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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed stockbroker or other registered dealer 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 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)

MAJOR AND CONNECTED TRANSACTION, CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF SPECIAL GENERAL MEETING

**Independent financial adviser to
the Independent Board Committee and the Independent Shareholders**

Nuada 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 6 to 29 of this circular and a letter from the Independent Board Committee is set out on pages 30 to 31 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 32 to 64 of this circular.

A notice convening the SGM to be held at Room 631, 6/F, Kowloon Bay International Trade & Exhibition Centre, 1 Trademart Drive, Kowloon Bay, Hong Kong on Tuesday, 16 January 2018 at 10:30 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.

27 December 2017

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DEFINITIONS

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

| | |
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| “Agreements” | the Sale and Purchase Agreement and the Master Lease Agreement |
| “Announcement” | the announcement of the Company dated 29 September 2017 in respect of the Proposed Transactions |
| “associate(s)” | has the meaning ascribed thereto in the Listing Rules |
| “Authorities” | any governments, courts, arbitral tribunals, governmental, regulatory or official authorities, departments or agencies of any governments, statutory or regulatory bodies, stock exchanges whether in Hong Kong or elsewhere and include but not limited to the Stock Exchange and the Securities and Futures Commission of Hong Kong and “Authority” means any one of them |
| “Board” | the board of Directors |
| “Business Day” | a day (other than a Saturday or Sunday) on which banks are open in Hong Kong and Singapore to the general public for business |
| “close associate(s)” | has the meaning ascribed thereto under the Listing Rules |
| “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” | First Completion, Second Completion and Third Completion (as the case may be) |
| “Completion Date” | the date of Completion |
| “connected person(s)” | has the meaning ascribed thereto in the Listing Rules |
| “Consent” | includes any license, consent, approval, authorisation, permission, waiver, order or exemption |

DEFINITIONS

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| “Consideration” | consideration for the acquisition of the Vessels to be paid by the Company to the Vendor pursuant to the Sale and Purchase Agreement, which consists of the First Consideration, the Second Consideration and the Third Consideration |
| “Director(s)” | the director(s) of the Company |
| “First Completion” | completion of the transfer of Pacific Energy 28 to the Company (or its subsidiaries) |
| “First Consideration” | HK\$44,680,000 for the acquisition of Pacific Energy 28 to be settled as per the schedule set out under section headed “Consideration” in the letter from the Board of this circular |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Independent Board Committee” | the independent board committee of the Board consisting of all the independent non-executive Directors |
| “Independent Shareholder(s)” | the Shareholder(s) other than Ms. Cheung Lai Na and Ms. Cheung Lai Ming and their close associates and parties who have interests in the Proposed Transactions |
| “Independent Third Party(ies)” | any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons |
| “Latest Practicable Date” | 21 December 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |

DEFINITIONS

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| “Long-Stop Date” | 31 March 2018, or such other date as may be agreed between the Company and the Vendor in writing |
| “Master Lease Agreement” | the Master Leasing Agreement entered into by the Company and Inter-Pacific dated 29 September 2017, details of which are set out under paragraph headed “The Master Leasing Agreement” in the letter from the Board of this circular |
| “Memorandum of Agreement” | a memorandum of agreement substantially in the Singapore Ship Sale Form 2011 (or such other form as may be agreed between the parties) in respect of the sale and purchase of a Vessel |
| “Mortgage 8” | the registered mortgage in respect of Pacific Energy 8 |
| “Mortgage 138” | the registered mortgage in respect of Pacific Energy 138 |
| “Mortgage 168” | the registered mortgage in respect of Pacific Energy 168 |
| “Nuada” or “Independent Financial Adviser” | Nuada Limited, a licensed corporation under the SFO to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders |
| “Owner” | each of the registered owners of the Vessels, being Pacific Energy 8 Owner, Pacific Energy 28 Owner, Pacific Energy 138 Owner and Pacific Energy 168 Owner |
| “Pacific Energy 8 Owner” | PACIFIC ENERGY 8 PTE. LTD., a company incorporated in Singapore, being the registered owner of Pacific Energy 8, one of the Vessels |
| “Pacific Energy 28 Owner” | PACIFIC ENERGY 28 PTE. LTD., a company incorporated in Singapore, being the registered owner of Pacific Energy 28, one of the Vessels |
| “Pacific Energy 138 Owner” | PACIFIC ENERGY 138 PTE. LTD., a company incorporated in Singapore, being the registered owner of Pacific Energy 138, one of the Vessels |

DEFINITIONS

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| “Pacific Energy 168 Owner” | PACIFIC ENERGY 168 PTE. LTD., a company incorporated in Singapore, being the registered owner of Pacific Energy 168, one of the Vessels |
| “Petroleum Indent Trading Business” | the Group’s existing business of indent trading of petrochemical products as well as petroleum and energy products |
| “Promissory Note(s)” | zero coupon promissory notes to be issued by the Company in favour of the Vendor for part settlement of the Consideration |
| “Proposed Annual Caps” | the maximum total amount for the leasing of the Vessels payable by Inter-Pacific to the Group from the date of Completion up to and including 31 March 2020 |
| “Proposed Transactions” | the sale and purchase of the Vessels pursuant to the Sale and Purchase Agreement and the leasing of Vessels pursuant to the Master Lease Agreement |
| “Sale and Purchase Agreement” | the sale and purchase agreement entered into between the Company and the Vendor dated 29 September 2017, details of which are set out under paragraph headed “The Sale and Purchase Agreement” in the letter from the Board of this circular |
| “Second Completion” | completion of the transfer of Pacific Energy 138 to the Company (or its subsidiaries) |
| “Second Consideration” | HK\$54,640,000 for the acquisition of Pacific Energy 138 to be settled as per the schedule set out under section headed “Consideration” in the letter from the Board of this circular |
| “SFO” | The Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong |
| “SGM” | the special general meeting of the Company to be convened and held for the Independent Shareholders to consider, and it thought fit, to approve the Agreements and the transactions contemplated thereunder |
| “Share(s)” | the ordinary share(s) in the issued share capital of the Company |

DEFINITIONS

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|-----------------------------|--|
| “Shareholder(s)” | holder(s) of the Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Substantial Shareholder” | has the meaning ascribed thereto in the Listing Rules |
| “Third Completion” | completion of the transfer of Pacific Energy 8 and Pacific Energy 168 to the Company (or its subsidiaries) |
| “Third Consideration” | HK\$97,160,000 for the acquisition of Pacific Energy 8 and Pacific Energy 168 to be settled as per the schedule set out under section headed “Consideration” in the letter from the Board of this circular |
| “Vendor” or “Inter-Pacific” | Inter-Pacific Group Pte. Limited, a company incorporated in Singapore with limited liability |
| “Vessel(s)” | four petroleum product tankers, being the subject matter under the Sale and Purchase Agreement, details of which are set out under paragraph headed “Information on the Vessels” in the letter from the Board of this circular |
| “HK\$” | Hong Kong dollar(s), the lawful currency of Hong Kong |
| “SGD” | Singapore dollar(s), the lawful currency of Singapore |
| “US\$” | US dollar(s), the lawful currency of the United States of America |
| “%” | per cent. |

For the purpose of illustration only, amounts denominated in SGD have been translated into HK\$ at an exchange rate of SGD1:HK\$5.77. No representation is made that any amounts in SGD and HK\$ can be or could have been converted at the relevant dates at the above rates or at any other rates at all.



DAISHO MICROLINE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0567)

Executive Directors:

CHEUNG Lai Na (*Chairman*)

CHEUNG Lai Ming

Non-executive Directors:

LEE Man Kwong

Independent non-executive Directors:

LEUNG King Fai

CHOU Yuk Yan

LAW Ping Wah

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

27 December 2017

To the Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION,
CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement in relation to, among others, the Agreements.

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

LETTER FROM THE BOARD

THE SALE AND PURCHASE AGREEMENT

The principle terms of the Sale and Purchase Agreement are as follows:

| | |
|----------------|-----------------------------------|
| Date | 29 September 2017 |
| Parties | (1) the Company, as the purchaser |
| | (2) Inter-Pacific, as the Vendor |

The Vendor is principally engaged in trading of petrochemical products and owned as to 50% by the Substantial Shareholder namely, Ms. Cheung Lai Na, and 50% by Individual Third Parties namely, Dr. Goh Jin Hian and Ng Man Chan. On this basis, the Vendor was a connected person to the Company as at the Latest Practicable Date.

Subject assets

The Company conditionally agreed to acquire, and the Vendor, as beneficial owner of the Vessels, conditionally agreed to dispose, the Vessels. Further particulars of the Vessels are set out under paragraph headed "Information on the Vessels" below.

Consideration

The Consideration for the acquisition of the Vessels from the Vendor shall be HK\$196,480,000. The breakdown and settlement terms of the Consideration for each of the Vessels are set out below:

| Vessel name | Pacific Energy 28 (HK\$'000) | Pacific Energy 138 (HK\$'000) | Pacific Energy 8 (HK\$'000) | Pacific Energy 168 (HK\$'000) |
|---|-------------------------------------|--------------------------------------|-----------------------------------|-------------------------------------|
| Consideration | 44,680 | 54,640 | 52,710 | 44,450 |
| | (i.e. the "First Consideration") | (i.e. the "Second Consideration") | (i.e. the "Third Consideration") | |
| - 15% upon signing of the Sale and Purchase Agreement in cash | 6,702 | 8,196 | 7,907 | 6,667 |
| | (the "First Deposit") | (the "Second Deposit") | (together the "Third Deposit") | |
| - 85% upon Completion by way of cash and Promissory Notes | | | | |
| (i) Cash | 4,668 | 5,709 | 5,507 | 4,644 |
| (ii) Promissory Notes | 33,310 | 40,735 | 39,296 | 33,139 |
| | 38,978 | 46,444 | 44,803 | 37,783 |

LETTER FROM THE BOARD

The Consideration was arrived at after arm's length negotiations between the parties to the Sale and Purchase Agreement with reference to a preliminary valuation of the Vessels from an independent valuer, which valued the Vessels in aggregate at HK\$196,480,000 as of 31 August 2017. The Consideration represents a slight discount to the valuation of the Vessels as of 31 October 2017. Pursuant to the Sale and Purchase Agreement and as set out in the table above, 15% of the Consideration is payable by the Company upon signing of the Sale and Purchase Agreement and the remaining 85% shall be settled by a combination of cash and Promissory Notes. The cash portion of the Consideration of HK\$50,000,000 payable by the Group pursuant to the Sale and Purchase Agreement shall be in stages and from internal resources and/or bank borrowings of the Group. The balance of the Consideration, being HK\$146,480,000, shall be settled by way of Promissory Notes, at Completion. Further details of the Promissory Notes are set out under the paragraph headed "Promissory Notes" below.

Conditions precedent

First Completion shall be conditional upon:

- (a) the compliance by the Company of the requirements of the Listing Rules in relation to the transfer of Pacific Energy 28 contemplated under the Sale and Purchase Agreement, including without limitation, the obtaining of independent shareholders' approval with respect to such transfer;
- (b) the Company (or its designated subsidiary) having entered into a Memorandum of Agreement with the Pacific Energy 28 Owner;
- (c) the Company having entered into a lease agreement with the Vendor for the Vendor to lease-back the Vessels, and such lease back arrangement having been approved by the independent shareholders of the Company; and
- (d) all Consents, registration, filings, confirmations, clearances, rulings and decisions by the Authorities or the bankers or creditors of the Vendor or the Pacific Energy 28 Owner, or any other third party that are necessary or appropriate for or in relation to the transfer of Pacific Energy 28 to the Company (or its designated subsidiary) having been obtained.

The Company may waive conditions (c) and (d) above at any time by notice in writing to such effect to the Vendor.

Second Completion shall be conditional upon:

- (a) the compliance by the Company of the requirements of the Listing Rules in relation to the transfer of Pacific Energy 138 contemplated under the Sale and Purchase Agreement, including without limitation, the obtaining of independent shareholders' approval with respect to such transfer;
- (b) the Company (or its designated subsidiary) having entered into a Memorandum of Agreement with the Pacific Energy 138 Owner;

LETTER FROM THE BOARD

- (c) the Company having entered into a lease agreement with the Vendor for the Vendor to lease-back the Vessels, and such lease back arrangement having been approved by the independent shareholders of the Company;
- (d) Mortgage 138 having been discharged in full and evidence of such discharge having been provided to the Company to its satisfaction; and
- (e) all Consents, registration, filings, confirmations, clearances, rulings and decisions by the Authorities or the bankers or creditors of the Vendor or the Pacific Energy 138 Owner, or any other third party that are necessary or appropriate for or in relation to the transfer of Pacific Energy 138 to the Company (or its designated subsidiary) having been obtained.

The Company may waive conditions (c) and (e) above at any time by notice in writing to such effect to the Vendor.

Third Completion shall be conditional upon:

- (a) the compliance by the Company of the requirements of the Listing Rules in relation to the transfer of Pacific Energy 8 and Pacific Energy 168 contemplated under the Sale and Purchase Agreement, including without limitation, the obtaining of independent shareholders' approval with respect to such transfer;
- (b) the Company (or its designated subsidiary) having entered into a Memorandum of Agreement with each of the Pacific Energy 8 Owner and the Pacific Energy 168 Owner respectively;
- (c) the Company having entered into a lease agreement with the Vendor for the Vendor to lease-back the Vessels, and such lease back arrangement having been approved by the independent shareholders of the Company;
- (d) Mortgage 8 and Mortgage 168 having been discharged in full and evidence of such discharge having been provided to the Company to its satisfaction; and
- (e) all Consents, registration, filings, confirmations, clearances, rulings and decisions by the Authorities or the bankers or creditors of the Vendor, the Pacific Energy 8 Owner or the and Pacific Energy 168 Owner, or any other third party that are necessary or appropriate for or in relation to the transfer of Pacific Energy 8 and Pacific Energy 168 to the Company (or its designated subsidiary) having been obtained.

The Company may waive conditions (c) and (e) above at any time by notice in writing to such effect to the Vendor.

LETTER FROM THE BOARD

If the respective conditions specified above for each of (i) the First Completion; (ii) the Second Completion; and (iii) the Third Completion are not fulfilled or waived on or before the Long-Stop Date, save for any antecedent breach, the Sale and Purchase Agreement shall be automatically terminated, so far as in relation to the sale and purchase of each of (i) Pacific Energy 28; (ii) Pacific Energy 138; and (iii) Pacific Energy 8 and Pacific Energy 168, respectively.

In the event that the respective conditions specified above for each of (i) the First Completion; (ii) the Second Completion; and (iii) the Third Completion are not fulfilled (or waived in accordance with terms of the Sale and Purchase Agreement) on or before the Long-Stop Date, the First Deposit, the Second Deposit and/or the Third Deposit (where applicable) shall be paid back by the Vendor to the Company (or such persons as it may direct), without interest, in immediately available funds within five (5) Business Days from the Long-Stop Date.

For the avoidance of doubt, each of First Completion, Second Completion and Third Completion is independent of each other Completion, as the case may be.

Conduct of operations before Completion

The Vendor undertakes to procure that, prior to Completion, it will operate the Vessels in their ordinary course of operations and that it will not do or omit to do (or allow to be done or to be omitted to be done) any act or thing which would or may have a material adverse effect on the value or life of the Vessels.

Completion

First Completion shall take place on the fifth Business Day following the satisfaction (or the waiver, if applicable) of the conditions under the Sale and Purchase Agreement when all (but not some only) of the events described below shall occur:

- (a) the Vendor shall deliver or procure the delivery to the Company (or its designated subsidiary):
 - (i) protocol of delivery and acceptance stating the date, time and place of delivery in respect of Pacific Energy 28, duly executed by the Pacific Energy 28 Owner in favour of the Company its designated subsidiary as the Company may direct;
 - (ii) two bills of sale specifying the purchase price and that Pacific Energy 28 is free from all encumbrances as set out in the Memorandum of Agreement;
 - (iii) Singapore vessel transcript, dated on the date of the First Completion or such other date as the parties may agree, issued by the Singapore Register of Ships showing that Pacific Energy 28 is registered in the ownership of the Pacific Energy 28 Owner;
 - (iv) each other document (as applicable) set out in the Memorandum of Agreement to be furnished by the Pacific Energy 28 Owner;

LETTER FROM THE BOARD

- (v) certified copies of the constitution of the Vendor and the Pacific Energy 28 Owner;
 - (vi) certified copies of the resolutions of the directors of the Vendor and the Pacific Energy 28 Owner approving the sale of Pacific Energy 28; and
 - (vii) certified copy of the resolutions of the shareholders of the Pacific Energy 28 Owner approving the sale of Pacific Energy 28;
- (b) against the performance of the Vendor of its obligations under the Sale and Purchase Agreement, the Company shall:
- (i) deliver to the Vendor a cheque in favour of the Vendor drawn on a licensed bank in Hong Kong in the amount of HK\$4,668,000; and
 - (ii) deliver to the Vendor the duly executed Promissory Notes in favour of the Vendor (or its designated nominee) in the principal amount of HK\$33,310,000 for the remaining balance of the First Consideration.

