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

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DAISHO MICROLINE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0567)

PLACING OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE AND NOTICE OF SPECIAL GENERAL MEETING

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 5 to 17 of this circular. A notice convening the SGM to be held at Room 631, 6/F, Kowloonbay International Trade & Exhibition Centre, 1 Trademart Drive, Kowloon Bay, Hong Kong on Tuesday, 8 August 2017 at 11:30 a.m. (or as soon thereafter as the annual general meeting of the Company to be held at 10:30 a.m. on the same day and at the same place has been concluded or adjourned) is set out on page 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 July 2017

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DEFINITIONS

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

“Announcements”	the January Announcement and the May Announcement
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Bondholder(s)”	the holder(s) of the Convertible Bond(s)
“Business Day(s)”	any day(s) (excluding Saturday, Sunday, a public holiday or a day on which typhoon signal no. 8 or above or a “black” rainstorm warning is hoisted in Hong Kong) on which banks in Hong Kong are generally open for business
“Company”	Daisho Microline Holdings Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Main Board of Stock Exchange (stock code: 0567)
“Completion”	completion of the Placing, which shall take place on the 5th Business Day following the date on which the Conditions Precedent are fulfilled or such other date as the Company and the Placing Agent may agree in writing
“Conditions Precedent”	the conditions precedent set out in the sub-section headed “Conditions Precedent” under the section headed “The Placing Agreement” in this circular
“Conversion Price”	HK\$0.36 per Conversion Share, subject to adjustments, pursuant to the terms and conditions of the Convertible Bonds
“Conversion Share(s)”	new Share(s) to be allotted and issued to the Bondholders upon exercise of the conversion rights attached to the Convertible Bonds

DEFINITIONS

“Convertible Bonds”	the convertible bonds in the principal amount of up to HK\$80 million proposed to be issued by the Company pursuant to the Placing Agreement
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) who are independent of and not connected with the Company and any of its connected persons (as defined in the Listing Rules)
“January Announcement”	the announcement of the Company dated 24 January 2017 relating to, among others, the Placing
“Latest Practicable Date”	17 July 2017, being the latest practicable date prior to the printing of this circular for ascertaining information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the date falling on the third anniversary of the date of issue of the Convertible Bonds
“May Announcement”	the announcement of the Company dated 26 May 2017 relating to, among others, the Placing
“PCB”	printed circuit boards
“Placee(s)”	independent professional, institutional and/or private investors selected and procured by the Placing Agent to subscribe for the Convertible Bonds pursuant to the Placing Agreement
“Placing”	the placing of the Convertible Bonds, on a best effort basis, pursuant to the Placing Agreement

DEFINITIONS

“Placing Agent”	Kingston Securities Limited, acting as the placing agent for the Placing of the Convertible Bonds under the Placing Agreement and a licensed corporation to carry on Type 1 regulated activity (dealing in securities) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreement”	the conditional placing agreement dated 28 November 2016 (as amended and supplemented by the Supplemental Placing Agreement) and entered into between the Company and the Placing Agent in relation to the Placing
“PRC”	the People’s Republic of China, which for the purposes of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“SGM”	the special general meeting of the Company to be held at Room 631, 6/F, Kowloonbay International Trade & Exhibition Centre, 1 Trademart Drive, Kowloon Bay, Hong Kong on Tuesday, 8 August 2017 at 11:30 a.m. (or as soon thereafter as the annual general meeting of the Company to be held at 10:30 a.m. on the same day and at the same place has been concluded or adjourned), or any adjournment thereof, for the Shareholders to consider and, if thought fit, approving, <i>inter alia</i> , the Placing Agreement and all the transactions contemplated thereunder, including the issue of the Convertible Bonds and the allotment and issue of Conversion Shares under the Specific Mandate, notice of which is set out on pages SGM-1 to SGM-2 of this circular
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Specific Mandate”	the specific mandate to be sought from Shareholders at the SGM to approve, <i>inter alia</i> , the issue of the Convertible Bonds and the allotment of the Conversion Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Supplemental Placing Agreement”	the supplemental placing agreement dated 26 May 2017 and entered into between the Company and the Placing Agent in relation to the Placing
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission (as amended from time to time)
“%”	per cent.



