINANCING ACTIVITIES	–	–		
New bank loans raised	107,676	–	–	107,676
Repayment of bank loans	(116,475)	–	–	(116,475)
Interest paid	(5,348)	–	–	(5,348)
Proceeds from issue of convertible bonds, net of issue costs	77,194	–	–	77,194
Net cash from financing activities	63,047	–	–	63,047
Net decrease in cash and cash equivalents	(13,696)	–	198,322	184,626
Cash and cash equivalents at beginning of the year	74,453	–	–	74,453
Effect of foreign exchange rate changes, net	(1,150)	–	–	(1,150)
Cash and cash equivalents at end of the year, represented by bank balances and cash	59,607	–	198,322	257,929

5. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

1. The consolidated statement of financial position of the Group as at 31 March 2018, the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows of the Group for the year ended 31 March 2018 are extracted from the published annual report of the Company for the year ended 31 March 2018.

2. The adjustment reflects the exclusion of the carrying amounts of buildings and prepaid lease payments on 31 March 2018, which have been subsequently transferred to the Disposal Company, as if the Proposed Disposal had taken place on 31 March 2018.

3. The estimated gain on the Proposed Disposal is calculated as the cash consideration for the Proposed Disposal of HK$200,000,000, net of carrying amounts of buildings and prepaid lease payments on 31 March 2018, which have been subsequently transferred to the Disposal Company, of approximately HK$40,275,000, estimated direct transaction costs and professional fees of approximately HK$1,678,000 and reclassification adjustment of exchange reserve on the Proposed Disposal of approximately HK$8,084,000.

	Notes	*HK$'000*
Gross proceeds	*(i)*	200,000
Less: net carrying amounts of buildings and prepaid lease payments on 31 March 2018, which have been subsequently transferred to the Disposal Company		(40,275)
Less: estimated direct transaction costs and professional fees	*(ii)*	(1,678)
Add: reclassification adjustment of exchange reserve on the Proposed Disposal		8,084
Estimated gain on the Proposed Disposal before taxation		166,131
Taxation arising from the Proposed Disposal		(15,680)
		150,451

The adjustment is not expected to have a continuing effect on the Remaining Group.

For illustration purpose as if the Proposed Disposal had taken place on 30 June 2018, the estimated gain on the Proposed Disposal is calculated as the cash consideration for the Proposed Disposal of HK$200,000,000, net of net assets value of the Disposal Company as at 30 June 2018 of approximately RMB31,805,000 (equivalent to approximately HK$37,864,000), estimated direct transaction costs and professional fees of approximately HK$1,678,000 and reclassification adjustment of exchange reserve on the Proposed Disposal of approximately HK$6,011,000. The exchange rate being used to convert RMB to HK$ is RMB1 to HK$1.1905.

	Notes	*HK$'000*
Gross proceeds	*(i)*	200,000
Less: net assets of the Disposal Company as at 30 June 2018		(37,864)
Less: estimated direct transaction costs and professional fees	*(ii)*	(1,678)
Add: reclassification adjustment of exchange reserve on the Proposed Disposal		6,011
Estimated gain on the Proposed Disposal before taxation		166,469
Taxation arising from the Proposed Disposal		(15,680)
		150,789

Notes:

(i) Amount represents the total consideration of the Proposed Disposal of HK$200,000,000 in accordance with the sale and purchase agreement signed between the Potential Purchaser and the Company on 21 August 2018.

(ii) Amount represents the best estimates of the direct transaction costs and professional fees in relation to the Proposed Disposal amounting to HK$1,678,000 by the directors of the Company.

An analysis of the net proceeds in respect of the Proposed Disposal, as if the Proposed Disposal had taken place on 31 March 2018, is as follows:

	HK$'000
Gross proceeds	200,000
Less: estimated direct transaction costs and professional fees, satisfied in cash	(1,678)
Estimated net proceeds from the Proposed Disposal as if the Proposed Disposal had taken place on 31 March 2018	198,322

Actual gain and net proceeds arising from the Proposed Disposal depend on final adjustment to the consideration, actual amount of net assets of the Disposal Company, actual transaction costs and professional fees incurred up to the date of completion of the Proposed Disposal. Therefore, the actual gain and net proceeds shall be different from the amounts calculated in the above tables.