Second Completion shall take place on the fifth Business Day following the satisfaction (or the waiver, if applicable) of the conditions under the Sale and Purchase Agreement when all (but not some only) of the events described below shall occur:

- (a) the Vendor shall deliver or procure the delivery to the Company (or its designated subsidiary):
- (i) protocol of delivery and acceptance stating the date, time and place of delivery in respect of Pacific Energy 138, duly executed by the Pacific Energy 138 Owner in favour of the Company or its designated subsidiary as the Company may direct;
 - (ii) two bills of sale specifying the purchase price and that Pacific Energy 138 is free from all encumbrances as set out in the Memorandum of Agreement;
 - (iii) Singapore vessel transcript, dated on the date of the Second Completion or such other date as the parties may agree, issued by the Singapore Register of Ships showing that Pacific Energy 138 is registered in the ownership of the Pacific Energy 138 Owner;
 - (iv) each other document (as applicable) set out in the Memorandum of Agreement to be furnished by the Pacific Energy 138 Owner;
 - (v) certified copy of the constitution of the Pacific Energy 138 Owner;
 - (vi) certified copies of the resolutions of the directors of the Vendor and the Pacific Energy 138 Owner approving the sale of Pacific Energy 138; and

LETTER FROM THE BOARD

- (vii) certified copy of the resolutions of the shareholders of the Pacific Energy 138 Owner approving the sale of Pacific Energy 138;
- (b) against the performance of the Vendor of its obligations under the Sale and Purchase Agreement, the Company shall:
 - (i) deliver to the Vendor a cheque in favour of the Vendor (or its designated nominee) drawn on a licensed bank in Hong Kong in the amount of HK\$5,709,000; and
 - (ii) deliver to the Vendor the duly executed Promissory Notes in favour of the Vendor (or its designated nominee) in the principal amount of HK\$40,735,000 for the remaining balance of the Second Consideration.

Third Completion shall take place on the fifth Business Day following the satisfaction (or the waiver, if applicable) of the conditions under the Sale and Purchase Agreement when all (but not some only) of the events described below shall occur:

- (a) the Vendor shall deliver or procure the delivery to the Company (or its designated subsidiary):
 - (i) a protocol of delivery and acceptance stating the date, time and place of delivery in respect of Pacific Energy 8, duly executed by the Pacific Energy 8 Owner in favour of the Company or its designated subsidiary as the Company may direct;
 - (ii) two bills of sale specifying the purchase price and that Pacific Energy 8 is free from all encumbrances as set out in the Memorandum of Agreement;
 - (iii) a Singapore vessel transcript, dated on the date of the Third Completion or such other date as the Parties may agree, issued by the Singapore Register of Ships showing that Pacific Energy 8 is registered in the ownership of the Pacific Energy 8 Owner;
 - (iv) each other document (as applicable) set out in the Memorandum of Agreement to be furnished by the Pacific Energy 8 Owner;
 - (v) certified copy of the constitution of the Pacific Energy 8 Owner;
 - (vi) certified copies of the resolutions of the directors of the Vendor and the Pacific Energy 8 Owner approving the sale of Pacific Energy 8;
 - (vii) certified copy of the resolutions of the shareholders of the Pacific Energy 8 Owner approving the sale of Pacific Energy 8;

LETTER FROM THE BOARD

- (viii) protocol of delivery and acceptance stating the date, time and place of delivery in respect of Pacific Energy 168, duly executed by the Pacific Energy 168 Owner in favour of the Company or its designated subsidiary as the Company may direct;
 - (ix) two bills of sale specifying the purchase price and that Pacific Energy 168 is free from all encumbrances as set out in the Memorandum of Agreement;
 - (x) a Singapore vessel transcript, dated on the date of the Third Completion or such other date as the Parties may agree, issued by the Singapore Register of Ships showing that Pacific Energy 168 is registered in the ownership of the Pacific Energy 168 Owner;
 - (xi) each other document (as applicable) set out in the Memorandum of Agreement to be furnished by the Pacific Energy 168 Owner;
 - (xii) certified copy of the constitution of the Pacific Energy 168 Owner;
 - (xiii) certified copies of the resolutions of the directors of the Vendor and the Pacific Energy 168 Owner approving the sale of Pacific Energy 168; and
 - (xiv) certified copy of the resolutions of the shareholders of the Pacific Energy 168 Owner approving the sale of Pacific Energy 168;
- (b) against the performance of the Vendor of its obligations under the Sale and Purchase Agreement, the Company shall:
- (i) deliver to the Vendor a cheque in favour of the Vendor (or its designated nominee) drawn on a licensed bank in Hong Kong in the amount of HK\$10,151,000; and
 - (ii) deliver to the Vendor the duly executed Promissory Notes in favour of the Vendor (or its designated nominee) in the principal amount of HK\$72,435,000 for the remaining balance of the Second Consideration.

For the purpose of clarity, as advised by the Company's counsel as to Singapore laws only Singapore incorporated company can be the registered owner of Singapore flagged vessels, it is the intention of the Company to designate its Singapore subsidiary(ies) to be the registered owner of the relevant Vessels at Completion.

LETTER FROM THE BOARD

Promissory Notes

The principal terms of the Promissory Notes are as follows:

| | |
|-------------------------|-----------------|
| <i>Issuer</i> | The Company |
| <i>Principal amount</i> | HK\$146,480,000 |
| <i>Interest</i> | Nil |

Status

The obligations of the Company arising under the Promissory Notes constitute direct, unsubordinated, and unsecured obligations of the Company. The obligations of the Company arising under the Promissory Notes shall at least rank pari passu with all other present and future unsecured obligations of the Company except for obligations accorded preference by mandatory provisions of applicable laws.

Maturity

The outstanding principal amount of the Promissory Notes shall become due and payable on the second anniversary of the date of issue of the Promissory Notes.

Transferability

The Promissory Notes may not be assigned or transferred save with the prior written consent of the Company.

Redemption

The Promissory Notes may be redeemed by the Company at any time by giving the noteholder prior notice.

THE MASTER LEASE AGREEMENT

The principle terms of the Master Lease Agreement are as follows:

| | |
|----------------|------------------------------|
| Date | 29 September 2017 |
| Parties | (1) the Company, as lessor |
| | (2) Inter-Pacific, as lessee |

Subject

Subject to compliance of the relevant Listing Rules by the Company and the conditions precedent set out in the Master Lease Agreement, the Master Lease Agreement shall take effect from the first completion (whichever First Completion, Second

LETTER FROM THE BOARD

Completion or Third Completion happens earlier) until 31 March 2020, unless earlier terminated by either party giving a prior written notice of three months to the other. The Company (as lessor) and Inter-Pacific (as lessee) entered into the Master Lease Agreement which sets out the principal terms in relation to the lease of the Vessels by the lessor (for itself and on behalf of its subsidiaries) to the lessee (for itself and on behalf of its subsidiaries). Members of the Group are expected to enter into individual contracts (the “**Contract(s)**”) with the Lessee or its subsidiaries on the same principal terms in respect of the lease of each of the individual Vessels. The conditions set out in the Master Lease Agreement shall be applied to each of such Contracts. As at the Latest Practicable Date, the Company intended to let all four of the Vessels to the Vendor. Nonetheless, the Company shall follow the stated pricing policies and internal procedures as set out under paragraph headed “Pricing policies and related internal procedures” below. In any event, the lease to Inter-Pacific or its subsidiary(ies) shall be on terms no less favourable to the lessor than that are available from independent third parties.

Pricing policies and related internal procedures

The pricing terms of the lease of Vessels shall be determined between the parties on a quarterly basis and based on arm’s length negotiations between the parties on normal commercial terms with reference to:

- (i) the prevailing market price of the same or substantially similar leases, taking into account the charges on leasing similar vessels of comparable size, speed and operating capacities;
- (ii) if there are insufficient comparable transactions in (i) above, on normal commercial terms comparable to those leases from independent third parties in respect of the substantially similar vessels; and
- (iii) if both (i) and (ii) above are not applicable, by reference to the average price of similar leases previously paid by the lessee, and on normal commercial terms which are no less favourable to the lessor than that are available from independent third party.

For avoidance of doubt, the aforesaid pricing policy (i) is referring to leases between two market participants (which do not involve the Group nor parties connected to the Group) and the aforesaid pricing policy (ii) is referring to leases between the Group and a third party market participant.

In addition, for the pricing policy set out above, the Company would consider the following factors when determining whether leases are similar or transactions are comparable, such as (a) status and characteristics of the subject vessels related to these market transactions, in terms of usage, size, tonnage, year of made, conditions, equipment (where applicable); (b) length of lease; and (c) whether the lease is also related to the Singapore market, being the intended operating country of the Vessels in the past and after the Completion.

LETTER FROM THE BOARD

Going forward, the Company shall maintain a database of relevant leasing rate of vessels (the “**Database**”) and such Database is updated on a quarterly basis to keep track of the market rates of leases, with reference to pricing policies (i), (ii) and (iii) (where applicable) as set out above. Furthermore, the Operation Manager would also update the Database when potential lessees submit offer(s) to lease the Vessel(s) from the Group. The Company is of the view that maintaining and regularly updating the Database through the aforesaid procedures shall ensure the Database can be used as an appropriate reference point for market rates of leases going forward. While the Operation Manager shall make reference to leasing rates set out in the Database when engage in negotiation of new lease of Vessels, the Operation Manager shall also follow the internal procedures as set out in the subsequent paragraph headed “Internal Procedures” below. Given the lease terms of the Vessels are typically not less than six months, the Board considered that the review of pricing terms in respect of the lease of Vessels on a quarterly basis shall be sufficient to ensure that the terms of leasing to be on normal commercial terms and no less favourable to the Company from time-to-time.

Internal procedures

Based on the internal procedures of the Company, around one to two months prior to the expiry of existing lease term or entering into a new contract for the lease of Vessels (as the case may be), the operation manager (the “**Operation Manager**”), who shall report to the senior management of the Company and be responsible for the leasing operation of the Vessels, shall (i) inquire the existing lessee of the Vessels for quotations regarding the possible renewal of lease; and (ii) seek potential lessees in the market and obtain not less than two quotations from Independent Third Parties and compare the leasing terms proposed by the existing lessee(s), which may or may not be a connected party (including the Vendor).

If the Company is not able to obtain any quotations from Independent Third Parties or the existing lessee(s) does not have intention to renew the relevant lease and the Vendor or another connected party (in the case may be) intends to lease the Vessels, the Company shall engage an independent valuer to value the market rate of lease for the Vessels to ensure that the leasing terms of the Vessels will be no less favourable to the Group than that are available from Independent Third Parties. After discussion with an independent valuer on the feasibility of valuation of the market rate of lease for the Vessels (the “**Rate**”), the Company noted that the independent valuer has subscribed data from a well-known global vessel industry data provider, namely Vessels Value, which provides transaction and lease data, price data and news about vessel industry as well as considered information provided by the Company. After obtaining and reviewing the relevant data from Vessels Value, the independent valuer considered that there are sufficient comparables appropriate for the valuation of the Rate. On this basis, the independent valuer considers that the market approach valuation methodology is feasible for the valuation of the Rate.

The Operation Manager is responsible for conducting the above procedures, and gather the relevant information including but not limited to (i) the existing terms of leasing contracts; (ii) quotations to be provided by Independent Third Parties (if any); or (iii) the opinion to be provided by independent valuer, where applicable, for the Board to

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review, make recommendation to the executive Board in relation to the relevant leases to facilitate the approval of the potential leasing agreements. In this connection, the lessee offering the highest leasing rate shall be selected to ensure the pricing term would be no less favourable to the lessor. The executive Board is of the view that given (i) the industry knowledge of the Operation Manager together with the relevant data supporting its recommendation to the executive Board, which shall primarily be based on the party offering the highest leasing rate, being an objective decision; and (ii) the robust pricing policies and internal procedures as set out above, which being part of the Proposed Transactions and transactions contemplated thereunder, are subject to the approval of the independent Shareholders and considered by the Board (including the non-executive Director and independent non-executive Directors) and the independent financial adviser to be fair and reasonable and in the interests of the Company and Shareholders as a whole, it is sufficient to ensure that potential leasing agreements shall be on pricing terms no less favourable to the lessor and in the interests of the Company and the independent Shareholders as a whole. Nonetheless, in the unlikely event of there being two or more parties, independent third party and connected party, offering the same leasing rate, both being the highest leasing rate on offer at the relevant time, and the Operation Manager recommends more than one lessee's offer as its recommendation shall be primarily based on the highest leasing rate. Under such circumstances, the non-executive Director shall then be required to approve the subject leasing agreement based on information gathered by the Operation Manager as well as his/her business acumen and experience with the view to ensure such transaction is in the interests of the Company and the Shareholders as a whole.

If the Vendor becomes the lessee of the Vessels, the annual chartering income will be reviewed by the Board, on a contract-by-contract as well as on a cumulative basis, to ensure that the leasing income of the Vessels will not exceed the proposed Annual Caps or otherwise be subject to Independent Shareholders' approval. The auditor of the Company and the independent non-executive Directors shall also conduct review annually on the continuing connected transactions contemplated under the Master Lease Agreement in accordance with the applicable Listing Rules.

Payment

The lessee shall pay the lessor on a monthly basis and in advance.

Condition Precedent

The Master Lease Agreement is conditional upon (i) the approval by the Independent Shareholders; and (ii) the lessor having procured the owner of each vessel to enter into a contract with the lessee or its subsidiary(ies) for the charter of that vessel, substantially in such form as may be applicable in the market for vessels of the nature and usage of that vessel. Since only Singapore incorporated company can be registered owner of Singapore flagged vessels as advised by the Company's counsel as to Singapore laws, in order for the Master Lease Agreement to be effective, it is necessary and a condition precedent for individual contracts to be entered into between the owner of each Vessel (being a Singapore incorporated company) and the Vendor or its subsidiary(ies) for the charter of the four relevant Vessels. It is intended that applicable charter contract forms

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prescribed by Baltic and International Maritime Council will be adopted with modification with reference to the Sale and Purchase Agreement and based on the terms and conditions under the Master Lease Agreement. If such condition is not satisfied by 31 March 2018 or such other date as the parties hereto may otherwise agree in writing, the Master Lease Agreement shall be terminated.

Annual caps and basis of determination

Pursuant to the Master Lease Agreement, the annual cap for the leasing fee shall be SGD2,920,000, SGD7,200,000 and SGD7,370,000 (equivalent to approximately HK\$16.8 million, HK\$41.5 million and HK\$42.5 million, respectively) for each of the years ending 31 March 2018, 2019 and 2020, respectively. The Company shall comply with the relevant requirements of the Listing Rules in the event that the annual caps are exceeded.

The Proposed Annual Caps for the period commencing from date of the first completion (whichever First Completion, Second Completion or Third Completion happens earlier) up to 31 March 2018, and each of the years ending 31 March 2019 and 2020 are calculated with reference to, among others, (i) the prevailing market leasing rate (i.e. the leasing rate of Pacific Energy 8 to a third party by the Vender) as well as the Management's estimation by adjusting for among others, the size, operating capacity and the tonnage of the Vessels, and estimated the range to be SGD133,000 to SGD170,000 per month (subject to gross tonnage of the vessels); and (ii) the expected increase in leasing rates of 2.5% attributable to change in market demand, increase in relevant costs and inflation.

INFORMATION ON THE GROUP AND INTER-PACIFIC

The principal activities of the Group are investment holding and manufacturing and trading of printed circuit boards. In mid-2017, the Group also undertook the business of indent trading of petrochemical products as well as petroleum and energy products.

As set out in the annual report of the Company for the year ended 31 March 2017, the principal activities of the Group are investment holding and manufacturing and trading of printed circuit boards (the "PCB Business"). In order to realise business diversification, in mid-2017, the Group also undertook the business of indent trading of petrochemical products as well as petroleum and energy products (i.e. the Petroleum Indent Trading Business). Upon Completion, the Group will continue its existing PCB Business and Petroleum Indent Trading Business, while expanding its Petroleum Indent Trading Business to include vessel leasing (i.e. the Petroleum Indent Trading and Vessel Leasing Business).

PCB Business

As set out in the annual report of the Company for the year ended 31 March 2017, the Group has recorded losses in two out of three recent completed financial years. In light of the highly competitive business environment in the PCB Business, the Group has taken various measures to confront the challenge. The Group has implemented and shall continue to develop various cost-savings and quality improvement measures to remain competitive in its printed circuit board business. In addition, the Group has also adopted strategic pricing policy and proactive marketing approach so as to canvass for new sales orders from both existing and potential customers. In addition, the manufacturing process has been reviewed and the Company has purchased new machinery and equipment with a view to improve efficiency through automating certain part(s) of the manufacturing

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processes which would increase production speed and reduce the involvement of labour, thereby reducing labour cost and enhance the Group's overall competitiveness in the market.

In view of the Group recording losses for four out of five financial years between 2013 and 2017, which amounted to losses of not less than HK\$200 million in aggregate, such were primarily attributable to the financial performance of the PCB Business. On this basis, the management of the Company recognises the need to improve the performance of the PCB business and shall continue to explore new profitable clients and products in the future as well as further enhancing cost control processes with a view to improve operational efficiencies.

As mentioned in the preceding paragraph, the return on the investment of PCB segment has been negative for majority of the past five financial years, which were mainly attributable to (i) the intense market competition as evidenced by a period-on-period decrease in segment revenue; and (ii) the labour intensive nature of the PCB Business as evidenced by the PCB Business employing not less than 457 employees as at 30 September 2017, and which has been adversely affected by the statutory staff wage increments in last few years. Such increment was approximately 10% annually between 2014 and 2016, thereby creating a decreasing profit margin business environment for the Group which resulted in negative return to the Shareholders.

On the other hand, new orders often require additional investments, which may be sizeable, into new production equipment to facilitate the production. There is no guarantee that the new production equipment will be suitable for production of future orders from a different customer and that the technology of such equipment will not become obsolete in the future. Furthermore, subject to the size of such investment and production lead time, the financial results and cash flow positions at the relevant times maybe affected temporarily. In addition, the management is required to monitor and ensure ongoing compliance of the relevant PRC laws and regulations related to its PCB business which may change with short notices. In view of the above, the management, subject to ongoing costs cutting measures, shall continue to exercise caution in conducting the PCB business and at present, it intends to maintain the business of the PCB Business and has no present intention to downsize or cease the PCB Business.