DAISHO MICROLINE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0567)

Executive Directors:

CHEUNG Lai Na (*Chairman*)

CHEUNG Lai Ming

Non-executive Director:

LEE Man Kwong

Independent non-executive Directors:

YEUNG Chi Shing, Bret

LEUNG King Fai

CHOU Yuk Yan

Registered Office:

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

Head office and principal

place of business:

Units 1-2, 16/F.

Nan Fung Commercial Centre

19 Lam Lok Street

Kowloon Bay

Hong Kong

21 July 2017

To the Shareholders

Dear Sir or Madam,

**PLACING OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE
AND
NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcements in relation to, among others, the Placing.

The purpose of this circular is to provide you with, among other things, further details of (i) the Placing; and (ii) the notice of SGM.

THE PLACING AGREEMENT

Date:

28 November 2016 (as amended and supplemented on 26 May 2017)

Issuer:

The Company

LETTER FROM THE BOARD

Placing Agent:

Kingston Securities Limited

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Placing Agent and its associates are Independent Third Parties. As at the Latest Practicable Date, the Placing Agent and its associates had no interest in any Shares.

Placing of Convertible Bonds:

The Placing Agent has conditionally agreed to procure not less than six Placees, which will be independent professional, institutional and/or private investors, and who and whose ultimate beneficial owner(s) are Independent Third Parties, on a best effort basis to subscribe for the Convertible Bonds up to the principal amount of HK\$80 million.

The Placing Agent has undertaken to the Company that no individual Placee will become a substantial shareholder (as defined under the Listing Rules) of the Company upon Completion assuming all Convertible Bonds being subscribed are fully converted.

Conditions Precedent

Completion of the subscription of the Convertible Bonds is conditional upon the fulfillment of the following conditions precedent:

- (a) the Listing Committee of the Stock Exchange having granted (either unconditionally or subject only to conditions to which neither the Company nor the Placing Agent shall reasonably object) and not having withdrawn or revoked the approval of the listing of, and the permission to deal in, the Conversion Shares;
- (b) the Shareholders having approved at the SGM the Placing Agreement and the transactions contemplated thereunder (including the issue of the Convertible Bonds and the specific mandate for the allotment and issue of the Conversion Shares upon exercise of the conversion rights attaching to the Convertible Bonds); and
- (c) other necessary approvals, consents or authorization for the entering into of the Placing Agreement and the transactions contemplated thereunder (if any) having been obtained.

If the above conditions are not fulfilled on or before the date falling on the 30th day after the date of the SGM or the date falling 12 months after 28 November 2016, whichever is earlier, or such later date as may be agreed between the Placing Agent and the Company, the Placing Agreement will lapse.

LETTER FROM THE BOARD

Completion

Subject to fulfillment of the Conditions Precedent and performance by the Placing Agent of its obligations under the Placing Agreement, completion of the subscription of the Convertible Bonds will take place on the 5th Business Day after fulfillment of all the Conditions Precedent or such other date as the Company and the Placing Agent may agree in writing.

Placing Commission

The Placing Agent will receive a placing commission of 2% of the aggregate subscription money for the Convertible Bonds placed by the Placing Agent. The placing commission was determined after arm's length negotiations between the Company and the Placing Agent.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

The principal terms of the Convertible Bonds are summarised below:

Issuer:	The Company
Principal amount:	Up to HK\$80 million
Interest:	6% per annum on the principal amount of the Convertible Bonds outstanding from time to time, payable quarterly in arrears.
Maturity:	The third anniversary of the date of issue of the Convertible Bonds.
Form:	In registered form.
Completion date:	The 5th Business Day following the date on which the Conditions Precedent are fulfilled or such other date as the Company and the Placing Agent may agree in writing.
Conversion price:	HK\$0.36 per Conversion Share. The Conversion Price is subject to adjustment as described under "Conversion price adjustments" below.