4. The adjustment reflects the exclusion of depreciation/amortisation on buildings and prepaid lease payments, which have been subsequently transferred to the Disposal Company, for the year ended 31 March 2018, as if the Proposed Disposal had taken place on 1 April 2017. The adjustment is not expected to have a continuing effect on the Remaining Group.

5. The adjustment reflects the exclusion of the cash flows impacts of the depreciation/amortisation on buildings and prepaid lease payments, which have been subsequently transferred to the Disposal Company, for the year ended 31 March 2018, as if the Proposed Disposal had taken place on 1 April 2017. The adjustment is not expected to have a continuing effect on the Remaining Group.

6. The adjustment reflects the cash proceeds to be recognised by the Remaining Group, as if the Proposed Disposal had taken place on 1 April 2017 according to the basis set out in note 3. The adjustment is not expected to have a continuing effect on the Remaining Group.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF DIRECTORS' INTEREST

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV to the SFO) which (a) have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive of the Company were taken or deemed to have under such provisions of SFO); or (b) have been entered in the register maintained by the Company pursuant to Section 352 of the SFO; or (c) have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Long Position in the Shares

Name of Director	Capacity and nature of interests	Number of shares and underlying shares held	Approximate percentage of the Company's issued share capital
Ms. Cheung Lai Na	Trustee	120,068,000	20.84%

Note: Ms. Cheung Lai Na holds 120,068,000 shares of the Company in trust for Mr. Cheung Ling Mun. Mr. Cheung Ling Mun is a substantial shareholder of the Company as defined under the Listing Rules, and is father of Ms. Cheung Lai Na and Ms. Cheung Lai Ming, executive Directors of the Company.

3. DIRECTORS' INTERESTS IN ASSETS

The Group entered into an agreement for the acquisition of four vessels from Inter-Pacific and leasing back to Inter-Pacific, which was approved by the independent shareholders of the Company on 16 January 2018. Inter-Pacific is owned as to 50% by Ms. Cheung Lai Na, an executive Director. The transfer of the first vessel was completed on 27 March 2018. Accordingly, the Group had a vessel of approximately HK$39.6 million recognized in the financial statements of the Group for the year ended 31 March 2018. As at the date of this circular, the first vessel is being leased out for 12 months from 1 April 2018 with an option granted to charterer for extension of an additional 12 months.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, directly or indirectly, had any interest, direct or indirect, in any assets which had been, since 31 March 2018 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

4. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENT

Save as disclosed in "3. Directors' Interest In Assets" above, as at the Latest Practicable Date, there was no contract or arrangement subsisting at the Latest Practicable Date which any Director was materially interested, and which was significant in relation to the business of the Group.

5. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business of the Group, were entered into by members of the Group within the two years immediately preceding the date of this circular and up to the Latest Practicable Date and are or may be material:

(a) the conditional placing agreement dated 28 November 2016 and the supplemental placing agreement dated 26 May 2017, entered into between the Company and Kingston Securities Limited, the placing agent for the placing of convertible bonds in the principal amount of up to HK$80 million issued by the Company pursuant to the placing agreement. Details of the conditional placing agreement were set out in the announcements and the circular of the Company dated 24 January 2017, 26 May 2017 and 21 July 2017;

(b) The placing agreement dated 28 February 2017 entered into between the Company and Kingston Securities Limited in relation to the placing of 96,000,000 new shares of the Company, as disclosed in the Company's announcement dated 28 February 2017;

(c) The sale and purchase agreement dated 29 September 2017 entered into between the Company and Inter-Pacific Group Pte. Limited (the "Vendor" or "Inter-Pacific"), pursuant to which, the Vendor conditionally agreed to dispose, certain vessels at an aggregate consideration of HK$196,480,000. Ms. Cheung Lai Na ("Ms. Cheung"), an executive Director of the Company and Ms. Cheung's sister, Cheung Lai Ming, an executive Director of the Company, are also the director of Inter-Pacific. On 16 January 2018, the transactions contemplated under the agreements are passed by independent shareholders of the Company through Special General Meeting;

(d) the master lease agreement dated 29 September 2017 (the "Master Lease Agreement") entered into between the Company and Inter-Pacific, pursuant to which the Company shall let or shall procure its subsidiary(ies) to let, and the Vendor shall lease or shall procure its subsidiary(ies) to lease, certain vessels owned by the Company or its subsidiary(ies), and the agreements for the extension of the long-stop date to the Master Lease Agreement dated 16 March 2018 and 14 June 2018;

(e) The MOU and the supplemental memorandum of understanding entered into between the Vendors and the Purchaser dated 15 August 2018; and

(f) The SPA.