Furthermore, in order to better deploy the Group's financial resources and minimise its exposure to foreign exchange risks, significant portion of the secured bank borrowings has been repaid.

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As set out in the announcement of the Company dated 28 February 2017, the Company intends to apply approximately HK\$22.0 million to repay bank borrowings and approximately HK\$24.5 million out of the net proceeds to enhance certain operational aspects of the PCB business. Up to 30 September 2017, the utilisation of the relevant net proceeds raised from the placement of Shares are details as follows:

| Use of net proceeds | Utilised amount (HK\$' million) | Intended use of unutilised proceeds (HK\$' million) |
|---|--|--|
| Repayment of bank borrowings: | 22.00 | – |
| Enhance certain operational aspects of the PCB business: | | |
| – establish a marketing department | 0.85 | 3.00 |
| – purchase of new machineries and equipment | 4.50 | 5.00 |
| – promotional activities to strengthen the Company's brand | – | 2.00 |
| – implementation of factory improvement program | 1.70 | 4.00 |
| – improvement to the Group's information system | 0.15 | 1.00 |
| – expenses related to external consultants and/ or establish internal control department | 0.94 | 1.36 |
| | 30.14 | 16.36 |
| Utilised | | |
| Unutilised | | 16.36 |
| Total (Utilised + Unutilised) | | 46.50 |

The Company intends to apply the aforesaid remaining unutilised proceeds within one year from the completion of the placement of Shares.

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As set out in the circular of the Company dated 21 July 2017 in relation to, among others, the placing of convertible bonds assuming net proceeds of HK\$75 million, the Group intends to utilise part of the proceeds from placing of convertible bonds for the existing PCB business, of which (i) approximately HK\$3.0 million for strengthening the marketing function to promote the Company's business of manufacturing printed circuit boards for automobile components in PRC, including but not limited to, hiring operational staff, experts and marketing materials; and (ii) approximately HK\$4.0 million purchase new machineries and equipment for the existing PCB Business. Furthermore, part of the net proceeds was intended to be utilised towards the development of the business of indent trading of petroleum related products, a breakdown of which is set out as follows, (i) approximately HK\$30 million for acquiring petroleum related products for the indent trading business; (ii) approximately HK\$30 million will be used to acquire a vessel for strengthening the logistic arrangement and/or chartering services in relation to the indent trading business; (iii) approximately HK\$3 million will be used to secure banking facilities required for the indent trading business; and (iv) approximately HK\$5 million will be used as general working capital of the Group for the indent trading business.

Up to 30 September 2017, out of the net proceeds raised from the placement of the convertible bonds, approximately HK\$60.9 million has been utilised, of which (i) approximately HK\$1.4 million has been applied towards the purchase of new machineries for the PCB business; (ii) approximately HK\$29.5 million has been used as deposit for the Acquisition; and (iii) approximately HK\$30.0 million has been used to acquire petroleum related products for the indent trading business. The remaining net proceeds raised has not been utilised as at the Latest Practicable Date. The Company intends to utilise the remaining net proceeds of approximately HK\$17.5 million in the following manner:

| | Amount <i>(HK\$' million)</i> |
|---|---|
| PCB Business | |
| – strengthen the marketing function to promote the Company's business of manufacturing PCB for automobile components in PRC | 3.0 |
| – purchase of new machineries and equipment | 2.6 |
| – administrative expenses | 3.9 |
| Indent Trading Business | |
| – secure banking facilities required for the indent trading business | 3.0 |
| – general working capital | 5.0 |
| Total remaining unutilised net proceeds | 17.5 |

The Company intends to apply the aforesaid remaining unutilised proceeds within two years from the completion of the placement of the convertible bonds.

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Petroleum Indent Trading and Vessel Leasing Business

In mid-2017, the Group undertook the business of indent trading of petrochemical products as well as petroleum and energy products 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 set out in the annual report of the Company for the year ended 31 March 2017 and the circular of the Company dated 21 July 2017 in relation to, among others, the placing of convertible bonds, under the Petroleum Indent Trading Business, the Group 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 normal business practice for relatively new and small scale participants in the petroleum industry to engage agents like the Company for sourcing and matching services. The Petroleum Indent Trading team of the Company has established a satisfactory working relationship with the Supplier (defined hereafter), being a sizeable international corporation. The Company has a good historical track record of fulfilling its duties as an agent, as well as gained a working knowledge of the Supplier's internal procedures and processes in addition to having established communication channels with the Supplier through working closely with the Supplier previously. The above enables the Company to facilitate smooth execution of indent trades which would otherwise be time consuming and inefficient for both the Supplier and the new and small scale participants.

As at the Latest Practicable Date, the Directors are of the view that the Group's Petroleum Indent Trading Business are in its developing stage, the Group has one full time employee working for its Petroleum Indent Trading Business, supervised by Ms. Cheung Lai Na, who is supported by Ms. Cheung Lai Ming, with a combined experience of over 20 years in the business of petroleum trading. Going forward, the management will continue to explore the possibility of expanding the Group's Petroleum Indent Trading Business, subject to the market conditions and availability of the Group's resources at the relevant time. Since the commencement of the Petroleum Indent Trading Business, Ms. Cheung Lai Na and Ms. Cheung Lai Ming have been instrumental in sourcing customers and suppliers through their professional network as well as leveraging their industry knowledge and reputation in the market.

Since the commencement of its Petroleum Indent Trading Business around mid-2017, the Group has derived its indent trading revenue from one customer, namely, being a trading company for petroleum related products. The Vendor confirmed that such customer is not a customer of the Vendor in the past 12 months. In connection with supplier, the Group has purchased its petroleum for indent trading primarily from one supplier, being part of a listed corporation in the petroleum industry with an international presence (the "**Supplier**") since mid-2017. Given the size of the Supplier's group and the scale of their operations across Asia as well as other parts of the world, it is inevitable that the Vendor may have business relationship with the Supplier's group from time to time. Nonetheless, the Vendor did not have nor did it conduct any Petroleum Indent Trading business as at the Latest Practicable Date.

Given members of the Company's management have a wealth of relevant trading experience and established track record for over a decade, the Petroleum Indent Trading Business is considered by the management to have relatively low risk exposure to the Group and such business is expected to yield a stable yet reasonable return based on management's experience. Subject to the ongoing development of the macro economy, the management shall continue to develop this business with caution.

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With respect to vessel leasing, the management is confident that the vessel leasing business will generate a stable and satisfactory yield to the Group as well as a net cash inflow after Completion. Based on information available including information set out in the website of The Maritime and Port Authority of Singapore (the “MPA”) (www.mpa.gov.sg), the management expects that the demand in vessel leasing in Singapore to at least maintain at the prevailing level attributable to the outlook of the bunker sales business in the region. As per the MPA website, total bunker sales volume in Singapore port amounted to approximately 42.4 million tonnes in 2014, approximately 45.2 million tonnes in 2015, approximately 48.6 million tonnes in 2016, and approximately 33.7 million tonnes for the first eight months of 2017 (approximately 32.7 million tonnes for first eight months of 2016). The compound annual growth rate between 2014 and 2016 in total bunker sales volume amounted to approximately 7.1%. Out of the above bunker sales volume, the most significant single marine fuel product in terms of volume is Medium Fuel Oil 380 cst (the “MFO 380”), which contributed bunker sales volume of approximately 31.8 million tonnes in 2014, approximately 34.1 million tonnes in 2015, approximately 36.1 million tonnes in 2016, and approximately 25.2 million tonnes for the first eight months of 2017 (approximately 24.4 million tonnes for first eight months of 2016). The compound annual growth rate between 2014 and 2016 in MFO 380 bunker sales volume amounted to approximately 6.5%. Given bunkering is the supply of fuel for use by vessels and that such process involves the transportation of fuel from the fuel storage location to the subject vessel at sea by specialised vessels, the Directors are of the view that in the event of an increase in bunker sales volume, given the supply (i.e. the availability) of specialised vessels stays constant, the demand for the lease of these vessels shall increase. On this basis, the vessel leasing rate should be positively affected. The Vendor advised that it has used the Vessels primarily to transport MFO 380 in the past. In view of the above, the Directors are optimistic about the prospects of the vessel leasing business in the Singapore market.

There have been various changes to the Board and senior management of the Group since the end of 2016, including the departure of former Chairman of the Group, Mr. Chan Sik Ming, Harry, details of which are set out in the relevant announcements of the Company. The Board shall continue to strive to improve the financial performance of the Group by leveraging the experience and skills of the senior management of the Group. In addition, the management shall conduct a detailed review of the Company’s overall corporate strategy and direction after the end of the current financial year, being 31 March 2018, taking into account the then situation of the respective businesses of the Group, including but not limited to the financial performance, prospects and resources available to the Group. Subject to the outcome of such business review, the management shall then formulate an appropriate action plan for each of the Group’s businesses accordingly, which may or may not include expansion and/or downsizing of the relevant operations, as the case may be.

The principal activities of Inter-Pacific are trading of petrochemical products. As at the Latest Practicable Date, Inter-Pacific is directly owned as to (i) 50% by Ms. Cheung Lai Na, an executive Director and a Substantial Shareholder; and (ii) 50% by Independent Third Parties, respectively. Accordingly, Inter-Pacific is a connected person of the Company.

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| LETTER FROM THE BOARD |
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INFORMATION ON THE VESSELS

Pursuant to the Sale and Purchase Agreement and based on information provided by the Vendor, the particulars of the Vessels are as followings:

| Vessel name | Pacific Energy 8 | Pacific Energy 28 | Pacific Energy 138 | Pacific Energy 168 |
|--------------------|-----------------------------|------------------------------|-------------------------------|-------------------------------|
| Port of registry | Singapore | Singapore | Singapore | Singapore |
| IMO Number | 9588689 | 9647899 | 9625267 | 9647904 |
| Year of Made/Build | 2009 | 2012 | 2010 | 2012 |
| Gross Tonnage | 2,405 | 1,999 | 2,608 | 1,999 |
| Net Tonnage | 1,026 | 794 | 1,139 | 794 |

As advised by the Vendor, the Vessels, save for Pacific Energy 8, have been used by the Vendor to conduct its petrochemical trading business. As for the vessel, namely Pacific Energy 8, it is under lease to a third party by the Vendor as at the Latest Practicable Date and the relevant lease period commenced in January 2017 and shall end in December 2017. As advised by the Vendor, the aforesaid lessee of Pacific Energy 8 has indicated that it would not renew its lease upon the expiry of the current lease in December 2017. The Vendor advised that during the 18 months financial period ended 31 December 2016, Pacific Energy 8 was also leased by the Vendor to a third party during the period from 31 January 2016 to 31 December 2016. Save for such period, Pacific Energy 8 was used internally by the Vendor to conduct its petrochemical trading business during the 18 months financial period ended 31 December 2016.

The principal terms of the aforementioned leases of Pacific Energy 8 by the Vendor to third party in the preceding paragraph are as follows:

| | | |
|--|---|--|
| Parties | Vendor, as lessor Independent Third Party, as lessee | Vendor, as lessor Independent Third Party, as lessee |
| Lease term | 31 January 2016– 31 July 2016 and extended to 31 December 2016 | 1 January 2017– 31 December 2017 |
| Monthly leasing rate | SGD125,000 | SGD130,000 |
| Expenses/fees borne by the lessor | Master, officers and crew members possessing the necessary qualifications and/or experience to man and operate the vessel, as well as, among others, costs related to repair and maintenance, relevant insurance policies | |
| Expenses/fees borne by the lessee | Marine gas oil, agency fee to clear the vessel in and out of Singapore port | |

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The unaudited net profits before and after taxation attributable to Pacific Energy 8 for each of the year ended 30 June 2015, 18 months period from 1 July 2015 to 31 December 2016 and eight months period from 1 January 2017 to 31 August 2017 has been extracted from the profit and loss statements of Pacific Energy 8 as set out in Appendix II to this circular:

| | Year ended 30 June 2015 | Period from 1 July 2015 to 31 December 2016 | Period from 1 January 2017 to 31 August 2017 |
|--|------------------------------------|--|---|
| | <i>US\$</i> | <i>US\$</i> | <i>US\$</i> |
| (Loss)/Profit before taxation for the year/period | (80,503) | (2,114) | 204,806 |
| Income tax provision | – | (386) | – |
| (Loss)/Profit for the year/period | (80,503) | (2,500) | 204,806 |

The original cost of the Vessels is based on the ship building costs to the connected person, which totalled to approximately HK\$167.9 million (in aggregate). In addition, based on information provided by the Vendor, each of the Vessels has undertaken the necessary maintenance procedures every two years in order to ensure each of the Vessels is seaworthy at the relevant times.

REASONS FOR AND BENEFITS OF THE AGREEMENTS AND THE PROPOSED TRANSACTIONS

As set out in the annual report of the Company for the year ended 31 March 2017, the Group has recorded losses in two out of three recent completed financial years. The Group has implemented and shall continue to develop various cost-savings and quality improvement measures to remain competitive in its printed circuit board business. In addition, the Group has also adopted strategic pricing policy and proactive marketing approach so as to canvass for new sales orders from both existing and potential customers.

Furthermore, in mid-2017, the Group also undertook the business of indent trading of petrochemical products as well as petroleum and energy products 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.

With a view to improve the business performance of the Group and Shareholders' return, the Board shall continue to review and, where possible, improve the operational efficiencies of the existing businesses of the Group as well as explore possible opportunities to broaden its income base. One of the key objectives of the Board is for the Group to optimise the allocation of its existing resources for the long-term development of the Group. As such, the Board shall formulate appropriate business and deployment plans with due consideration. With the above in mind, the Board has entered into the

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Agreements, pursuant to which, among others, enable the Company to acquire four Vessels which are able to generate revenue and cashflow immediately upon Completion without subjecting the Group to the risks of any of the Vessels being idled after Completion, subject to entering into contract for lease with a lessee. With a view to ensure that the Vessels are able to generate revenue and cash inflow for the Group immediately upon the respective Completion, the Company entered into the Master Lease Agreement with the Vendor. Nonetheless, the Company shall follow the stated pricing policies and internal procedures as set out under paragraph headed “Pricing policies and related internal procedures”. In any event, the lease to the Vendor shall be on terms no less favourable to the lessor than that are available from independent third party.

Going forward, the Company shall continue to develop its Petroleum Indent Trading Business. The Agreements shall enable the Group to expand its Petroleum Indent Trading Business to include vessel leasing, being operating lease in nature (the “**Petroleum Indent Trading and Vessel Leasing Business**”), which shall have a particular focus in the Singapore market given that the Vessels’ country of registration are all with the Singaporean Maritime and Port Authority (the “**MPA**”) and that the Directors are familiar with the Singapore market vessel leasing market. To facilitate this development, no later than the commencement of the respective leases for the vessels after Completion, the Group intends to hire not less than (i) 51 crew members to operate the Vessels in total; (ii) two technicians, primarily responsible for the maintenance of the vessels, each with not less than five years of relevant experience; and (iii) one Operation Manager, reporting to senior management, responsible for the leasing of the Vessels (together the “**Intended Hires**”). The recruitment of the Intended Hires shall subject to the usual recruitment policies and procedures adopted by the Group, and hence may or may not be existing/former employees of the Vendor. The management shall consider, among others, the experience, salary expectation and availability of the Intended Hires during the recruitment process. Nonetheless, each of the Intended Hires is expected to be a third party independent to an not connected with the Vendor, its ultimate beneficial owners and associates.

Based on the experience of the Directors, the expected leasing income to be generated under the Master Lease Agreement commencing after Completion and the prospects of the relevant industry in Singapore, further details of which are set out under paragraph headed “Petroleum Indent Trading and Vessel Leasing Business” in Appendix I to this circular, the vessel leasing business is considered by the Directors to relatively low risk to the Group given its ability to generate a stable and satisfactory yield to the Group as well as a net cash inflow after Completion. As the business continues to develop, subject to the terms offered by Independent Third Party and connected party (as the case may be) at the relevant time, the Directors expect the number of lessees of the Group’s vessel leasing business to increase and may include Independent Third Parties in the future after the expiry of the initial leases. Subject to the financial performance of the vessel leasing business in comparison to the then financial performance of the other businesses of the Group, the resources and opportunities available to the Group at the relevant time, the Group may further expand its vessel leasing business. As set out in the interim report of the Company for the six months ended 30 September 2017, despite a slight decrease in segment revenue of the PCB Business, its segment loss has decreased to approximately HK\$8.0 million, compared to approximately HK\$17.1 million during the

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corresponding prior period. While it is important to continue improving the financial performance of the PCB Business as a whole, the Board is also of the view that it is essential to secure stable income as well as cash inflow in the foreseeable future. Notwithstanding that physical delivery trading may offer potentially higher rate of return as well as the prospects of the relevant industry, the related income may also be more volatile compared to the leasing income, and given the financial performance of the Group, stable income and cash inflow are considered to be a more significant contributing factor currently. Nonetheless, the Company shall continue to review the costs and benefits of expanding into the physical delivery trading business and consider potential opportunities at the relevant times. Having considered the above, the Directors are of the view that the vessel leasing business is in interests of the Company and Shareholders as a whole.

The Company understands from the Vendor that, save for the four Vessels, the Vendor also owns another vessel (the “**Remaining Vendor Vessel**”) as at the Latest Practicable Date. However, the Board do not consider the Vendor is in competition with the Group immediate upon Completion given (i) the Group intends to lease the four Vessels for leasing income after Completion, while the Vendor is using its vessels to conduct its trading of petrochemical products which involves the physical delivery of such products to various types of marine transportation; and (ii) the Vendor intends to continue deploying the Remaining Vendor Vessel for its trading of petrochemical products business (i.e. for its internal use) and does not intend to lease it out to third party for leasing income.