LETTER FROM THE BOARD

The initial Conversion Price was determined after arms-length negotiations between the Company and the Placing Agent with reference to the then market prices of the Shares up to the date of the Supplemental Placing Agreement and the then market condition, and represents:

- (i) the closing price of HK\$0.36 per Share quoted on the Stock Exchange on 26 May 2017, being the date of the Supplemental Placing Agreement;
- (ii) a discount of approximately 2.17% to the average closing price of HK\$0.368 per Share quoted on the Stock Exchange for the five consecutive trading days up to and including 26 May 2017, being the date of the Supplemental Placing Agreement; and
- (iii) a discount of approximately 22.58% to the closing price of HK\$0.465 per Share quoted on the Stock Exchange on the Latest Practicable Date.

Conversion price adjustments:

The Conversion Price shall from time to time be adjusted upon the occurrence of any of the following events:

- (i) consolidation or sub-division or re-classification of the Shares, or the Shares otherwise becoming of a different nominal amount;
- (ii) the Company issuing (other than in lieu of a cash dividend) any Shares credited as fully paid by way of capitalisation of profits or reserves;
- (iii) the Company making any capital distribution to Shareholders (whether on a reduction of capital or otherwise) or the Company granting to such holders rights to acquire for cash assets of any member of the Group;
- (iv) rights issues, or the Company granting options or warrants to subscribe for new Shares at a price which is less than 90% of the then five-day average closing price of the Shares;

LETTER FROM THE BOARD

- (v) the Company issuing wholly for cash any securities convertible into or exchangeable for or carry rights of subscription for new Shares, and the total consideration initially receivable for such securities is less than 90% of the then five-day average closing price of the Shares;
- (vi) the rights of conversion or exchange or subscription attached to the securities as mentioned at paragraph (v) above are modified so that the total consideration initially receivable for such securities is less than 90% of the then five-day average closing price of the Shares; and
- (vii) the Company issuing wholly for cash any Shares at a price which is less than 90% of the then five-day average closing price of the Shares.

Conversion right:

The Bondholders will have the right to convert the whole or part of the principal amount of the Convertible Bonds into Shares at any time and from time to time up to the third anniversary of the date of issue of the Convertible Bonds in the amounts of HK\$10,000,000 or its integral multiples on each conversion, save that if at any time, the principal outstanding amount of the Convertible Bonds is less than HK\$10,000,000, the whole (but not part only) of the principal amount of the Convertible Bonds may be converted, subject to the conditions that any conversion will (i) not trigger the mandatory offer obligation under Rule 26.1 of the Takeovers Code and (ii) not result in the Company not fulfilling the public float requirements to less than 25% (or any given percentage as required by the Listing Rules) of the issued Shares.

Ranking of the Conversion Shares:

Shares issued upon conversion shall rank *pari passu* in all respects with all other existing Shares outstanding at the date of the conversion notice and be entitled to all dividends and other distributions the record date of which falls on a date on or after the date of the conversion notice.

LETTER FROM THE BOARD

- Transferability: Subject to the compliance with any applicable requirements of the Stock Exchange (including the Listing Rules), the Convertible Bonds may not be assigned or transferred to any person except with the prior written approval of the Company and compliance with the relevant requirements of the Listing Rules. The Convertible Bonds may only be assigned or transferred in amounts of HK\$10,000,000 or its integral multiples on each assignment or transfer, save that if at any time, the principal outstanding amount of the Convertible Bonds is less than HK\$10,000,000, the whole (but not part only) of the principal outstanding amount of the Convertible Bonds may be assigned or transferred.
- Repayment at maturity: Unless previously redeemed, cancelled or converted, the outstanding principal amount of the Convertible Bonds will only be fully repaid by the Company on the Maturity Date at an amount equals to 100% of the outstanding principal amount of the Convertible Bonds on the Maturity Date plus accrued interest outstanding under the Convertible Bonds which remains unpaid on the Maturity Date.
- Early redemption prior to maturity: The Company may at any time prior to the Maturity Date and from time to time redeem the Convertible Bonds (in whole or in part only) at an amount equals to the outstanding principal amount of such Convertible Bonds intended to be redeemed plus accrued interest outstanding under such Convertible Bonds to be redeemed which remains unpaid on the date of the redemption notice served by the Company to the Bondholders.
- Voting: The Bondholders will not be entitled to attend, or vote at any meeting of the Company by reason only of it being the Bondholders.
- Ranking of the Convertible Bonds: The payment obligations of the Company under the Convertible Bonds shall, save for such exceptions provided by mandatory provisions of applicable laws under the terms and conditions of the Convertible Bonds, at all times rank at least equally with all of the Company's other present and future direct, unsubordinated, unconditional and unsecured obligations.

