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DAISHO MICROLINE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0567)

VERY SUBSTANTIAL DISPOSAL AND RESUMPTION OF TRADING

THE DISPOSAL

The Board is pleased to announce that on 21 August 2018 (after trading hours), a conditional agreement was entered into between the Vendors and the Purchaser, an Independent Third Party, in respect of the disposal of the Group's industrial complex located at No.2, 7th Lane, Eling Road South, Huicheng District, Huizhou City, Guangdong Province, the PRC, at a consideration of HK\$200,000,000.

The Property comprises a parcel of industrial land together with eight 2 to 8-storey buildings with a site area of 52,427.78 sq.m. The Property, which has been in used since 1993, is currently occupied by the Group for its existing PCB production and ancillary uses. The existing production activities are in the process of the Relocation and will be relocated to a newly furnished PCB plant with improved production space configuration. 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 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; (ii) valuation on 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 Board considers that the Consideration is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

It is anticipated that gain on disposal of the Property before taxation amounted to approximately HK\$166 million. 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 Completion Date, reclassification adjustments of exchange reserve on the Disposal. The Group intends to apply such net proceeds as follows: (a) approximately HK\$100 million will be used for further development of the 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; and (d) the remaining net proceeds will be used as general working capital of the Group.

As the Group has occupied the production complex for 25 years for its PCB businesses, the production facilities have been gradually falling behind the environmental, health care and safety standards imposed by the ever tightening and improving stringent demand from the local authorities. The Board has also undergone a series of management changes over the years with the departure of the previous board members including the former chairman. The Board has resolved that the existing PCB businesses shall continue and shall be relocated to a newly furnished and upgraded plant, which complies with up-to-date environmental protection, health care and safety standards. Certain amounts of the net proceeds from the Disposal will be applied to the business development of Petroleum Trading Business where it is more profitable and the existing Board and senior management have solid knowledge and experience and expertise in this business segment.

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.

GENERAL

A circular containing, among other things, further details of the Disposal, the Disposal Company, the financial information of the Group, the financial information of the Disposal Company, the notice convening the SGM and other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 21 September 2018.

Completion of the Disposal is conditional upon the satisfaction of the Condition set out in the section headed “Condition Precedent and Termination” in this announcement, including the approval of the SPA and the transactions contemplated thereunder by the Shareholders at the SGM. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the securities of the Company.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:00 a.m. on 22 August 2018 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange from 9:00 a.m. on 3 September 2018.

INTRODUCTION

References are made to (i) the announcements on 13 April 2018 and 25 May 2018 in relation to, among other things, the Relocation and the potential redevelopment or disposal of the current factory buildings and waste handling and treatment facilities and its affiliated land; and (ii) the announcement dated 15 August 2018 in relation to extension of date of termination of the MOU. The Board is pleased to announce that, 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.

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 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 date of this announcement, 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 announcement, 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 date of this announcement, 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.

	<i>RMB’000</i>	<i>Equivalent to HK\$’000</i>
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 date of this announcement, 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 date of this announcement, the production activities of the Group will be relocated to the New PCB Plant.

The preliminary 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 date of this announcement, 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 date of this announcement, the remaining contract sum of orders for delivery in August and September 2018 with the Existing Customers was approximately HK\$7 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 date of this announcement, 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 Directors expect the production capacity will remain 30,000 sq.m. per month as designed and considers 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, 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 date of this announcement, 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 date of this announcement, 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., was incorporated in Singapore to conduct Petroleum Trading Business, which involves larger volume compared to that of Group's current trading volume. As of 31 August 2018, the Group has opened accounts with five suppliers to cater the growth of such business.

As at the date of this announcement, 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 date of this announcement, 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. 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

The Group established the Property in 1993 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 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. As set out in the announcement of the Company dated 13 April 2018, with the introduction of new policies and regulations in relation to urban development and environmental protection by the local government, chemical pollution and noises inherent from production activities at the current PCB plant and the increasing number of complaints brought by neighboring residents and potential sanctions enacted by the local government, the Company is exposed to the risk of production suspension. 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 date of this announcement, 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

Subject to final audit, it is expected that 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. As at the date of this announcement, the average monthly trading volume of Petroleum Trading Business is approximately 3000 metric tons of fuel oil or other energy products with revenue of approximately HK\$10 million per month. 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.

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 date of this announcement, 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	(1) Bank loan repayment of HK\$22 million
		(2) Repayment of bank borrowings	(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 date of this announcement, 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	(1) Deposit for purchase of vessels of HK\$34.1 million
		(2) Purchase of new machineries and equipment of the existing PCB business	(2) Purchase of Petroleum related products of HK\$30 million
		(3) Purchase on petroleum related products	(3) Purchase of new machineries of existing PCB business of HK\$1.39 million
		(4) Purchase of vessels	(4) Marketing development of HK\$0.33 million
		(5) Bank facility line secured for petroleum trading	(5) Working capital for Petroleum Trading Business of HK\$11.4 million
		(6) Working capital for petroleum trading	
		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.

GENERAL

A circular containing, among other things, further details of the Disposal, the Disposal Company, the financial information of the Group, the financial information of the Disposal Company, the notice convening the SGM and other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 21 September 2018.

Completion of the Disposal is conditional upon the satisfaction of the Condition set out in the section headed “Condition Precedent and Termination” in this announcement, including the approval of the SPA and the transactions contemplated thereunder by the Shareholders at the SGM. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the securities of the Company.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:00 a.m. on 22 August 2018 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange from 9:00 a.m. on 3 September 2018.

DEFINITIONS

“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 in this announcement
“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 announcement
“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
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	the lawful currency of Hong Kong for the time being
“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
“Independent Third Party(ies)”	party(ies) independent of and not connected with the Company and its connected persons
“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
“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
“PRC”	the People’s Republic of China
“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

“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 register 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
“Shares”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholders”	holder(s) of the Share(s)
“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
%	per cent.

By Order of the Board
Cheung Lai Na
Chairman

Hong Kong, 31 August 2018

As at the date of this announcement, the Board consists of three executive directors, namely, CHEUNG Lai Na, CHEUNG Lai Ming and Lee Man Kwong and three independent non-executive directors, namely, LEUNG King Fai, CHOU Yuk Yan and LAW Ping Wah.

For the purpose of this announcement, 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.

* For identification purpose only