The Directors consider that the acquisition of the Vessels under the Sale and Purchase Agreement and the Master Lease Agreement to be beneficial to the Company as (i) it represents an excellent opportunity for the Group to further broaden its revenue base and facilitates the Group to derive stable leasing income from the Vessels in the foreseeable future; (ii) the leasing of Vessels shall contribute net operating cash inflow to the Group based the expected fee income to be derived from the Master Lease Agreement; (iii) the leasing income is expected to provide the Group with a reasonable rate of return based on the prevailing market leasing rates; (iv) senior management is familiar with the petrochemical trading industry in various regions in Southeast Asia, as evidenced by the experience of Ms. Cheung Lai Na and Ms. Cheung Lai Ming, each an executive Director, in the business of petrochemical trading of over 13 years and 7 years, respectively; and (v) a substantial portion of the Consideration, being HK\$146,480,000, is on a deferred basis in the form of Promissory Notes at nil interest rate with a maturity of two years from date of its issuance.

Having considered the above factors, the Directors are of the view that the terms of the Proposed Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

FINANCIAL EFFECTS OF THE PROPOSED TRANSACTIONS

As illustrated in the unaudited pro forma financial information of the Group as set out in Appendix IV to this circular, assuming the Proposed Transactions was completed as at 30 September 2017, the Group's property, plant and equipment balance would increase by approximately HK\$178.9 million to approximately HK\$268.9 million, such increase primarily represents the acquisition costs of the Vessels. In addition, the Group's bank and cash balance would decrease by approximately HK\$48.1 million, which primarily relates to the settlement of HK\$50.0 million, being cash portion of the Consideration. Furthermore, the Group's non-current liabilities balance will increase by the estimated fair value of the Promissory Notes, being approximately HK\$127.4 million.

As set out in the unaudited financial information of the Vessels as set out in Appendix II to this circular, the vessel, namely Pacific Energy 8, which has been leased to third parties by the Vendor recorded a profit of approximately US\$204,806 for the eight months ended 31 August 2017.

The above information is for illustrative purposes only and because of its hypothetical nature (where applicable), the financial positions and performance as a result of the Proposed Transactions, which shall subject to audit, may differ materially from the above.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios, as calculated in accordance with Rule 14.07 of the Listing Rules, are more than 25% but less than 100%, the acquisition of Vessels constitutes a major transaction for the Company under Rule 14.06 of the Listing Rules. In addition, as the Vendor is an associate of an executive Director who is also a substantial shareholder of the Company, the acquisition of Vessels also constitute a connected transaction under Chapter 14A of the Listing Rules. On the same basis, the leasing of the Vessels under the Master Lease Agreement also constitutes non-exempt continuing connected transactions of the Company under Chapter 14A of the Listing Rules as the highest of the applicable percentage ratios in respect of the Master Lease Agreement is more than 5%. Accordingly, the transactions contemplated under the Agreements are subject to reporting, announcement and independent shareholder's approval requirements under the Listing Rules.

Given Ms. Cheung Lai Na, an executive Director and a Substantial Shareholder, has equity interest in the Vendor, she is considered to have material interests in the transactions contemplated under the Agreements. Accordingly, Ms. Cheung Lai Na had abstained from voting on the resolutions of the Board to approve the Agreements. In addition, Ms. Cheung Lai Ming is an executive Director, younger sister of Ms. Cheung Lai Na and also an employee of the Vendor. On this basis, she had also abstained from voting on the resolutions of the Board to approve the Agreements.

LETTER FROM THE BOARD

SGM

Set out on pages SGM-1 to SGM-2 of this circular is a notice convening the SGM to be held at Room631, 6/F, Kowloon Bay International Trade & Exhibition Centre, 1 Trademart Drive, Kowloon Bay, Hong Kong on Tuesday, 16 January 2018 at 10:30 a.m. at which ordinary resolutions will be proposed at the SGM to the Independent Shareholders for the approval of the Agreements and the transactions contemplated thereunder.

In view of the connection between the Vendor and Ms. Cheung Lai Na, and that Ms. Cheung Lai Ming is an executive Director, younger sister of Ms. Cheung Lai Na and also an employee of the Vendor, each of Ms. Cheung Lai Na and Ms. Cheung Lai Ming, and their respective associates are required to abstain from voting on the resolution approving the Agreements and the transactions contemplated thereunder at the SGM in accordance with the Listing Rules. As at the Latest Practicable Date, Ms. Cheung Lai Na and Ms. Cheung Lai Ming, and their associates are interested in 120,068,000 Shares (representing approximately 20.84% of the issued share capital of the Company). To the best of the Directors' knowledge, belief and having made all reasonable enquiries, as at the Latest Practicable Date, save for Ms. Cheung Lai Na and Ms. Cheung Lai Ming, no other Shareholder was required to abstain from voting on the resolutions for approving the Agreements 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

The Directors (including the independent non-executive Directors who are members of the Independent Board Committee) consider that the terms of the Agreements and transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Shareholders and the Company as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the relevant ordinary resolutions set out in the notice of the SGM.

ADDITIONAL INFORMATION

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

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



DAISHO MICROLINE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0567)

27 December 2017

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION, CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

We refer to the circular of the Company dated 27 December 2017 (the “**Circular**”), of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board as members of the Independent Board Committee to advise you on the terms of the Agreements and the transactions contemplated thereunder. Nuada has been appointed as the independent financial adviser to advise you and us in this regard. Details of their advice, together with the principal factors and reasons they have taken into consideration in giving their advice, are set out on pages 32 to 64 of the Circular. Your attention is also drawn to the letter from the Board in the Circular and the additional information set out in the appendix thereto.

RECOMMENDATION

Having considered the terms of the Agreements, the transactions contemplated thereunder and taking into account the independent advice of Nuada set out in its letter on pages 32 to 64 of the Circular and the relevant information contained in the letter from the Board, we consider that the Agreements and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms, in the ordinary and usual course of the Group’s business and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend that you vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Agreements and the transactions contemplated thereunder.

Yours faithfully,
Independent Board Committee

LEUNG King Fai
Independent
non-executive Directors

CHOU Yuk Yan
Independent
non-executive Directors

LAW Ping Wah
Independent
non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice to the Independent Board Committee and the Independent Shareholders from Nuada Limited dated 27 December 2017 in relation to the Agreements for the purpose of inclusion in this circular.

Nuada Limited

Unit 1805-08, 18/F
OfficePlus @Sheung Wan
93-103 Wing Lok Street
Sheung Wan, Hong Kong
香港上環永樂街93-103號
協成行上環中心18樓1805-08室

27 December 2017

To the Independent Board Committee and the Independent Shareholders of Daisho Microline Holdings Limited

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreements and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular of the Company dated 27 December 2017 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

On 29 September 2017, the Company and Inter-Pacific, an associate of a substantial shareholder, entered into (i) the Sale and Purchase Agreement for the sale and purchase of four Vessels at an aggregate consideration of HK\$196,480,000; and (ii) the Master Lease Agreement to facilitate the leasing of the Vessels by the Company (as lessor) to Inter-Pacific (as lessee) from the first completion (whichever First Completion, Second Completion or Third Completion happens earlier) up to and including 31 March 2020.

As one or more of the applicable percentage ratios, as calculated in accordance with Rule 14.07 of the Listing Rules, for the acquisition of Vessels are more than 25% but less than 100%, the acquisition of Vessels constitutes a major transaction for the Company under Rule 14.06 of the Listing Rules. In addition, as Inter-Pacific is an associate of an executive Director who is also a substantial shareholder of the Company, the acquisition of Vessels also constitute a connected transaction under Chapter 14A of the Listing Rules. On the same basis, the leasing of the Vessels under the Master Lease Agreement also constitutes non-exempt continuing connected transactions of the Company under Chapter

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

14A of the Listing Rules as the highest of the applicable percentage ratios in respect of the Master Lease Agreement is more than 5%. Accordingly, the transactions contemplated under the Agreements are subject to reporting, announcement and independent shareholder's approval requirements under the Listing Rules.

Given Ms. Cheung Lai Na, an executive Director and a Substantial Shareholder, has equity interest in the Vendor, she is considered to have material interests in the transactions contemplated under the Agreements. Accordingly, Ms. Cheung Lai Na had abstained from voting on the resolutions of the Board to approve the Agreements. In addition, Ms. Cheung Lai Ming is an executive Director, younger sister of Ms. Cheung Lai Na and also an employee of the Vendor. On this basis, she had also abstained from voting on the resolutions of the Board to approve the Agreements.

In view of the connection between the Vendor and Ms. Cheung Lai Na, and that Ms. Cheung Lai Ming is an executive Director, younger sister of Ms. Cheung Lai Na and also an employee of the Vendor, each of Ms. Cheung Lai Na and Ms. Cheung Lai Ming, and their respective associates are required to abstain from voting on the resolution approving the Agreements and the transactions contemplated thereunder at the SGM in accordance with the Listing Rules. As at the Latest Practicable Date, Ms. Cheung Lai Na and Ms. Cheung Lai Ming, and their associates are interested in 120,068,000 Shares (representing approximately 20.84% of the issued share capital of the Company). According to the management of the Company, as at the Latest Practicable Date, save for Ms. Cheung Lai Na and Ms. Cheung Lai Ming, no other Shareholder was required to abstain from voting on the resolutions for approving the Agreements and the transactions contemplated thereunder at the SGM.

The Independent Board Committee, comprising Mr. Leung King Fai, Mr. Chou Yuk Yan and Mr. Law Ping Wah, all being the independent non-executive Directors, has been established to advise the Independent Shareholders so to the fairness and reasonableness of the terms of the Agreements and the transactions contemplated thereunder. We, Nuada Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

During the past two years, we did not act as the independent financial adviser of the Company. Apart from normal professional fees for our services to the Company in connection with this engagement, no other arrangement, including contingent fee or conditional fee, exists whereby we will receive any fees and/or benefits from the Group. As at the Latest Practicable Date, we were not aware of any relationships or interests between us and the Company or its substantial shareholders, Directors or chief executive, or any of their respective associates. We are independent under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on accuracy of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, the Directors and the management of the Company and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be true up to the Latest Practicable Date.

The Directors collectively and individually accept full responsibility for the Circular including 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 the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, its subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the entering into the Agreements and the transactions contemplated thereunder.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the Sale and Purchase Agreement, we have considered the following principal factors and reasons:

1. Business and financial information of the Group

1.1 *Business of the Group*

As stated in the Board Letter, the principal activities of the Group are investment holding and manufacturing and trading of printed circuit boards. In mid-2017, the Group also undertook the business of indent trading of petrochemical products as well as petroleum and energy products.

According to the annual report (the “**Annual Report 2017**”) of the Group for the year ended 31 March 2017 (the “**FY2017**”), the Group has suffered loss for the year for four financial years out of five financial years since the financial year ended 31 March 2013

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(details of which are set out under the paragraph headed “2.3 Reasons for and benefits of the Proposed Transactions” below in this letter) mainly due to the continuous decrease of the revenue of the Group. The entire sales of the Group in these five financial years have been generated from sales of printed circuit board (the “**PCB Business**”). According to the management of the Company, the PCB Business mainly manufacture printed circuit boards for automobiles and their major customers are international brands of automobile manufacturers and it is competitive to be their long term suppliers. As discussed with the management of the Company, the PCB Business require large amount of machinery costs in order to update the machines frequently and catch up with the new technology trend in the industry. According to the annual report of the Group for the year ended 31 March 2015, 2016 and 2017, the Group has allocated approximately HK\$33.98 million, HK\$26.15 million and HK\$5.43 million for additions on machinery and equipment of the Group during respective financial years. However, the revenue of the Group has been continuously decreasing in recent financial years as stated above and the management of the Company is of the view that the decreasing orders from the automobile manufactures is mainly due to the unattractive quotations offered by the automobile manufactures and technical competitiveness rather than demand of automobiles in the market. According to the management of the Company, they noticed that they would need to improve the performance of PCB Business and shall continue to explore new profitable clients and products in the future as well as further enhancing cost control process with a view to improve operational efficiencies.

As mentioned above, the return on the investment of PCB Business has been negative for majority of the past five financial years, which according to the management of the Company, were mainly attributable to (i) the intense market competition as evidenced by a period-on-period decrease in segment revenue; and (ii) the labour intensive nature of the PCB Business (as at 30 September 2017, the Company has not less than 457 staffs in operational department regarding the PCB Business, i.e. Huafeng Microline (Huizhou) Circuits Limited) which has been adversely affected by the statutory staff wage increments in last few years (such increment was approximately 10% annually between 2014 and 2016), thereby creating a decreasing profit margin business environment for the Group which resulted resulting in negative return to the Shareholders.

On the other hand, new orders often require additional investments, which may be sizeable, into new production equipment to facilitate the production. There is no guarantee that the new production equipment will be suitable for production of future orders from a different customer and that the technology of such equipment will not become obsolete in the future. Furthermore, subject to the size of such investment and production lead time, the financial results and cash flow positions at the relevant times may be affected temporarily. The management of the Company is also required to monitor and ensure ongoing compliance of the relevant PRC laws and regulations related to its PCB Business which may change with short notices. In view of the above, the management of the Company shall continue to exercise caution in conducting the PCB Business. As stated in the Board Letter, the Company intends to maintain the PCB Business and has no present intention to downsize or cease the PCB Business.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In order to realise business diversification which should be in the interest of the Shareholders, the Group has undertaken the business trading of petrochemical products and petroleum and energy products (the “**Indent Trading Business**”) by itself since June 2017 so as to provide stable income and cash inflow for the Group gradually. According to the management of the Company, the business model of the Indent Trading Business is that the customers would place orders for petroleum related products and then they would source products from suppliers and trade it to the customers to make profits. According to the management of the Company, the Group does not provide delivery service for the ordered petroleum related products and does not arrange any leasing of vessels for delivery. The Company currently has one major supplier which is a multinational energy corporation (the “**Supplier**”) and one major client in Singapore who is an Independent Third Party.

According to the management of the Company, it is normal business practice for relatively new and small scale participants in the petroleum industry to engage agents like the Company for sourcing and matching services. As the Indent Trading Business team of the Company (i) has established a satisfactory working relationship with the Supplier; (ii) has a good historical track record of fulfilling its duties as an agent; and (iii) is familiar with and always fulfil the internal assessment of the Supplier, the Company would be able to facilitate smooth execution of indent trades which would otherwise be time consuming and inefficient for both the Supplier and the new and small scale participants.

The Indent Trading Business is a relatively new business of the Group but it has already generated stable income for the Group. According to the interim report (the “**Interim Report**”) of the Group for the six months ended 30 September 2017 (“**IP2017**”), the Group recorded revenue of approximately HK\$93.43 million from the Indent Trading Business. The Indent Trading Business is currently supervised by Ms. Cheung Lai Na, an executive Director and a Substantial Shareholder, and Ms. Cheung Lai Ming, an executive Director and younger sister of Ms. Cheung Lai Na. The Company intends to employ more staff members who have relevant experience in the petroleum trading industry. We are of the view and concur with the view of the management of the Company that the Indent Trading Business will benefit from the increasing oil demand in the world (details of relevant statistics please refer to the paragraph headed “2.3 Reasons for and benefits of the Proposed Transactions” below in this letter).

Based on the above, we are of the view that the entering into of the Agreements is in line with the Group’s strategies to diversify its business segments and will be able to strengthen the income sources of the Group and overturn the deteriorating revenue of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.2 Financial Information of the Group

Set out below is an extract of the financial information of the Group for the years ended 31 March 2016 and 2017 as extracted from the Annual Report 2017 and the unaudited condensed consolidated financial information of the Group for the six months ended 30 September 2016 (the “IP2016”) and 2017 as extracted from the Interim Report:

Table 1:

| | For the six months ended | | For the years ended | |
|-----------------------------|---------------------------------|-----------------|----------------------------|-----------------|
| | 30 September | | 31 March | |
| | 2017 | 2016 | 2017 | 2016 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (unaudited) | (unaudited) | (audited) | (audited) |
| Revenue | 178,787 | 90,108 | 170,245 | 206,940 |
| Gross profit /(loss) | 3,063 | (2,378) | 73 | (18,439) |
| Loss for the year/period | (15,525) | (27,489) | (51,009) | (60,901) |

Consolidated income statement of the Group

Table 2: Consolidated statement of financial position of the Group

| | As at 30 | | As at 31 March | |
|---------------------|------------------|-----------------|-----------------------|-----------------|
| | September | | 2017 | 2016 |
| | 2017 | 2016 | 2017 | 2016 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (unaudited) | (unaudited) | (audited) | (audited) |
| Current assets | 321,440 | 269,838 | 269,838 | 404,888 |
| Non-current assets | 142,269 | 111,309 | 111,309 | 124,864 |
| Total assets | 463,709 | 381,147 | 381,147 | 529,752 |
| Current liabilities | 185,823 | 172,782 | 172,782 | 299,468 |
| Total equity | 200,490 | 208,365 | 208,365 | 230,284 |

For the six months ended 30 September 2017

According to the Interim Report, the Company recorded an increase in revenue from approximately HK\$90.11 million in IP2016 to approximately HK\$178.79 million in IP2017, representing an increase of approximately 98.41%. Such increase was mainly due to the Group has undertaken Indent Trading Business in June 2017 (details of which are set out under the section headed “1.1 Business of the Group” above in this letter). With reference to note 3 “Revenue and Segment Information” in the Interim Report, the Group recorded (i) revenue generated from the Indent Trading Business for approximately HK\$93.43 million (i.e. IP2016: zero); and (ii) revenue generated from the PCB Business for approximately HK\$85.36 million in IP2017 (i.e. IP2016: approximately HK\$90.11 million).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group's recorded gross profit margin of approximately 1.71% in IP2017 as compared to a gross loss margin of 2.64% in IP2016. The Directors are of the view that such improvement was the result of success implementation of the cost-saving plans and enhancing the measurement of the product quality control. As a result of the above mentioned factors, the loss for the period in IP2017 was reduced to approximately HK\$15.53 million from approximately HK\$27.49 million in IP2016, which represents a decrease of approximately 43.51%.