LETTER FROM THE BOARD

Listing: No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchanges. An application will be made by the Company for the listing of, and the permission to deal in, the Conversion Shares which may be issued on exercise of the conversion rights attaching to the Convertible Bonds.

Default interest: If the Company fails to pay any sum in respect of the Convertible Bonds when it becomes due and payable, interest shall accrue on the overdue sum at the rate of 6% per annum.

FUND RAISING ACTIVITIES OF THE COMPANY DURING THE PAST TWELVE MONTHS

The Company has conducted the following fund raising activities during the twelve months immediately preceding the Latest Practicable Date:

Date of announcement	Fund-raising activity	Net proceeds raised	Proposed use of the net proceeds	Actual use of the proceeds
1 March 2017	Placing of up to 96,000,000 new Shares under general mandate	Approximately HK\$46.5 million	<p>1. Business development</p> <p>The Company intends to accelerate the measures set out in (a) to (f) in the section headed “7. Use of proceeds and fund raising activities in the past twelve months” in the January Announcement. The Company intends to apply approximately HK\$24.5 million out of the net proceeds to this end.</p> <p>2. Repayment of bank borrowings</p> <p>The Company intends to repay bank borrowings in the principal amount of HK\$22 million. The borrowings are secured by the Group’s deposit in the PRC with the bank for the same amount. Upon repayment, the pledge of the Group’s bank deposit will be released.</p>	<p>1. Business development</p> <p>As at the Latest Practicable Date, approximately HK\$2.5 million has been used in the measures set out in (a) to (f) in the section headed “7. Use of proceeds and fund raising activities in the past twelve months” in the January Announcement.</p> <p>2. Repayment of bank borrowings</p> <p>As at the Latest Practicable Date, approximately HK\$18.5 million has been used to repay the bank borrowings.</p> <p>The remaining net proceeds of approximately HK\$25.5 million not yet utilized will be applied as proposed in due course.</p>

LETTER FROM THE BOARD

Save as disclosed above, the Company did not conduct any fund raising activities on any issue of equity securities during the twelve months immediately preceding the Latest Practicable Date.

Save for the Placing and continuous discussion with the banks on any additional banking facilities, the Company does not have any immediate plan and is not currently contemplating to conduct any fund raising exercise as at the Latest Practicable Date. The Group will continue to review its financial position and consider to further strengthen the financial position from time to time. If there shall arise any business opportunities which may support future development of the Group, the Group may conduct further equity and/or financing fund raising in next 12 months in order to develop the Group's existing business and any other business opportunities, if any.

The Board believes that the Company has sufficient working capital for its operation for at least twelve months from the Latest Practicable Date.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming the exercise in full of the conversion rights attaching to the Convertible Bonds at the initial Conversion Price, a total number of 222,222,222 new Shares will be issued, representing:

- (i) approximately 38.56% of the Company's existing issued share capital of 576,243,785 Shares, and
- (ii) approximately 27.83% of the Company's issued share capital of 798,466,007 Shares as enlarged by the issue and allotment of the Conversion Shares.

The aggregate nominal value of the 222,222,222 Conversion Shares will be HK\$22,222,222.20.

Assuming the maximum amount of the Convertible Bonds is placed under the Placing, the following table illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon conversion of the Convertible Bonds in full at the Conversion Price (assuming that there is no change in the issued share capital of the Company other than the issue of the Conversion Shares since the Latest Practicable Date up to the date of conversion of the Convertible Bonds in full):

Shareholders	As at the Latest Practicable Date		Immediately after full conversion of the Convertible Bonds	
	Number of Shares held <i>(Shares)</i>	Percentage of shareholding <i>(approx.) (%)</i>	Number of Shares held <i>(Shares)</i>	Percentage of shareholding <i>(approx.) (%)</i>
Bondholder(s)	–	–	222,222,222	27.83
Cheung Ling Mun <i>(Note)</i>	120,068,000	20.84	120,068,000	15.04
Daisho Denshi Co., Ltd.	50,000,000	8.68	50,000,000	6.26
Other public Shareholders	406,175,785	70.48	406,175,785	50.87
Total:	576,243,785	100.00	798,466,007	100.00

LETTER FROM THE BOARD

Note:

Ms. Cheung Lai Na, an executive Director and the daughter of Mr. Cheung Ling Mun, holds 120,680,000 Shares in trust for Mr. Cheung Ling Mun.