6. CLAIMS AND LITIGATION

In January 2017, Mr. Harry Chan, a former executive Director, Chief Executive Officer and Chairman of the Company was removed from his duties effective from 23 December 2016, filed a claim for a total sum of approximately HK$4.3 million in respect of wages in lieu of notice, annual leave pay, rest day pay and long service payment (the "Claims") in the Labour Tribunal against the Company (the "Labour Tribunal Claim No. LBTC248/2017").

The directors of the Company considered that the claim from Mr. Harry Chan was without merit and have been advised by the Group's lawyers that the Group was not likely that the High Court would find the Company liable for the High Court Action No. 1082/2017. The directors of the Company were of the opinion that it was not probable that an outflow of economic benefits will be required and therefore no provision for the Claims was considered necessary.

On 24 May 2017, the Company and Huafeng as first and second plaintiffs filed a statement of claim to the High Court against Mr. Harry Chan for his breaches (i) under the terms of his service agreement; and/or (ii) of his fiduciary and statutory duties to both the Company and Huafeng as an executive Director (the "High Court Action No. 818/2017"). The ultimate liability or amount is to be assessed. Pursuant to the order made on 20 June 2017, the High Court Action No. 1082/2017 was consolidated with the High Court Action No. 818/2017, and any damages (or part thereof) may be set off against any amounts which may be awarded in Mr. Harry Chan's favour (if any) in the High Court Action No. 1082/2017. Pursuant to a consent order made on 9 August 2017, Mr. Harry Chan shall file into the High Court and serve on the Company and Huafeng his defence on or before 15 November 2017. No defense from Mr. Harry Chan is filed to the High Court up to the date of this circular and his defence is postponed because the Company, Huafeng and Mr. Harry Chan are still in progress of arranging a without prejudice meeting.

Save as disclosed above, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance, and no such litigation or claim of material importance was known to the Directors to be pending or threatened by or against any members of the Group.

7. QUALIFICATION AND CONSENT OF EXPERTS

The following are the qualifications of the experts who have given opinions or advice contained in this circular:

Name	Qualification
Mazars CPA Limited (“Mazars”)	Certified Public Accountants
Grant Sherman Appraisal Limited (“Grant Sherman”)	Independent property valuer
Guangdong Kaiyang Law Office (“Guangdong Kaiyang”)	Legal advisers to PRC law

Each of Mazars, Grant Sherman and Guangdong Kaiyang has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report or letter (as the case may be) and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of Mazars, Grant Sherman and Guangdong Kaiyang had any shareholding interests in the Company or any member of the Group, or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in the Company or any member of the Group.

As at the Latest Practicable Date, none of Mazars, Grant Sherman and Guangdong Kaiyang had any interest, direct or indirect, in any assets which had been, since 31 March 2018 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

8. SERVICE CONTRACTS

Each of Ms. Cheung Lai Na and Mr. Leung King Fai has entered into a service contract with the Company for a fixed term of three years commencing from 9 June 2018, unless terminated in accordance with the terms of their respective service contract.

Ms. Cheung Lai Ming has entered into a service contract with the Company for a fixed term of three years commencing from 7 November 2016, unless terminated in accordance with the terms of the service contract.

Mr. Chou Yuk Yan has entered into a service contract with the Company for a fixed term of three years commencing from 21 June 2016, unless terminated in accordance with the terms of the service contract.

Mr. Lee Man Kwong has entered into a service contract with the Company for a fixed term of three years commencing from 14 December 2016, unless terminated in accordance with the terms of the service contract.

Mr. Law Ping Wah has entered into a service contract with the Company for a fixed term of three years commencing from 16 November 2017, unless terminated in accordance with the terms of the service contract.

Dr. Chan Yau Ching, Bob has entered into a service contract with the Company for a fixed term of three years commencing from 3 September 2018, unless terminated in accordance with the terms of the service contract.