As at 30 September 2017, the current assets of the Group was approximately HK\$321.44 million, representing an increase of approximately 19.12% as compared to approximately HK\$269.84 million as at 31 March 2017 mainly due to the trade receivables increased from approximately HK\$29.26 million as at 31 March 2017 to approximately HK\$90.32 million as at 30 September 2017. As the deposit paid for acquisition of property, plant and equipment increased from approximately HK\$2.01 million as at 31 March 2017 to approximately HK\$30.71 million as at 30 September 2017, the non-current assets of the Group has increased from approximately HK\$111.31 million as at 31 March 2017 to approximately HK\$142.27 million as at 30 September 2017. The Group recorded non-current liabilities of approximately HK\$77.40 million as at 30 September 2017 (zero as at 31 March 2017), including (i) the placing of convertible bonds with coupon rate of 6% per annum in the principal amount of HK\$80 million on 22 September 2017 (details of which are set out in the Company's circular dated 21 July 2017); and (ii) the derivative financial instruments of approximately HK\$10.25 million (the fair value of which were determined with reference to a professional valuation conducted by an independent professional valuer). Based on the above, the total equity of the Group has slight decreased from approximately HK\$208.37 million as at 31 March 2017 to approximately HK\$200.49 million as at 30 September 2017.

For the financial year ended 31 March 2017

According to the Annual Report 2017, all of the revenue of approximately HK\$170.25 million in FY2017 was generated from sales of printed circuit boards. For FY2017, the revenue of the Group dropped by approximately 17.73% to approximately HK\$170.25 million from approximately HK\$206.94 million for the year ended 31 March 2016 (the "FY2016"). The Group has made a turnaround from a gross loss margin of approximately 8.91% in FY2016 to a gross profit margin of approximately 0.04% in FY2017. According to the management of the Company, the aforesaid turnaround 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. Accordingly, the loss for the year narrowed from approximately HK\$60.90 million in FY2016 to approximately HK\$51.01 million in FY2017, representing a decrease in losses of approximately 16.24%. Despite the implementation of cost control measures as stated above, the gross profit margin is still minimal and we concur with the Director's view that the Group is in need to broaden its income stream.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in Table 2 above in this letter, the current assets of the Group decreased from approximately HK\$404.89 million as at 31 March 2016 to approximately HK\$269.84 million as at 31 March 2017, representing a decrease of approximately 33.35%. Such decrease was mainly due to the decrease of pledged bank deposits of approximately HK\$119.76 million during the year. The non-current assets of the Group decreased from approximately HK\$124.86 million as at 31 March 2016 to approximately HK\$111.31 million as at 31 March 2017 which was mainly due to the depreciation of property, plant and equipment of the Group. The current liabilities of the Group improved from approximately HK\$299.47 million as at 31 March 2016 to approximately HK\$172.78 million as at 31 March 2017 which was mainly due to the decrease of interest-bearing borrowings of the Group from approximately HK\$240.55 million as at 31 March 2016 to approximately HK\$114.34 million as at 31 March 2017. Based on the above, the total equity of the Group recorded a decrease of approximately 9.52%, from approximately HK\$230.28 million as at 31 March 2016 to approximately HK\$208.37 million as at 31 March 2017.

According to the Annual Report 2017, the Group has recorded loss for the year in four years out of the last five years since the financial year ended 31 March 2013. We are of the view and concur with the view of the management of the Company that the Group is in need to broaden their income stream based on their losses in recent years and the enter into the Agreements is an opportunity for the Company to broaden its income stream (please refer to our analysis set out in the paragraph headed “2.3 Reasons for and benefits of the acquisition of Vessels” below in this letter).

2. Background of the Sale and Purchase Agreement

2.1 Information of Inter-Pacific

According to the management of the Company, Inter-Pacific was incorporated in 2011 and has been engaging in trading of petrochemical products since then. As at the Latest Practicable Date, Inter-Pacific is directly owned as to 50% by an executive Director who is also a Substantial Shareholder, namely Ms. Cheung Lai Na, and 50% by Independent Third Parties, respectively. Accordingly, Inter-Pacific is an associate of a Substantial Shareholder and a connected person of the Company under the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2.2 *Information of the Vessels*

Pursuant to the Sale and Purchase Agreement and based on information set out in the Board Letter, the particulars of the Vessels are as followings:

Table 3: detailed information of the Vessels

| Vessel name | Pacific Energy 8 | Pacific Energy 28 | Pacific Energy 138 | Pacific Energy 168 |
|------------------------------|-----------------------------|------------------------------|-------------------------------|-------------------------------|
| Port of registry | Singapore | Singapore | Singapore | Singapore |
| Vessel Type | Bunker Tanker | Bunker Tanker | Bunker Tanker | Bunker Tanker |
| IMO Number | 9588689 | 9647899 | 9625267 | 9647904 |
| Year of Made/Build | 2009 | 2012 | 2010 | 2012 |
| Net Tonnage | 1,026 | 794 | 1,139 | 794 |
| Length of craft (metres) | 82.00 | 64.91 | 88.00 | 64.91 |
| Breadth of craft (metres) | 13.66 | 14.30 | 14.20 | 14.30 |
| Depth of craft (metres) | 6.90 | | 6.90 | 7.20 |
| Gross Tonnage | 2,405 tons | 1,999 tons | 2,608 tons | 1,999 tons |

According to the management of the Company, the Vessels, save for Pacific Energy 8, have been used by the Vendor to conduct its petrochemical trading business and the voyage area of the Vessels are mainly in Singapore. As for the vessel, namely Pacific Energy 8, it is under lease to an Independent Third Party by the Vendor and the relevant lease period commenced in January 2016 and shall end in December 2017. According to the management of the Company, the aforesaid lessee of Pacific Energy 8 has indicated that it would not renew its lease upon the expiry of the current lease in December 2017.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is an extract of the unaudited financial information of Pacific Energy 8 for the years ended 30 June 2014 and 2015 and the periods from 1 July 2015 to 31 December 2016 and from 1 January 2017 to 31 August 2017 as extracted from Appendix II “Unaudited Financial Information Of the Vessels” to the Circular:

Table 4: Unaudited financial information of Pacific Energy 8:

| | Years ended 30 June | | Period from 1 July 2015 to 31 December 2016 | Period from 1 January 2017 to 31 August 2017 |
|---|---------------------|--------------------|--|--|
| | 2014 | 2015 | 2016 | 2017 |
| | US\$ | US\$ | US\$ | US\$ |
| Revenue | | | | |
| Charter income from third parties | 328,911 | – | – | – |
| Charter income from immediate holding company (<i>Note</i>) | 504,404 | 1,465,727 | 1,686,365 | 745,696 |
| Storage income from immediate holding company | 573,955 | – | – | – |
| | <u>1,407,270</u> | <u>1,465,727</u> | <u>1,686,365</u> | <u>745,696</u> |
| Other Income | <u>–</u> | <u>15,226</u> | <u>80,822</u> | <u>–</u> |
| Other items of expenses | <u>(1,605,369)</u> | <u>(1,561,456)</u> | <u>(1,769,687)</u> | <u>(540,890)</u> |
| (Loss)/Profit for the year/period | <u>(198,099)</u> | <u>(80,503)</u> | <u>(2,500)</u> | <u>204,806</u> |

Note:

The immediate holding company of Pacific Energy 8 Pte Limited has sub-leased Pacific Energy 8 to an Independent Third Party for the period from 31 January 2016 to 31 August 2017.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In addition, based on the Certificate of Singapore Registry issued by Maritime and Port Authority of Singapore (the “MPA Singapore”) that provided by the Company and our site visit due diligence work (details of which are set out under the paragraph headed “Site visit” below in this letter), we noted that each of the Vessels has undertaken annual survey in each year as required by MPA Singapore in order to ensure each of the Vessels is seaworthy at the relevant times. MPA Singapore was established in February 1996 and is a statutory board under the Ministry of Transport of the Singapore Government. It regulates and manages port and marine services, facilities and activities within the Singapore port waters.

2.3 Reasons for and benefits of the Proposed Transactions

According to the Annual Report 2017 and as stated under the section headed “1. Business and financial information of the Group” above in this letter, the Group has recorded loss for the year in four of the last five completed financial years since the year ended 31 March 2013 (the “FY2013”) (the Group recorded losses of approximately HK\$68.52 million for FY2013, approximately HK\$37.55 million for the year ended 31 March 2014, approximately HK\$60.90 million for the year ended 31 March 2016 and approximately HK\$51.01 million for FY2017 respectively). Sales of printed circuit board has been the major revenue source of the Group in recent years but the revenue of the Group is in a decreasing trend since FY2013 from approximately HK\$295.93 million in FY2013 to approximately HK\$170.25 million in FY2017, which represents a compound annual decline rate of approximately 12.91%. And the gross profit of the Company also recorded a downward trend from approximately HK\$15.61 million in FY2013 to net gross loss of approximately HK\$18.44 million for the year ended 31 March 2016 and only recorded a gross profit of approximately HK\$73,000 in FY2017.

As set out in the Annual Report 2017 and according to the management of the Company, the printed circuit board business industry has been highly competitive and the Group has taken various measure to confront the challenge (details of which are set out under the paragraph headed “1.1 Business of the Group” above in this letter). In order to diversify the revenue sources of the Group, they have undertaken the Indent Trading Business since July 2017. According to the management of the Company, under the aforesaid trading business, the Group would 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 (details of which are set out under the paragraph headed “1.1 Business of the Group” above in this letter).

As discussed with the management of the Company, they consider that the acquisition of the Vessels under the Sale and Purchase Agreement and the Master Lease Agreement to be beneficial to the Company as (i) it represents an excellent opportunity for the Group to enhance its revenue base and facilitates the Group to derive stable leasing income from the Vessels in the foreseeable future; (ii) the senior management of the Company is familiar with the petrochemical trading industry in various regions in Southeast Asia, as evidenced by the experience of Ms. Cheung Lai Na and Ms. Cheung Lai Ming, each an executive Director, engaged in the business of petrochemical trading of over 13 years and 7 years, respectively; and (iii) a substantial portion of the Consideration, being HK\$146,480,000, is on a deferred basis in the form of Promissory Notes at nil interest

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rate with a maturity of two years from date of its issuance. In light of the Group's cash and cash equivalents of approximately HK\$53.85 million, pledged bank deposits of approximately HK\$140.38 million and interest-bearing borrowings of approximately HK\$124.73 million) as at 30 September 2017 as stated in the Interim Report, the amount of cash level of the Group as at 30 September 2017 was lower than the Consideration (please refer to the paragraph headed "3.5 Our view on the Promissory Notes" below in this letter for our analysis on the Promissory Notes). Based on the above, the Directors are of the view that the acquisition of Vessels and the enter into Master Lease Agreement would enhance the income stream of the Group and benefit from (i) the extensive experience of Ms. Cheung Lai Na and Ms. Cheung Lai Ming in the business of petrochemical trading; and (ii) the increasing trend of the oil demand in Asia as stated below in this section will benefit the vessel leasing business of the Group as its voyage area is Singapore.

According to the management of the Company, upon Completion, the Group intends to hire not less than (i) a operation manager (the "**Operation Manager**") with not less than 5 years of relevant experience who will report to senior management being responsible for the leasing of the Vessels; (ii) two technicians with not less than five years of relevant experience each and primary responsible for the maintenance of the Vessels; and (iii) 51 crew members (who have to fulfil the requirements of MPA Singapore) responsible for the daily operation of the Vessels. Having also considered the extensive experience of Ms. Cheung Lai Na and Ms. Cheung Lai Ming in the business of petrochemical trading as stated above and the aforesaid plan, we are of the view that the Company has sufficient expertise for vessel leasing business.

As the existing Indent Trading Business do not involve provision of petroleum delivery service and/or bunkering service and the Group does not need to arrange vessels for the clients (please refer to paragraph headed "1.1 Business of the Group" above in this letter for detailed information) where the business of the Vendor is providing bunkering service, we concur with the Directors' view that there would not be potential conflict of interest regarding the Group's operation of Indent Trading Business and proposed vessel leasing business. Moreover, according to the management of the Company, the Company is not allowed to provide bunkering service itself upon Completion as it is required to hold certain licenses issue by MPA Singapore in order to provide bunkering service. As at the Latest Practicable Date, the Company has not begun the application procedures for the relevant licenses and the management of the Company will consider whether to apply these relevant licenses subject to market demand and the financial position of the Group in the future. Furthermore, having considered that leasing of Vessels is expected to generate stable income and profitability to the Group which is in the best interests to the Group as the Group has recorded decreasing revenue in the last few financial years and recorded loss for the year in four of the last five financial years as mentioned in the section headed "1.2 Financial Information of the Group" above in this letter, the Directors decided to lease the Vessels upon Completion. However, if the return from the petroleum delivery service and/or bunkering service are much better than the lease of the Vessels, the Company may decide to engage in the petroleum delivery service and/or bunkering service. Based on the above, we are of the view and concur with the Directors' view that the leasing of Vessels are in the interests of the Shareholders and the Group as a whole.

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As the usage of the Vessels is for transportation of petroleum and the Company intends to lease back the Vessels to Inter-Pacific where its voyage area are mainly in Singapore, we attempted to obtain market data of leasing fee for vessels in Singapore. However, according to the official websites of the Singapore Department of Statistics and MPA Singapore, there are no official data published by relevant official authorities in Singapore relating to the leasing fee of vessels in Singapore. Instead, we made reference to relevant statistics regarding recent demand of oil in the world and the official data regarding bunker sales in Singapore port published by MPA Singapore as the Vessels are used for petroleum trading.

Regarding the market of the global oil demand, we made reference to the “2016 Annual Report” (the “OPEC 2016 Annual Report”) (http://www.opec.org/opec_web/flipbook/AR2016/AR2016/assets/basic-html/page-1.html#) published by the Organization of the Petroleum Exporting Countries (the “OPEC”). OPEC was formed in 1960 and is a permanent intergovernmental organization of 14 oil-exporting developing nations that coordinates and unifies the petroleum policies of its member countries including Algeria, Iran, Qatar, Saudi Arabia and United Arab Emirates, etc. Set out below are the statistics of the oil demand in different regions in the world from 2013 to 2016:

Table 5: World oil demand in 2013 to 2016 as extracted from the OPEC 2016 Annual Report

| | 2013 | 2014 | 2015 | 2016 |
|--|----------------------------------|-------------|-------------|-------------|
| | <i>(million barrels per day)</i> | | | |
| Total oil demand from the countries of Organisation for Economic Co-operation and Development (the “OECD”) <i>(Note)</i> | 46.1 | 45.8 | 46.4 | 46.8 |
| Total oil demand from the developing countries | 29.4 | 30.1 | 30.8 | 31.3 |
| Total oil demand from other regions | 15.5 | 16.1 | 16.5 | 16.9 |
| Total oil demand in the world | 91.0 | 92.0 | 93.7 | 95.0 |

Note:

The Organization for Economic Co-operation and Development was found in 1960 and is an intergovernmental economic organization with 35 member countries, including France, Germany, Japan, South Korea, United Kingdom, and United States.

With reference to the table above and according to the OPEC 2016 Annual Report, the oil demand has been in a general increasing trend in the world since 2013. The total oil demand of the OECD countries has increased from approximately 46.1 million barrels per day in 2013 to approximately 46.8 million barrels per day in 2016 which represents an

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increase of approximately 1.52%. The total oil demand from developing countries has increased from approximately 29.4 million barrels per day in 2013 to approximately 31.3 million barrels in 2016 which represents an increase of approximately 6.46%. In conclusion, the total oil demand in the world has increased from 91.0 million barrels per day in 2013 to approximately 95.0 million barrels per day in 2016. In addition, according to the “OPEC Monthly Oil Market Report October 2017” (the “**OPEC October Report**”) published by OPEC on 11 October 2017 (http://www.opec.org/opec_web/static_files_project/media/downloads/publications/MOMR%20October%202017.pdf), they have updated the world oil demand in 2016 to 95.35 million barrels per day from 95.0 million barrels per day and the forecasted world oil demand in 2017 will reach 96.80 million barrels per day, which represents a year-to-year growth of approximately 1.52% and a compound annual growth rate of approximately 1.56% as compared to 91.0 million barrels per day in 2013.

Table 6: Oil demand in Asia as extracted from the OPEC October Report

| | | 1st quarter of 2017 | 2nd quarter of 2017 | 3rd quarter of 2017 | 4th quarter of 2017 | Average oil demand 2017 |
|--|-------|----------------------------------|---------------------------|---------------------------|---------------------------|----------------------------------|
| | | <i>(million barrels per day)</i> | | | | |
| | | forecast | | | | |
| Total oil demand from the member countries of Organisation for Economic Co-operation and Development (the “OECD”) in Asia Pacific (<i>Note</i>) | 8.12 | 8.60 | 7.72 | 7.85 | 8.34 | 8.13 |
| Total oil demand in other Asia countries | 12.85 | 12.87 | 13.30 | 12.87 | 13.47 | 13.13 |

Note:

As Singapore is not the current members countries of OECD according to the official website of OECD, we assume that their oil demand is included in the total oil demand in “other Asia countries” in the OPEC October Report.