REASONS FOR AND BENEFITS OF THE PLACING

The principal activities of the Group are investment holding and manufacturing and trading of printed circuit boards. In mid-2016, the Group also undertook the business of indent trading of petrochemical products as well as petroleum and energy products.

The Directors consider the Placing as an opportunity and necessary for the Group to (i) enhance its working capital; (ii) improve its current business operations by obtaining external funding for purchasing new machineries and equipment, and strengthening the marketing function to promote the Company's manufacturing PCB business for automobile components in the PRC; and (iii) develop its business of indent trading with a view to facilitate business diversification, create a new income stream for the Group in the long run and improve the overall performance of the Group.

As disclosed in the Group's interim report for the six months ended 30 September 2016, the Group's gross loss and net loss after tax for the six months ended 30 September 2016 were approximately HK\$2.4 million and HK\$27.5 million, respectively. Although the Group has implemented, and is in the process of implementing certain measurements and cost controls to enhance its production efficiency and lower its production cost, it requires further funding to acquire new machineries and equipment for the existing principal business. At the same time, the Directors considers that the Group would be able to enhance its profitability by strengthening the marketing function department to promote the Company's manufacturing PCB business for automobile components in the PRC.

However, after taking into account of the Group's current financial position and that the prospect of the Group's PCB business remains uncertain, the Directors consider it necessary to explore new business opportunities to diversify the business risk and enhance the financial position of the Group. Since the executive Directors, namely, Ms. Cheung Lai Na and Ms. Cheung Lai Ming, have over 13 and 7 years of experience, respectively, in the business of bunkering, they 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 indent trading business, considering that 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 terms; (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 commencement of indent trading business will be fair, reasonable and in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

The Group has undertaken the business of indent trading of petrochemical products as well as energy products since mid-2016 with a view to facilitate business diversification, create a new income stream for the Group in the long run and improve the overall performance of the Group. In this connection, the Group requires funding primarily for (i) development of the indent trading business; (ii) acquisition of petroleum related products for the indent trading business; (iii) acquisition of a vessel to enhance its logistic arrangements in the indent trading business; (iv) securing banking facilities required for the indent trading business; and (v) general working capital of the Group for the indent trading business.

In addition, since the Group recorded losses for the year ended 31 March 2017 and the six months ended 30 September 2016, the Group is facing difficulties in obtaining additional bank borrowings. If the Company is not able to obtain external funding, it will be difficult for the Group to improve its business operations, which as a result, may further affect its financial position. Other than the additional bank borrowings, the Board has considered other fund raising alternatives such as open offer or rights issue. Due to the loss-making financial performance of the Group, a rights issue or open offer may not be achievable on favourable terms or on terms which are acceptable to the Company under the current market conditions. Therefore, the Board is of the view that the Placing is an appropriate means to raise external funding in light of the current situation of the Group.

In view of the above, the Directors consider that the terms of the Placing are on normal commercial terms and are fair and reasonable and the entering into of the Placing Agreement is in the interest of the Company and the Shareholders as a whole.

PROPOSED USE OF PROCEEDS

Assuming the maximum amount of the Convertible Bonds is placed under the Placing, the net proceeds from the Placing, after deduction of related expenses (including placing commission and professional advisors fees, costs and expenses), are estimated to be approximately HK\$75 million and the net price to the Company of each Conversion Share is therefore approximately HK\$0.338.

The proposed use of proceeds by the Group in relation to the existing PCB business is as follows:

- (a) approximately HK\$3 million will be used to strengthen the marketing function to promote the Company's business of manufacturing PCB for automobile components in PRC, including but not limited to, hiring operational staff, experts and marketing materials; and
- (b) approximately HK\$4 million will be used for purchases of new machineries and equipment for the existing PCB business.