Save as aforesaid, as at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any members of the Group which does not expire or is not determinable by the relevant member of the Group within one year without compensation, other than statutory compensation.

9. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective close associates was interested in businesses which compete or are likely to compete, either directly or indirectly, with business of the Group the interests of which would be required to be disclosed under Rule 8.10 of the Listing Rules if the relevant Director were a controlling shareholder of the Company.

10. GENERAL

(a) The secretary of the Company is Ms. Chan Suet Lam ("Ms. Chan").

Ms. Chan is a Manager of Corporate Services of Tricor Services Limited ("Tricor"), a global professional services provider specializing in integrated business, corporate and investor services. The Company has engaged Tricor as an external service provider.

Ms. Chan has over 13 years of experience in the corporate secretarial field. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Chan is a Chartered Secretary and an Associate of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.

Ms. Chan graduated from University of Portsmouth with a bachelor's degree in Accountancy Studies in July 2002.

(b) The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

(c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(d) The English text of this circular prevails over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from 9 a.m. to 5 p.m. (except Saturdays, Sundays and gazetted public holidays in Hong Kong), at Units 2001-2003A, 20th Floor, Sino Plaza, 255-257 Gloucester Road, Causeway Bay, Hong Kong for a period from the date of this circular up to and including the date of the SGM:

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Group for each of the three years ended 31 March 2016, 2017 and 2018;

(c) the service contracts referred to in the paragraph headed "Directors' Service Contracts" in this appendix;

(d) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;

(e) the letter from the board, the text of which is set out on pages 4 to 15 of this circular;

(f) the financial information of the Disposal Company, the text of which is set out in Appendix II to this circular;

(g) the report from Mazars CPA Limited on the unaudited pro forma financial information of the Group dated 21 September 2018, the text of which is set out in Appendix IV of this circular;

(h) the valuation report on the Property dated 21 September 2018, the text of which is set out in Appendix III of this circular;

(i) The legal opinion from Guangdong Kaiyang dated 21 September 2018;

(j) the written consents referred to the paragraph headed "Qualifications and consent of Expert" in this appendix; and

(k) this circular.

DAISHO MICROLINE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0567)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of Daisho Microline Holdings Limited (the "Company") will be held at 49/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong on Tuesday, 16 October 2018 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution, as an ordinary resolution of the Company:

ORDINARY RESOLUTION

1. "**THAT**:

(a) the SPA as defined in the circular dated 21 September 2018 and despatched to the shareholders of the Company, a copy of which has been produced to this meeting marked "A" and initialed by the chairman of the SGM for the purpose of identification, and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) any one director of the Company (each a "Director", collectively the "Directors") be and is hereby authorised to do all such further acts and things and to sign and execute all such documents and to take all such steps which in his/her opinion may be necessary, appropriate, desirable or expedient to implement and/or give effects to the transactions contemplated under the SPA and in this resolution."

On behalf of the Board
Daisho Microline Holdings Limited
Cheung Lai Na
Chairman

Hong Kong, 21 September 2018

As of the date hereof, the Board comprised the following Directors:

Executive Directors:
CHEUNG Lai Na *(Chairman)*
CHEUNG Lai Ming
LEE Man Kwong

Independent non-executive Directors:
LEUNG King Fai
CHOU Yuk Yan
LAW Ping Wah
Dr. CHAN Yau Ching, Bob

Registered Office:
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Principal place of business in Hong Kong:
Unit 2001-2003A
20th Floor
Sino Plaza, 255-257
Gloucester Road
Causeway Bay
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.

2. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorized in writing or, if the appointer is a corporation, either under its seal or under the hand of any officer or attorney duly authorized.

3. A proxy form for the meeting is enclosed. In order to be valid, the proxy form, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney must be deposited with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting, or any adjourned meeting thereof (as the case may be).

4. Completion and return of the proxy form shall not preclude members of the Company from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.

5. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members of the Company in respect of the shares shall alone be entitled to vote in respect thereof.

6. The record date for determining the entitlement of the shareholders of the Company to attend and vote at the meeting will be 10 October 2018. In order to qualify for the entitlement to attend and vote at the above meeting, all transfer forms accompanied by the relevant share certificates must be lodge with the Company's branch share registrar in Hong Kong. Tricor Tengis Limited at level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 10 October 2018 for registration.