With reference to the OPEC October Report, it is expected that (i) the oil demand from the member countries of OECD (which Singapore is not refer to this category) will increase from approximately 8.12 million barrels per day in 2016 to approximately 8.13 million barrels per day in 2017, which represents an increase of approximately 0.12%; and (ii) the oil demand in other Asia countries (which Singapore is refer to this category) will increase from approximately 12.85 million barrels per day in 2016 to approximately 13.13 million barrels per day in 2017, which represents an increase of approximately 2.18%. In view of the increasing global and Asia oil demand forecasted by OPEC, we are of the view

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and concur with the view of the management of the Company that the outlook of the transportation of petroleum and the demand of leasing of vessels in the near future is positive.

We also made reference to the official data regarding the sales volume in Singapore port published by the MPA Singapore in their official website (<https://www.mpa.gov.sg/web/portal/home/port-of-singapore/services/bunkering/bunkering-statistics>), the total bunker sales volume in Singapore port amounted to approximately 42.4 million tonnes in 2014, approximately 45.2 million tonnes in 2015, approximately 48.6 million in 2016 and approximately 38.0 million for the first nine months in 2017 (as compared with approximately 36.6 million for the first nine months in 2016). Based on the above, the bunker sales in Singapore port is in an increasing trend and we can expect that the outlook of the bunker sales in Singapore is positive and the vessel leasing business of the Group will benefit from it.

Regarding the Master Lease Agreement, as stated in the Board Letter, in any event, the Company shall follow the stated pricing policies and internal procedures as set out under paragraph headed "Pricing policies and internal procedures" in the Board Letter and seek quotations from Independent Third Parties (our detailed analysis are set out under the section headed "4. Principal terms of the Master Lease Agreement" below in this letter). As at the Latest Practicable Date, the Company intends to lease all four of the Vessels to the Vendor. In any event, the lease to the Vendor shall be on terms no less favorable to the lessor than that are available from Independent Third Party. Even though the Company intends to lease all the Vessels to the Vendor upon Completion, based on the fact that (i) the lease of the Vessels in the future are primarily based on the pricing terms offered by the potential lessee; (ii) the Proposed Annual Caps of approximately HK\$41.5 million and HK\$42.5 million in 2019 and 2020 respectively, which represent approximately 24.38% and 24.96% of the revenue of the Group of approximately HK\$170.25 million in FY2017, we are of the view and concur with the Directors' view that the entering into the Agreements is in the interests of the Company and independent Shareholders as a whole.

Having considered our analysis above and the strategy of the Company to diversify its business and broaden its income stream, we concur with the view of the management of the Company that the Proposed Transactions would allow the Company to pursue its business diversification strategy so as to further enhance its revenue sources and is in the interests of the Group and the Shareholders as a whole.

3. Principal terms of the Sale and Purchase Agreement

The principal terms of the Sale and Purchase Agreement are as follows:

| | |
|----------------|---|
| Date | 29 September 2017 |
| Parties | (1) the Company, as the Purchaser (2) Inter-Pacific, as the Vendor |

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The Vendor is principally engaged in oil trading business and owned as to 50% by the Substantial Shareholder and 50% by Individual Third Parties. On this basis, the Vendor is a connected person to the Company as at the Latest Practicable Date.

3.1 *Subject assets*

The Purchaser conditionally agreed to acquire, and the Vendor, as beneficial owner of the Vessels, conditionally agreed to dispose, the Vessels. Further particulars of the Vessels are set out under the paragraph headed “2.2 Information of the Vessels” above in this letter.

3.2 *Consideration*

The Consideration for the acquisition of the Vessels from the Vendor shall be HK\$196,480,000. The breakdown and settlement terms of the Consideration for each of the Vessels are set out below:

Table 7: Breakdown and settlement terms of the Consideration

| Vessel name | Pacific Energy 28 | Pacific Energy 138 | Pacific Energy 8 | Pacific Energy 168 |
|---|---|--|---|-----------------------|
| Consideration | 44,680 (i.e. the “First Consideration”) | 54,640 (i.e. the “Second Consideration”) | 52,710 (i.e. the “Third Consideration”) | 44,450 |
| - 15% upon signing of the Sale and Purchase Agreement in cash | 6,702 | 8,196 | 7,907 | 6,667 |
| - 85% upon Completion by way of cash and Promissory Notes | | | | |
| (i) Cash | 4,668 | 5,709 | 5,507 | 4,644 |
| (ii) Promissory Notes | 33,310 | 40,735 | 39,296 | 33,139 |

The Consideration was arrived at after arm’s length negotiations between the parties to the Sale and Purchase Agreement with reference to the preliminary valuation of the Vessels from an independent valuer, which valued the Vessels in aggregate at HK\$196,480,000 as of 31 August 2017. The Consideration represents a slight discount to the valuation of the Vessels as of 31 October 2017 (details of which are set out under the section headed “3.3 Our view on the Consideration” below in this section). Pursuant to the Sale and Purchase Agreement and as set out in the table above, 15% of the Consideration is payable by the Purchaser upon signing of the Sale and Purchase Agreement and the remaining 85% shall be settled by a combination of cash and Promissory Notes. The cash portion of the Consideration of HK\$50,000,000 payable by the Group pursuant to the Sale and Purchase Agreement shall be in stages and from internal resources and/or bank borrowings of the Group. The balance of the Consideration, being HK\$146,480,000, shall

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be settled by way of Promissory Notes, at Completion. Further details of the Promissory Notes are set out under the paragraph headed “3.4 Promissory Notes” below in this section. Since the Consideration is equal to the value of the valuation of the Vessels, we are of the view that the Consideration is fair and reasonable based on the Valuation Report (please refer to the paragraph headed “3.3 Our view on the Consideration” below in this section for detailed information)

3.3 Our view on the Consideration

According to the management of the Company, the Consideration was arrived at after arm’s length negotiations between the parties to the Sale and Purchase Agreement with reference to a preliminary valuation of the Vessels from an independent valuer, which valued the Vessels in aggregate at HK\$196,480,000 as of 31 August 2017. The Consideration (i.e. HK\$196,480,000) represents a slight discount of approximately 0.57% to the valuation of the Vessels as of 31 October 2017 (i.e. HK\$197,600,000).

In order to assess the fairness and reasonableness of the Consideration, we have attempted to compare the considerations of recent acquisitions or disposals of vessels that are similar to that of the Vessels (i.e. gross tonnages from approximately 2,000 tons to 2,600 tons and the usage is for bunker tanker) from 30 September 2016 to 29 September 2017 (being one year period before and including the date of the Sale and Purchase Agreement) conducted by companies whose shares are listed on the Stock Exchange. Based on our research, we noted that there were five transactions regarding the acquisitions or disposals of twelve vessels conducted by companies whose shares are listed on the Stock Exchange (the “**Transaction Listed Companies**”) during the aforesaid period. However, based on the facts that (a) none of the aforesaid twelve vessels is oil tanker or bunker tanker (which the Vessels were classified as) and in fact, the usage of these vessels are dry bulk shipping; and (b) the aforesaid twelve vessels are with deadweight tonnage over 10,000 tons whereas deadweight tonnage of the Vessels are all below 3,900 tons, we consider that the abovementioned twelve vessels acquired or disposed by the Transactions Listed Companies are not comparable with the Vessels. Instead, we made reference to the valuation report for Vessels (details of which please refer to Appendix V to the Circular (the “**Valuation Report**”) which (i) is prepared by Roma Appraisals Limited (the “**Valuer**”) who are experienced to value vessels (details of their qualifications and experiences are set out in the below paragraph); and (ii) included the market information considered by the Valuer in relation to acquisitions and disposals of vessels (which are small oil tankers or bunker tankers) not more than 1 year prior to 31 October 2017 (being the date of valuation). Set out below are the details of work done performed by the Valuer and us:

Experience of the Valuer and their engagement

We have discussed with the responsible staff members of the Valuer in relation to their experiences and understood that Ms. Nancy Chan, the director of the Valuer, is a Registered Professional Surveyor (General Practice), a member of Hong Kong Institute of Surveyors and a member of the Royal Institution of Chartered Surveyors. She has about 7 years of experience in valuation of real estate industry and property and asset valuation in Hong Kong and abroad and has participated in 4 cases regarding the valuation of vessels

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in Hong Kong and abroad in the past two years. Given the professional qualification of Ms. Nancy Chan and her experience participating in the valuation of vessel in Hong Kong and abroad as stated above, we are of the view that she is qualified to provide a reliable valuation of the valuation of Vessels. We, therefore, consider that the Valuer is qualified to provide a reliable valuation of Vessels.

We asked the Company to provide the engagement letter with the Valuer to review its engagement. Based on the aforesaid engagement letter and our discussion with the Valuer in relation to their terms of engagement, in particular, their scope of work including to prepare the Valuation Report, detailing their investigations, market comparables, analysis and findings which have been based upon in arriving at the Valuer's opinion of value and related works. After discussion with the Valuer, we noted that the scope of work of this engagement is normal and there is no limitation on the scope of work which might adversely impact on the degree of assurance given by them in their report. Based on the above, we consider that their scope of work is appropriate to the opinion required to be given.

Site visit

We conducted the site visit on 20 October 2017 to review the status and conditions of Vessels. According to the management of the Company, in order to maintain the registration status of the Certificate of Singapore Registry issued by MPA Singapore, the Vessels are required to undertake annual surveys from certain organisation authorised by MPA Singapore. We have obtained and reviewed the relevant certificates of the Vessels including the Certificate of Singapore Registry and the relevant supporting documents, it proved that the Vessels had completed the annual survey in 2017 and fulfilled the requirements under MPA Singapore.

Valuation assumptions and methodology

After discussion with the Valuer and according to the Valuation Report, the valuation of the Vessels is prepared in compliance with the International Valuation Standard (the "IVS 2017") published by International Valuation Standards Council (the "IVSC"). According to the official website of the IVSC, it is an independent, non-profit organisation that acts as the global standard setter for valuation practice and the valuation profession. IVSC consists nearly 100 members globally including valuation practitioners, financial services businesses, non-profit organisations, regulators and academic institutions in advising the board of trustees of IVSC. IVSC is responsible for developing the International Valuation Standards and associated guidance that consist of various actions required during the undertaking of valuation assignments. We noted from the Valuer that they have considered the followings in their valuation:

- The age (useful life), physical condition (external only), size (length, breadth and gross tonnage), character (small oil tanker or bunker tanker) and utility (provision of facilities) of the Vessels;

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- The price of similar vessel in the used or second-hand market;
- The generally accepted useful life of the Vessels and comparables for 20 to 25 years and depreciation has been taken into account; and
- Present economic factors (pricing trend of vessels sales market) that may affect the market of the Vessels. In the valuation of Vessels, the Valuer has considered that the International Tanker Shipping Price Index* (known as “國際油輪船價綜合指數”) (the “**TPI Index**”) issued by the Shanghai Shipping Exchange (“**SSE**”) (further details of SSE and TPI Index are set out below in this section).

Please refer to the section headed “5. Valuation Comments and Assumptions” under the Valuation Report for detailed description of the valuation assumption and the market approach adopted by the Valuer in the Valuation Report. We noted that the Valuer has established a number of general assumptions in valuing the Vessels, including but not limited to (i) the Vessels will continue to be used in the purpose for which the Vessels were built (i.e. as a bunker tanker), and not run for some other alternate use; (ii) a prompt charter-free delivery of the Vessels and have not considered the impact of any delays in effecting a sale; (iii) all material information that would affect the values of the Vessels have been properly disclosed; (iv) prospective earnings would provide a reasonable return on the appraised values of the Vessels, plus the value of any assets not included in the valuation, and adequate net working capital; (v) no responsibility for the titles or liabilities against the Vessels working capital; and (vi) all necessary licenses, procedures and measures were implemented in accordance with the relevant government legislation and guidance. We have discussed with the Valuer regarding the aforesaid assumption and noted that it is the normal assumption in relation to the valuation of vessel and with reference to the aforesaid guidelines issued by the International Valuation Standards Council.

As stated in the Valuation Report and according to the Valuer, the Valuer has considered cost approach and market approach as the appropriate approaches and elements of both approaches may be combined to reach an opinion of value in some situations. Income approach was not considered in the valuation of Vessels due to unavailability of discrete financial information and cost information on the Vessels. The Valuer is of the opinion that cost approach generally furnishes a reliable indication of value of asset when the market is without similar transaction. However, in the valuation of the Vessels, there are relatively large number of transactions for market comparables similar to the Vessels which is considered to be the most relevant and indicative of the prevailing market value of the Vessels and the Valuer have adopted the market approach as it produces a reliable estimate of market value of the Vessels. According to the Valuation Report, market value is defined as “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”.

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We have reviewed IVS 2017 for the guidelines on selecting valuation approaches and methods suggested by IVSC. Under paragraph 10.4 under the section headed “IVS 105 Valuation Approaches and Methods” of the IVS 2017, it states that “Valuers are not required to use more than one method for the valuation of an asset, particularly when the valuer has a high degree of confidence in the accuracy and reliability of a single method, given the facts and circumstances of the valuation engagement.” As discussed with the Valuer, they consider that market approach produces a reliable estimate market value of the Vessels as there are relatively large number of transactions for market comparables in terms of function, size, condition and age similar to the Vessels and therefore there are sufficient factual or observable inputs.

We also made reference to paragraph 20 “Market Approach” under the section headed “IVS105 Valuation Approaches and Methods” of the IVS 2017 in order to understand the guidance of selecting market approach. Under paragraph 20.1, it states that “when reliable, verifiable and relevant market information is available, the market approach is the preferred valuation approach.” Furthermore, under paragraph 20.2, it states that “the market approach should be applied and afforded significant weight when (a) the subject asset has recently been sold in a transaction appropriate for consideration under the basis of value; (b) the subject asset or substantially similar assets are actively publicly traded; and/or (c) there are frequent and/or recent observable transactions in substantially similar assets. Even though the Vessels has not recently been sold and therefore point (a) as stated above is not applicable, based on that fact that (i) there are insufficient financial information and cost information on the Vessels so that income approach was not adopted by the Valuer; (ii) IVS 2017 suggested that the market approach is the preferred valuation approach; and (iii) the Valuer is of the view that there are relatively large number of transactions for market comparables similar to the Vessels, we are of the view and concur with the view of the Valuer that the adoption of market approach by the Valuer is fair and reasonable and in comply with IVS 2017.

The Valuer has used the market approach to determine the market value of the Vessels by referencing comparable sales evidence of similar vessels (the “**Valuation Comparables**”), in terms of function, size, condition and age, with adjustments for the time, age, length, breadth, gross tonnage and quality of facility of the Vessels. According to the Valuation Report, the Valuer made reference to the TPI Index as one of the adjustment factors in order to consider the present economic factors that may affect the value of Vessels. The TPI Index was launched in 2010 by SSE and it would generate transactions data of various types of vessels on international sales market and being updated every Wednesday by SSE. According to the official website of the SSE (<http://en.sse.net.cn/brief/introen.jsp>), SSE was jointly founded by the Ministry of Transport, the Government of the People’s Republic of China and Shanghai Municipal People’s Government on November in 1996 under the approval of State Council and it is

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the first state-level shipping exchange in China. Set out below are the details of the selection criteria adopted by the Valuer in the valuation of Vessels:

Table 8: Section criteria adopted by the Valuer for the Valuation Comparables

| | |
|----------------------|---|
| Size | Light displacement tonnage and deadweight tonnage (“DWT”) of the vessel |
| Year built: | Completion year of the Valuation Comparables construction (within the period from 1998 to the date of valuation (i.e. 31 October 2017)) |
| Condition: | Current operation status |
| Date of transaction: | The date when the sale and purchase of a vessel takes place not more than 1 year prior to the date of valuation (i.e. 31 October 2017) |
| Vessel type: | Small oil tanker below 10,000 DWT |

Set out below are the list of Valuation Comparables and details as extracted from the Valuation Report:

Table 9: Details of Valuation Comparables:

| No. | Transaction Date | International Maritime Organization NO. | Consideration in USD (Note) | Size (DWT) (tons) | Gross Tonnage (tons) | Built Year | Condition (as per current operation status) | Vessel type |
|-----|---------------------|--|-----------------------------------|-------------------------|----------------------------|---------------|---|----------------|
| 1 | 8 Nov 2017 | 9442914 | 9,000,000 | 7,700 | 5,261 | 2008 | Good | Oil tanker |
| 2 | 5 August 2017 | 9191230 | 4,500,000 | 9,100 | 5,483 | 1998 | Good | Oil tanker |
| 3 | 12 July 2017 | 9249609 | 6,500,000 | 8,800 | 5,359 | 2002 | Good | Oil tanker |
| 4 | 11 January 2017 | 9377432 | 6,500,000 | 5,700 | 3,979 | 2008 | Good | Oil tanker |
| 5 | 23 December 2016 | 9367255 | 7,100,000 | 5,500 | 3,997 | 2008 | Good | Oil tanker |
| 6 | 23 December 2016 | 9367243 | 7,100,000 | 5,500 | 3,997 | 2007 | Good | Oil tanker |

Note:

As discussed with the Valuer, amounts denominated in USD in the valuation of Vessels have been translated into HK\$ at an exchange rate of approximately USD1.000:HK\$7.802.

| |
|--|
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Table 10: Opinion of value of the Vessels by the Valuer

| No. | Name of Vessel | Market value in existing state as at 31 October 2017 (HK\$) |
|-----|--------------------|---|
| 1. | Pacific Energy 28 | 49,650,000 |
| 2. | Pacific Energy 8 | 45,130,000 |
| 3. | Pacific Energy 168 | 50,540,000 |
| 4. | Pacific Energy 138 | 52,280,000 |
| | Total | 197,600,000 |

As confirmed by the Valuer, the Valuation Comparables represent an exhaustive list of comparables having met all of the aforesaid section criteria set out under table 9 above in this section. As discussed with the Valuer and we have obtained and studied the calculation of the market comparables and the adjustment mechanism, we noted that the comparable transactions that chosen by the Valuer is similar to that of the Vessels and the date of such comparable transaction is the most recent among all the other comparable transactions and the adjustment factors adopted by the Valuer including but not limited to age, length, gross tonnage, quality of facility, etc. of other vessels in order to compare to the value of the Vessels. We have discussed with the Valuer and noted that these adjustment factors are common adopted for valuation of vessels. Having considered the above, we are of the view that the comparable transactions adopted by the Valuer are adequate as reference of the market value of the Vessels.