LETTER FROM THE BOARD

The Group has also undertaken the business of indent trading of petrochemical products as well as petroleum and energy products since mid-2016 with a view to facilitate business diversification, create a new income stream to the Group in the long run and improve the overall performance of the Group. Under the indent trading business, the Company will serve as an agent and 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. It is also intended that approximately HK\$68 million out of the net proceeds from the Placing will be used to develop the business of indent trading of petroleum related products, a breakdown of which is set out below:

- (c) approximately HK\$30 million will be used to acquire petroleum related products for the indent trading business;
- (d) approximately HK\$30 million will be used to acquire a vessel for (i) strengthening the logistic arrangement; and/or chartering services in relation to the indent trading business;
- (e) approximately HK\$3 million will be used to secure banking facilities required for the indent trading business; and
- (f) approximately HK\$5 million will be used as general working capital of the Group for the indent trading business.

The above proposed use of proceeds represents a revision of the original proposed use of proceeds as disclosed in the January Announcement. The revision takes into account that approximately HK\$24.5 million out of the proceeds from the placing of Shares of the Company as disclosed in the section headed "*Fund raising activities of the Company during the past twelve months*" (the "**Shares Placing**") will be applied on the original proposed use of proceeds as disclosed in the January Announcement. Also, after reassessment of the recent business condition of the Group, it is considered that (i) taking cost control measures; (ii) enhancing the marketing capacities; and (iii) increasing the efficiency of the current productivity would be more cost efficient, and therefore the Company has decided to revise the capital investment in the PCB business for the time being.

In particular, the proceeds of the Shares Placing and the Placing to be allocated:

- (i) for the establishment of a marketing department would be reduced from approximately HK\$20 million as stated in the January Announcement to approximately HK\$7.5 million as the Group would combine the sales and marketing function into one department based primarily on the existing staff, rather than establishing a new marketing department;
- (ii) for the purchases of new machineries and equipment for its existing PCB business will remain unchanged at approximately HK\$15 million;
- (iii) for branding, advertisements, etc. would be reduced from approximately HK\$5 million as stated in the January Announcement to approximately HK\$3 million because the Company considers it sufficient to allocate less resources on brand-building given that the Company has received positive feedback

LETTER FROM THE BOARD

from its stakeholders since the resumption of trading in the Company's shares in January 2017, and the image of the Company has been improving;

- (iv) for implementing a factory improvement program for improving fit out of the Group's factory would be reduced from approximately HK\$5 million as stated in the January Announcement to approximately HK\$3 million because the Company has completed the improvement of the factory's fire control system, and the conditions of the factory are now acceptable to insurance companies for undertaking property insurance; and
- (v) for the improvement of the Group's information system to enhance overall production capabilities and quality of corporate management would be minimized and reduced from approximately HK\$5 million as stated in the January Announcement to approximately HK\$3 million because the Company would focus on implementing cost control measures and would make such improvement that is considered more necessary and imminent, while any additional improvement of information system would be withheld.

The proceeds from the Shares Placing and the Placing would not be used for general working capital of the Group in relation to the PCB business as it will be satisfied by other internal resources of the Group.

The PCB business will continue to be the principal business of the Group and it is currently estimated that for the upcoming year, the revenue generated from the PCB business of the Group will comprise over 90% of the total revenue of the Group. The Company does not intend to scale down or dispose of its PCB business.

SPECIFIC MANDATE

The Conversion Shares will be allotted and issued under the Specific Mandate to be sought from the Shareholders at the SGM. No listing of the Convertible Bonds will be sought on the Stock Exchange or any other stock exchanges. The Company will apply to the Listing Committee for the listing of, and the permission to deal in, the Conversion Shares.

SGM

Pursuant to Rule 13.36(1)(a) of the Listing Rules, the consent of Shareholders in general meeting of the Company shall be obtained prior to the Directors allotting and issuing securities convertible into Shares. The SGM will be convened and held at Room 631, 6/F, Kowloonbay International Trade & Exhibition Centre, 1 Trademart Drive, Kowloon Bay, Hong Kong on Tuesday, 8 August 2017 at 11:30 a.m. (or as soon thereafter as the annual general meeting of the Company to be held at 10:30 a.m. on the same day and at the same place has been concluded or adjourned) for the purpose of considering and, if thought fit, approving, inter alia, the Placing Agreement and all the transactions contemplated thereunder, including the issue of the Convertible Bonds and the allotment and issue of Conversion Shares under the Specific Mandate. In compliance with the Listing Rules, the resolution will be voted on by way of poll at the SGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholders are required to abstain from voting on the resolution to be proposed at the SGM.