Having considered the above factors, including that the Consideration represents a slight discount to the valuation of Vessels as of 31 October 2017 conducted by the Valuer, we are of the view that the valuations performed by the Valuer are fair and reasonable and the Consideration is fair and reasonable.

3.4 *Promissory Notes*

The principal terms of the Promissory Notes are as follows:

| | |
|------------------|-----------------|
| Issuer | The Company |
| Principal amount | HK\$146,480,000 |
| Interest | Nil |

Status

The obligations of the Company arising under the Promissory Notes constitute direct, unsubordinated, and unsecured obligations of the Company. The obligations of the Company arising under the Promissory Notes shall at least rank pari passu with all other present and future unsecured obligations of the Company except for obligations accorded preference by mandatory provisions of applicable laws.

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Maturity

The outstanding principal amount of the Promissory Notes shall become due and payable on the second anniversary of the date of issue of the Promissory Notes.

Transferability

The Promissory Notes may not be assigned or transferred save with the prior written consent of the Company.

Redemption

The Promissory Notes may be redeemed by the Company at any time by giving the noteholder prior notice.

3.5 *Our view on the Promissory Notes*

In order to assess whether the terms of the Promissory Notes are fair and reasonable, we carried out a comparable analysis of other promissory notes (the “**PN Comparable(s)**”) issued by companies listed on the Stock Exchange based on the criteria that (i) they were announced in 3 months period ended on the date of the Agreements i.e. from 30 June 2017 to 29 September 2017; and (ii) they were issued as considerations for notifiable transactions of the respective listed companies. Based on the above, we identified an exhaustive list of five PN Comparables.

We consider that the three months period for the PN Comparables is adequate and appropriate given that such period is sufficiently recent to demonstrate the prevailing market practices prior to the date of the Agreements. Independent Shareholders should note that the size, business nature, scale of operations and prospects of the Company are not exactly the same as the companies in the PN Comparables. Nevertheless, having taken into account (i) the PN Comparables represented the most recent structure of promissory notes as accepted by parties involved in the notifiable transactions executed by the PN Comparables in the recent three months prior to the date of the Agreements; and (ii) the terms of the promissory notes issued by the PN Comparables were determined under similar market condition and sentiment in Hong Kong during the aforesaid period and they might be able to reflect the recent trend of terms of promissory notes issued by the companies listed on the Stock Exchange, we consider that the PN Comparables are fair

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and representative samples for the purpose of providing a general reference for the recent market practice. Details regarding the PN Comparables are set out below:

Table 11: Details regarding the PN Comparables:

| | Date of initial announcement | Company | Stock code | Transaction | Principal amount (HK\$'000) | Maturity | Interest rate (% per annum) |
|---|------------------------------|--|------------|--|--------------------------------|------------------|--------------------------------|
| 1 | 7 July 2017 | Celebrate International Holdings Limited | 8212 | Discloseable transaction | 19,000 | 2 years | 6% |
| 2 | 18 July 2017 | Amax International Holdings Limited | 959 | Discloseable transaction | 14,000 | 2 years | Nil |
| 3 | 19 July 2017 | Champion Technology Holdings Limited | 92 | Discloseable transaction | 120,000 | 19 December 2019 | 1% |
| 4 | 26 July 2017 | Cybernaut International Holdings Company Limited | 1020 | Discloseable and connected transaction | 220,000 | 2 years | Nil |
| 5 | 11 August 2017 | Celebrate International Holdings Limited | 8212 | Discloseable transaction | 20,000 | 2 years | 4% |
| | | | | | | Average | 2.2% |

Based on the table above, 4 out of 5 of the PN Comparables has maturity period of two years from the date of the respective sale and purchase agreements, which are the same maturity period as the Promissory Notes. The interest rates of the PN Comparables range from 0% to 6%, with an average interest rate of approximately 2.2%. The nil interest rate of the Promissory Notes is at the lowest end in the range of interest rates of the PN Comparables.

Based on the above analysis of the PN Comparables, we consider that the principal terms of the Promissory Notes are in line with market practice. Having also taking into account the reasons for and benefits of the acquisition of Vessels as stated under the paragraph headed "2.3 Reasons for and benefits of the acquisition of Vessels" above in this letter, we are of the view and concur with the Director's view that the terms of the Promissory Notes are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

3.6 Other terms

Completion of the acquisition of the Vessels are conditional upon, among other things, the Sale and Purchase Agreement having become unconditional. Details of the conditions precedent to the completion of the Sale and Purchase Agreement are set out under the paragraph headed "Conditions precedent" under the section headed "The Sale and Purchase Agreement" in the Board Letter.

We have also reviewed other terms of the Sale and Purchase Agreement and are not aware of any terms which are uncommon to normal market practice. Based on our own experiences and the study of other sale and purchase agreements of our previous works, the remaining terms of the Sale and Purchase Agreement (including conditions precedent, completion, warranties and pre-completion undertakings, etc.) are the standard terms of normal sale and purchase agreements which we have reviewed before. Accordingly, we consider that the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

3.7 Our view

Based on all of the above factors and having considered in particular that:

- (i) the acquisitions of Vessels would enable the Group to diversify its business scope and broaden its income stream;
- (ii) members of the senior management are familiar with the petrochemical trading industry;
- (iii) the Consideration is equal to the value of the valuation of the Vessels and we are of the view that the valuations performed by the Valuer are fair and reasonable;
- (iv) a substantial portion of the Consideration is on a deferred basis in the form of Promissory Notes at nil interest rate with a maturity of two years from date of its issuance (please refer to the paragraph headed "3.4 Promissory Notes" above in this letter for the detailed information);
- (v) the prospect of the trading of petrochemical products is positive in the absence of unforeseeable circumstances; and
- (vi) the leasing of Vessels shall contribute net operating cash inflow to the Group based on the expected income to be derived from the Master Lease Agreement.

We consider that the Proposed Transactions are in the interests of the Group and the Independent Shareholders as a whole.

4. Principal terms of the Master Lease Agreement

The principal terms of the Master Lease Agreement are as follows:

| | |
|---------|--|
| Date | 29 September 2017 |
| Parties | (1) the Company, as lessor (2) Inter-Pacific, as lessee |

4.1 Subject

According to the Board Letter, subject to compliance of the relevant Listing Rules by the lessor, the Master Lease Agreement shall take effect from the first completion (whichever First Completion, Second Completion or Third Completion happens earlier) until 31 March 2020, unless earlier terminated by either party giving a prior written notice of three months to the other. The Company (as lessor) and Inter-Pacific (as lessee) entered into the Master Lease Agreement which sets out the principal terms in relation to the lease of the Vessels by the lessor (for itself and on behalf of its subsidiaries) to the lessee (for itself and on behalf of its subsidiaries). Members of the Group are expected to enter into individual contracts (the “**Contract(s)**”) with the Lessee or its subsidiaries on the same principal terms in respect of the lease of individual Vessels. The conditions set out in the Master Lease Agreement shall be applied to each of such Contracts. As stated in the Board Letter, as at the Latest Practicable Date, the Company intended to lease all four Vessels to the Vendor. Nonetheless, the Company shall follow the stated pricing policies and internal procedures as set out under paragraph headed “Pricing policies and related internal procedures” in the Board Letter. In any event, the lease to Inter-Pacific or its subsidiary(ies) shall be on terms no less favourable to the lessor than that are available from Independent Third Parties.

4.2 Pricing policies

As stated in the Board Letter and according to the management of the Company, the pricing terms of the lease of Vessels shall be determined between the parties on a quarterly basis and based on arm’s length negotiations between the parties on normal commercial terms with reference to:

- (i) the prevailing market price of the same or substantially similar leases, taking into account the charges on leasing similar vessels of comparable size, speed and operating capacities;
- (ii) if there are insufficient comparable transactions in (i) above, on normal commercial terms comparable to those leases from Independent Third Parties in respect of the substantially similar vessels; and

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- (iii) if both (i) and (ii) above are not applicable, by reference to the average price of similar leases previously paid by the lessee, and on normal commercial terms are no less favourable to the lessor than that are available from Independent Third Party.

As stated in the Board Letter, for avoidance of doubt, the aforesaid pricing policy (i) is referring to leases between two market participants (which do not involve the Group nor parties connected to the Group) and the aforesaid pricing policy (ii) is referring to leases between the Group and a third party market participant.

In addition, for the pricing policy set out above, the Company would consider the following factors when determining whether leases are similar or transactions are comparable, such as (a) status and characteristics of the subject vessels related to these market transactions, in terms of usage, size, tonnage, year of made, conditions, equipment (where applicable); (b) length of lease; and (c) whether the lease is also related to the Singapore market, being the intended operating country of the Vessels in the past and after the Completion.

We have discussed with the management of the Company regarding the pricing policies of the Master Lease Agreement, and we noted that the Company would compare information available from the market which the Company will analyze in each quarter and use the available leasing terms of Independent Third Parties to compare with the leasing terms of Vessels. The Company shall maintain a database (the “**Database**”) of relevant leasing rates of vessels in Singapore and such Database is updated on a quarterly basis with reference to pricing policies as stated above. The Operation Manager would also update the Database when potential lessees submit offer(s) to lease the Vessels and make reference to the leasing rates in the Database during negotiation for new leases of Vessels. According to the management of the Company, given the leasing terms of the Vessels are typically not less than six months, the Board considered that the review of pricing terms in respect of the lease of Vessels on a quarterly basis shall be sufficient to ensure that the terms of leasing to be on normal commercial terms and no less favourable to the Company from time-to-time.

While the Operation Manager shall make reference to leasing rates set out in the Database when engage in negotiation of new leases of Vessels, the Operation Manager shall also follow the internal procedures (details of which are set out under the section headed “4.3 Internal control procedures” below in this section). In the event that there are insufficient market comparables, the management of the Company confirm that they will engage with independent valuer who are registered professional valuer under the Hong Kong Institute of Surveyors, Royal Institution of Chartered Surveyors and Hong Kong Surveyors Registration Board to value the market rental of the Vessels in compliance with in compliance with the International Valuation Standard published by IVSC. The selection criteria of the lessee of the Vessels will primarily based on who offer the highest leasing fee and the length of the leasing terms. Based on the above, we are of the view that the above mentioned will be viable and adequate to ensure that the leasing terms of the Vessels are no less favourable to the lessor than that are available from independent third party. If there are insufficient market comparables available for them to make reference for

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the leasing terms of the Vessels, they would make reference to the valuation prepared by independent valuer regarding the market rental of Vessels.

We attempted to obtain market data of leasing fee for vessels in Singapore. However, according to the official websites of the Singapore Department of Statistics and MPA Singapore, there are no official data published by relevant official authorities in Singapore relating to the leasing fee of vessels in Singapore.

In view of the above, we are of the view and concur with the view of the management of the Company that as (i) the aforesaid pricing policy is enforceable based on the internal procedure to be executed by the Company (Please refer to section headed "4.3 Internal Control Procedures" below for detailed information); and (ii) the Company can ensure that the leasing terms of the Vessels will be no less favourable to the Group than that are available from Independent Third Party (Please refer to section headed "4.3 Internal Control Procedures" below in this section for detailed information); the Master Lease Agreement is on or better than normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

4.3 Internal control procedures

After discussion with the management of the Company regarding the internal control procedure of the execution of the Master Lease Agreement, we understand that the Operation Manager will inquire the existing lessees (independent third parties or Vendor, as the case may be) of the Vessels (where there is now only one existing lessee of the Vessels who is leasing Pacific Energy 8) for quotations regarding renewal of leasing of Vessels around one to two months before the end of the existing leasing terms. According to the current leasing agreement of the Pacific Energy 8 provided by the Company, the current monthly rental fee for the Pacific Energy 8 is SGD130,000 per month payable by an Independent Third Party and the leasing term will expire on 31 December 2017. Apart from making enquiry to existing lessees, the Company will also look for any potential lessees in the market and obtain not less than two quotations from Independent Third Parties and compare the leasing terms to be proposed by the existing lessee(s), which may or may not be a connected party (including the Vendor). The selection criteria of the lessee of the Vessels will primarily base on who offer the highest leasing fee and the length of the leasing term.

As confirmed by the management of the Company, if they are not able to obtain any quotations from Independent Third Parties or the existing lessees do not have any intention to renew the relevant lease and Inter-Pacific or any other connected person of the Company (as the case maybe) intends to lease the Vessels, the Company will engage with independent valuer (with relevant qualification as stated under the paragraph headed "4.2 Pricing policies" above in this section) to value the market rental of the Vessels. Based on the above, we are of the view that the internal control procedures are enforceable and will safeguard the best interests of the independent Shareholders and the Group as a whole.

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The Operation Manager will oversee the above procedures and gather the relevant information including but not limited to (i) the existing terms of leasing agreements; (ii) quotations to be provided by Independent Third Parties (if any); or (iii) the opinion to be provided by independent valuer, where applicable for the Board to review, make recommendation to the executive Board, which only included executive Directors (the “**Executive Board**”), in relation to the relevant leases to facilitate the approval of the potential leasing agreements. In this connection, the lessee offering the highest leasing rate shall be selected to ensure the pricing term would be no less favourable to the lessor. If the Vendor becomes the lessee of the Vessels, the annual chartering income will be reviewed by the Board, on a contract-by-contract as well as on a cumulative basis, before the leasing agreement of Vessels are going to be renewed in order to ensure that the leasing income of the Vessels will not exceed the Proposed Annual Caps or otherwise be subject to Independent Shareholders’ approval. The auditor of the Company and the independent non-executive Directors will also conduct review annually on the continuing connected transactions contemplated under the Master Lease Agreement in accordance with the applicable Listing Rules. We are of the view that the abovementioned procedures will ensure that aggregate annual leasing income will not exceed the Proposed Annual Caps. Ms. Cheung Lai Na and Ms. Cheung Lai Ming will participate in the review and approval of the potential leasing agreements as (i) the final decision will primarily base on who offer the most favourable leasing terms and the Vendor will still not able to lease the Vessels if their leasing terms are not as favorable as those provided by independent third parties; and (ii) their extensive experience in the petroleum trading business will benefit the Board to make appropriate decision.

As stated in the Board Letter, in the event that (i) two or more parties (including the connected person) offer the same leasing rate which are the highest leasing rate among all quotations; and (ii) the Operation Manager recommends more than one lessee’s offer as its recommendation shall be primarily based on the highest leasing rate, the non-executive Director shall then be required to approve the subject leasing agreement based on information gathered by the Operation Manager as well as his/her business acumen and experience with the view to ensure such transaction is in the interests of the Company and the Shareholders as a whole.

We are of the view that the abovementioned internal control procedures can ensure that (i) the Board and the management of the Company are well informed on the continuing connected transactions contemplated under the Master Lease Agreement; (ii) the terms of the continuing connected transactions are in accordance with the Master Lease Agreement which are no less favourable to the Group than that are available from Independent Third Parties; (iii) the income to be generated from the continuing connected transactions contemplated under the Master Lease Agreement will not exceed the Proposed Annual Caps or otherwise subject to Independent Shareholders’ approval; and (iv) the internal procedure will safeguard the Group’s interests that the selection criteria of the lessee of the Vessels will primarily base on who offer the highest leasing fee and the length of the leasing term which is in the best interests of the independent Shareholders and the Group as a whole. Based on the above, we are of the view and concur with the view of the management of the Company that there are adequate internal control measures in place which are enforceable regarding the continuing connected transactions contemplated under the Master Lease Agreement.

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4.4 Payment

The lessee shall pay the lessor on a monthly basis and in advance.

4.5 Conditions Precedent

As stated in the Board Letter, the Master Lease Agreement is conditional upon (i) the approval by the Independent Shareholders; and (ii) the lessor having procured the owner of each vessel to enter into a contract with the lessee or its subsidiary(ies) for the charter of that vessel, substantially in such form as may be applicable in the market for vessels of the nature and usage of that vessel. Since only Singapore incorporated company can be registered owner of Singapore flagged vessels as advised by the Company's counsel as to Singapore laws, in order for the Master Lease Agreement to be effective, it is necessary and a condition precedent for individual contracts to be entered into between the owner of each Vessel (being a Singapore incorporated company) and the Vendor or its subsidiary(ies) for the charter of the four relevant Vessels. It is intended that applicable charter contract forms prescribed by Baltic and International Maritime Council will be adopted with modification with reference to the Sale and Purchase Agreement and based on the terms and conditions under the Master Lease Agreement. If such condition is not satisfied by 31 March 2018 or such other date as the parties hereto may otherwise agree in writing, the Master Lease Agreement shall be terminated.

4.6 Proposed Annual Caps and basis of determination

Pursuant to the Master Lease Agreement, the Proposed Annual Caps for the leasing fee shall be SGD2,920,000, SGD7,200,000 and SGD7,370,000 (equivalent to approximately HK\$16.8 million, HK\$41.5 million and HK\$42.5 million, respectively) for each of the years ending 31 March 2018, 2019 and 2020, respectively. The Company shall comply with the relevant requirements of the Listing Rules in the event that the Proposed Annual Caps are exceeded.