LETTER FROM THE BOARD

A notice convening the SGM is 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.

RECOMMENDATION

The Directors are of the opinion that the Placing and the terms of the Placing Agreement are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

Accordingly, the Board recommends that all Shareholders vote in favour of the ordinary resolution approving the Placing to be proposed at the SGM.

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 Company. 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.

Shareholders and potential investors should note that the Completion is subject to fulfillment of the Conditions Precedent. As such, the Placing and the issue of the Convertible Bonds may or may not proceed. Shareholders and potential investors are therefore urged to exercise caution when dealing in the Shares and other securities of the Company.

Yours faithfully,
By order of the Board
Cheung Lai Na
Chairman

Hong Kong, 21 July 2017

NOTICE OF SPECIAL GENERAL MEETING



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 Room 631, 6/F, Kowloonbay International Trade & Exhibition Centre, 1 Trademart Drive, Kowloon Bay, Hong Kong on Tuesday, 8 August 2017 at 11:30 a.m. (or as soon thereafter as the annual general meeting of the Company to be held at 10:30 a.m. on the same day and at the same place has been concluded or adjourned) for the purpose of considering and, if thought fit, passing with or without modifications, the following resolution which will be proposed as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT

- (a) the conditional placing agreement dated 28 November 2016 entered into between the Company and Kingston Securities Limited (the “**Placing Agent**”) as supplemented and amended by the supplemental placing agreement dated 26 May 2017 entered into between the Company and the Placing Agent (the “**Placing Agreement**”) pursuant to which the Placing Agent has conditionally agreed to procure not less than six independent placees, on a best effort basis, to subscribe for Convertible Bonds up to the principal amount of HK\$80 million (the “**Convertible Bonds**”) entitling the holders thereof to convert the principal amount thereof into ordinary shares of the Company (the “**Conversion Shares**”) at the initial conversion price of HK\$0.36 (subject to adjustment) per Conversion Share, a copy of the aforesaid placing agreement marked “A” and a copy of the aforesaid supplemental placing agreement marked “B” have been produced at the special general meeting and initialed by the chairman of the special general meeting for the purpose of identification, and all the transactions contemplated thereunder (including the allotment and issue of the Conversion Shares of the Convertible Bonds pursuant thereto) be and are hereby approved, confirmed and ratified;
- (b) subject to the fulfillment and/or waiver of the conditions set out in the Placing Agreement, the directors of the Company (the “**Directors**”) be and are hereby authorised to issue the Convertible Bonds in accordance with the terms and conditions of the Placing Agreement;

NOTICE OF SPECIAL GENERAL MEETING

- (c) subject to the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Conversion Shares to be allotted and issued, the Directors be and are hereby granted a specific mandate to exercise the powers of the Company to allot and issue the Conversion Shares; and
- (d) any Director be and is hereby authorised to exercise all powers of the Company and take all steps as might in his opinion be desirable, necessary or expedient to give effect to or in connection with the Placing Agreement including without limitation to:
 - (i) the execution, amendment, supplement, delivery, submission and/or implementation of any further documents or agreements in relation to the Placing Agreement, the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares; and
 - (ii) the taking of all necessary actions to implement the transactions contemplated under the Placing Agreement.”

By order of the Board
Daisho Microline Holdings Limited
Cheung Lai Na
Chairman

Hong Kong, 21 July 2017

Principal place of business:

Units 1-2, 16/F.
Nan Fung Commercial Centre
19 Lam Lok Street
Kowloon 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 a proxy to attend and, on a poll vote in his stead. A proxy need not be a member of the Company.
2. 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.
3. As at the date of this notice, the Board comprises two executive Directors, namely, CHEUNG Lai Na and CHEUNG Lai Ming, one non-executive Director, namely, LEE Man Kwong, and three independent non-executive Directors, namely, YEUNG Chi Shing Bret, LEUNG King Fai and CHOU Yuk Yan.