As stated in the Board Letter, the Proposed Annual Caps for the period commencing from date of the first completion (whichever First Completion, Second Completion or Third Completion happens earlier) up to 31 March 2018, each of the years ending 31 March 2019 and 2020 are calculated with reference to, among others, (i) the prevailing market leasing rate (i.e. the leasing rate of Pacific Energy 8 to a third party by the Vender) as well as the estimation by the management of the Company adjusting for among others, the size, operating capacity and the tonnage of the Vessels, and estimated the range to be SGD130,000 to SGD170,000 per month (subject to gross tonnage of the vessels); and (ii) the expected increase in leasing rates of 2.5% attributable to change in market demand, increase in relevant costs and inflation. According to the official data issued by Monetary Authority of Singapore, the inflation rate of Singapore, which excludes the costs of accommodation and private road transport, for 2014, 2015 and 2016 was 1.9%, 0.5% and 0.9% respectively. With reference to the "Labour Force in Singapore" published by Singapore Ministry of Manpower in November 2016, the nominal median monthly income of full-time employed residents rose by 2.7% in 2016. Furthermore, according to the management of the Company, they estimate that the second largest expense for the leasing

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vessel service will be employee benefits expense. Based on the above, we are of the view that the expected increase in leasing rates of 2.5% is fair and reasonable.

In order to access the fairness and reasonableness of the Proposed Annual Caps, we requested the Company to enquire the Vendor to provide the existing leasing agreement of Pacific Energy 8. According to the management of the Company, the current lessee of Pacific Energy 8 has indicated that it would not renew its lease upon the expiry of the current lease in December 2017 and the Vendor has expressed their intention to lease Pacific Energy 8 upon Completion, with total rental amount higher than that of Pacific Energy 8 under the existing lease agreement which is leased to the Independent Third Party and expiring on 31 December 2017. Furthermore, the Vendor has also expressed their intention to lease back Pacific Energy 138, Pacific Energy 168 and Pacific Energy 28 upon Completion. We noted that the aforesaid quotations are higher than the respective rental fee of the Vessels if they are calculated in proportion to their respective gross tonnage based on (i) the abovementioned rental fee of Pacific Energy 8 suggested by the Vendor; and (ii) the gross tonnage of Pacific Energy 8. According to the management of the Company and the Vendor, the Vendor is of the view that the abovementioned quotations are fair and reasonable for their own interest based on the facts that the current leasing agreement of Pacific Energy 8 was signed on 28 December 2016 and the increment in the new quotations of the Vessels are in line with market practice based on their experience. As the aggregate of the aforesaid rental fee of the Vessels is equal to the amount of the Proposed Annual Caps for the period ending 31 March 2018 (per month), and represent approximately 97% to the Proposed Annual Caps for the second year (for the year ended 31 March 2019) (with the expected increase in leasing rates of 2.7%) and represent approximately 95% to that of the third year (for the year ended 31 March 2020) (with the expected increase in leasing rates of 2.4%) under the Master Lease Agreement, we are of the view and concur with the view of the management of the Company that the Proposed Annual Caps under the Master Lease Agreement is justifiable.

Given that (a) the Group would benefit from the cash flows resulted from leasing of the Vessels under the Master Lease Agreement; (b) the management of the Group expected that the Vessels would generate profits under the Proposed Annual Caps; (c) the Proposed Annual Caps have already considered the inflation and relevant costs (our analysis are set out in the above paragraph under this section); (d) the calculation of the Proposed Annual Caps have already considered the current leasing rate of the Pacific Energy 8; and (e) the Proposed Annual Caps of approximately HK\$41.5 million and HK\$42.5 million in 2019 and 2020 respectively, which represent approximately 24.38% and 24.96% of the revenue of the Group of approximately HK\$170.25 million in FY2017 which we concur with the Director's view the revenue of the Group will not over-rely on the leasing vessel business. Having also considered the preliminary quotations offered by the Vendor as mentioned in the above paragraph are higher than the respective rental fee of the Vessels if they are calculated in proportion to their respective gross tonnage based on (i) the rental fee of Pacific Energy 8 suggested by the Vendor; and (ii) the gross tonnage of Pacific Energy 8, we consider that the proposed Annuals Caps have been set by the Company with due care and are fair and reasonable.

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5. Financial effect of the acquisition of Vessels

The unaudited pro forma financial information of the Group as set out in Appendix IV to the Circular illustrates the financial effects of the Proposed Transactions.

5.1 *Non-current assets*

According to the unaudited pro forma financial information of the Group as set out in the Appendix IV of the Circular, the non-current assets of the Group would increase by approximately 125.78%, from approximately HK\$142.27 million to approximately HK\$321.22 million as at 30 September 2017, mainly contributed to the increase in property, plant and equipment by the acquisition of Vessels upon the completion of the Sale and Purchase Agreement. In the opinion of the Directors, after the acquisition of the Vessels, it is intended that the Vessels will be held for deriving stable leasing income, therefore, the Vessels will be accounted for as property, plant and equipment.

5.2 *Current assets*

According to the unaudited pro forma financial information of the Group as set out in the Appendix IV of the Circular, the current assets of the Group would decrease by approximately 14.97%, from approximately HK\$321.44 million to approximately HK\$273.31 million as at 30 September 2017, mainly adjusted by (i) decrease in cash and cash equivalents of HK\$50 million to settle partial Consideration pursuant to the Sale and Purchase Agreement; (ii) the estimated transaction costs of approximately HK\$1.50 million directly attributable to the Proposed Transactions and (iii) estimated monthly income of the Vessels of approximately SGD584,000 (equivalent to approximately HK\$3.37 million) received in advance pursuant to the Master Lease Agreement.

5.3 *Liabilities*

According to the unaudited pro forma financial information of the Group as set out in the Appendix IV of the Circular, the non-current liabilities of the Group as at 30 September 2017 would increase by approximately 164.65% from approximately HK\$77.40 million to approximately HK\$204.84 million as at 30 September 2017, mainly attributable to the issuance of the Promissory Notes with an estimated fair value in aggregate of approximately HK\$127.45 million for the settlement of the partial Consideration.

5.4 *Gearing ratio*

As at 30 September 2017, the gearing ratio of the Group (defined as total interest-bearing bank borrowings and liability component of convertible bonds of the Group divided by total equity of the Group) was approximately 96%. If the Completion had been taken place as at 30 September 2017, the gearing ratio of the Group would have been increased to approximately 159% (with the effects of the Promissory Notes). Even though the gearing ratio of the Group will increase significantly upon Completion, having considered that (i) the Promissory Notes at nil interest rate with a maturity of two years from date of its issuance is in light of the relatively low level of the cash level of the Group

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(please refer to the paragraph headed “3.5 Our view on the Promissory Notes” above in this letter for our analysis on the Promissory Notes); and (ii) the acquisitions of the Vessels will broaden the income stream of the Group considering the positive outlook of the petroleum trading industry (please refer to our analysis set out under the paragraph headed “2.3 Reasons for and benefits of the Proposed Transactions” above in this letter, we are of the view and concur with Directors’ view that the acquisition of the Vessels are in the interests of the independent Shareholders and the Group as a whole.

5.5 Dilution

The Consideration will be settled by cash and Promissory Notes and the Company will pay the Consideration by applying internal resources and/or bank borrowings, there would not be any issuance of new Shares as a result of the Proposed Transactions. Thus there would not be any dilution effect on earnings and net asset value to existing Shareholders, which is considered to be in the interests of the Company and the Shareholders.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that the terms of the Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the SGM to approve the Agreements and the transactions contemplated thereunder, and we recommend the Independent Shareholder to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Nuada Limited
Kevin Wong
Vice President

Mr. Kevin Wong is a person licensed under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and regarded as a responsible officer of Nuada Limited and has over 13 years of experience in corporate finance industry.

1. FINANCIAL INFORMATION OF THE GROUP

The audited and unaudited consolidated financial statements of the Group, where applicable, together with the accompanying notes, for each of the three years ended 31 March 2015, 2016 and 2017 and six months ended 30 September 2017 are disclosed in the annual reports or interim report of the Company for the financial years ended 31 March 2015 (pages 27 to 86), 31 March 2016 (pages 27 to 82), and 31 March 2017 (pages 36 to 90) and for the six months ended 30 September 2017 (pages 1 to 21), respectively. As set out in the annual report of the Company for the year ended 31 March 2015 (the “**2015 Annual Report**”), the independent auditor at the time issued a qualified opinion on the consolidated financial statements of the Group for the year ended 31 March 2015. Please refer to the 2015 Annual Report for further details.

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 2015, 2016 and 2017 set out in the published annual reports of the Company for the relevant period:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/1023/LTN20161023017.pdf>

<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/2017/1127/LTN20171127191.pdf>

2. STATEMENT OF INDEBTEDNESS

Borrowings

At the close of business on 31 October 2017, being the latest practicable date for the purpose of preparing this indebtedness statement, the Group had outstanding secured bank borrowings of approximately HK\$124,668,000 and unsecured 6% convertible bonds with aggregate principal amount of HK\$80,000,000 due on 21 September 2020. As at 31 October 2017, all bank loans of approximately HK\$124,668,000 are secured by the Group’s pledged bank deposits amounting to RMB119,875,000 (equivalent to approximately HK\$141,056,000).

Contingent liabilities

At the close of business on 31 October 2017, save for the litigation mentioned, 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 VI to this Circular.

Save as aforesaid, and apart from intra-group liabilities and normal trade payables in the ordinary course of business, at the close of business on 31 October 2017, the Group did not have any other loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

3. MATERIAL ADVERSE CHANGE

The Directors confirmed that there was no material adverse changes in the financial or trading position or prospects of the Group since 31 March 2017 (being the date which the latest published audited consolidated financial statements of the Group had been made up) up to the Latest Practicable Date.

4. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the financial resources presently available to the Group including the internally generated funds, the currently available banking facilities and the effects of the Proposed Transactions, and in the absence of unforeseen circumstances, the Group has sufficient working capital for its present requirements for at least the next twelve months from the date of this circular.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As set out in the annual report of the Company for the year ended 31 March 2017, the principal activities of the Group are investment holding and manufacturing and trading of printed circuit boards (the "**PCB Business**"). In order to realise business diversification, in mid-2017, the Group also undertook the business of indent trading of petrochemical products as well as petroleum and energy products (i.e. the Petroleum Indent Trading Business). Upon Completion, the Group will continue its existing PCB Business and Petroleum Indent Trading Business, while expanding its Petroleum Indent Trading Business to include vessel leasing (i.e. the Petroleum Indent Trading and Vessel Leasing Business).

PCB Business

As set out in the annual report of the Company for the year ended 31 March 2017, the Group has recorded losses in two out of three recent completed financial years. In light of the highly competitive business environment in the PCB Business, the Group has taken various measures to confront the challenge. The Group has implemented and shall continue to develop various cost-savings and quality improvement measures to remain competitive in its printed circuit board business. In addition, the Group has also adopted strategic pricing policy and proactive marketing approach so as to canvass for new sales orders from both existing and potential customers. In addition, the manufacturing process has been reviewed and the Company has purchased new machinery and equipment with a view to improve efficiency through automating certain part(s) of the manufacturing processes which would increase production speed and reduce the involvement of labour, thereby reducing labour cost and enhance the Group's overall competitiveness in the market.

In view of the Group recording losses for four out of five financial years between 2013 and 2017, which amounted to losses of not less than HK\$200 million in aggregate, such were primarily attributable to the financial performance of the PCB Business. On this basis, the management of the Company recognises the need to improve the performance of the PCB business and shall continue to explore new profitable clients and products in the future as well as further enhancing cost control processes with a view to improve operational efficiencies.

As mentioned in the preceding paragraph, the return on the investment of PCB segment has been negative for majority of the past five financial years, which were mainly attributable to (i) the intense market competition as evidenced by a period-on-period decrease in segment revenue; and (ii) the labour intensive nature of the PCB Business as evidenced by the PCB Business employing not less than 457 employees as at 30 September 2017, and which has been adversely affected by the statutory staff wage increments in last few years. Such increment was approximately 10% annually between 2014 and 2016, thereby creating a decreasing profit margin business environment for the Group which resulted in negative return to the Shareholders.

On the other hand, new orders often require additional investments, which may be sizeable, into new production equipment to facilitate the production. There is no guarantee that the new production equipment will be suitable for production of future orders from a different customer and that the technology of such equipment will not become obsolete in the future. Furthermore, subject to the size of such investment and production lead time, the financial results and cash flow positions at the relevant times maybe affected temporarily. In addition, the management is required to monitor and ensure ongoing compliance of the relevant PRC laws and regulations related to its PCB business which may change with short notices. In view of the above, the management, subject to ongoing costs cutting measures, shall continue to exercise caution in conducting the PCB business and at present, it intends to maintain the business of the PCB Business and has no present intention to downsize or cease the PCB Business.

Furthermore, in order to better deploy the Group's financial resources and minimise its exposure to foreign exchange risks, significant portion of the secured bank borrowings has been repaid.

As set out in the announcement of the Company dated 28 February 2017, the Company intends to apply approximately HK\$22.0 million to repay bank borrowings and approximately HK\$24.5 million out of the net proceeds to enhance certain operational aspects of the PCB business. Up to 30 September 2017, the utilisation of the relevant net proceeds raised from the placement of Shares are details as follows:

| Use of net proceeds | Utilised amount (HK\$' million) | Intended use of unutilised proceeds (HK\$' million) |
|---|---------------------------------------|--|
| Repayment of bank borrowings: | 22.00 | – |
| Enhance certain operational aspects of the PCB business: | | |
| – establish a marketing department | 0.85 | 3.00 |
| – purchase of new machineries and equipment | 4.50 | 5.00 |
| – promotional activities to strengthen the Company's brand | – | 2.00 |
| – implementation of factory improvement program | 1.70 | 4.00 |
| – improvement to the Group's information system | 0.15 | 1.00 |
| – expenses related to external consultants and/ or establish internal control department | 0.94 | 1.36 |
| | <u>30.14</u> | <u>16.36</u> |
| Utilised | | |
| Unutilised | | <u>16.36</u> |
| Total (Utilised + Unutilised) | | <u><u>46.50</u></u> |

The Company intends to apply the aforesaid remaining unutilised proceeds within one year from the completion of the placement of Shares.

As set out in the circular of the Company dated 21 July 2017 in relation to, among others, the placing of convertible bonds assuming net proceeds of HK\$75 million, the Group intends to utilise part of the proceeds from placing of convertible bonds for the existing PCB business, of which (i) approximately HK\$3.0 million for strengthening the marketing function to promote the Company's business of manufacturing printed circuit boards for automobile components in PRC, including but not limited to, hiring operational staff, experts and marketing materials; and (ii) approximately HK\$4.0 million purchase new machineries and equipment for the existing PCB Business. Furthermore, part of the net proceeds was intended to be utilised towards the development of the business of indent trading of petroleum related products, a breakdown of which is set out as follows, (i) approximately HK\$30 million for acquiring petroleum related products for the indent trading business; (ii) approximately HK\$30 million will be used to acquire a vessel for strengthening the logistic arrangement and/or chartering services in relation to the indent trading business; (iii) approximately HK\$3 million will be used to secure banking facilities required for the indent trading business; and (iv) approximately HK\$5 million will be used as general working capital of the Group for the indent trading business.

Up to 30 September 2017, out of the net proceeds raised from the placement of the convertible bonds, approximately HK\$60.9 million has been utilised, of which (i) approximately HK\$1.4 million has been applied towards the purchase of new machineries for the PCB business; (ii) approximately HK\$29.5 million has been used as deposit for the Acquisition; and (iii) approximately HK\$30.0 million has been used to acquire petroleum related products for the indent trading business. The remaining net proceeds raised has not been utilised as at the Latest Practicable Date. The Company intends to utilise the remaining net proceeds of approximately HK\$17.5 million in the following manner:

| | Amount <i>(HK\$' million)</i> |
|---|---|
| PCB Business | |
| – strengthen the marketing function to promote the Company's business of manufacturing PCB for automobile components in PRC | 3.0 |
| – purchase of new machineries and equipment | 2.6 |
| – administrative expenses | 3.9 |
| Indent Trading Business | |
| – secure banking facilities required for the indent trading business | 3.0 |
| – general working capital | 5.0 |
| | <hr/> |
| Total remaining unutilised net proceeds | 17.5 <hr/> <hr/> |

The Company intends to apply the aforesaid remaining unutilised proceeds within two years from the completion of the placement of the convertible bonds.

Petroleum Indent Trading and Vessel Leasing Business

In mid-2017, the Group undertook the business of indent trading of petrochemical products as well as petroleum and energy products 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 set out in the annual report of the Company for the year ended 31 March 2017 and the circular of the Company dated 21 July 2017 in relation to, among others, the placing of convertible bonds, under the Petroleum Indent Trading Business, the Group 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 normal business practice for relatively new and small scale participants in the petroleum industry to engage agents like the Company for sourcing and matching services. The Petroleum Indent Trading team of the Company has established a satisfactory working relationship with the Supplier (defined hereafter), being a sizeable international corporation. The Company has a good historical track record of fulfilling its duties as an agent, as well as gained a working knowledge of the Supplier's internal procedures and processes in addition to having established communication channels with the Supplier through working closely with the Supplier previously. The above enables the Company to facilitate smooth execution of indent trades which would otherwise be time consuming and inefficient for both the Supplier and the new and small scale participants.

As at the Latest Practicable Date, the Directors are of the view that the Group's Petroleum Indent Trading Business are in its developing stage, the Group has one full time employee working for its Petroleum Indent Trading Business, supervised by Ms. Cheung Lai Na, who is supported by Ms. Cheung Lai Ming, with a combined experience of over 20 years in the business of petroleum trading. Going forward, the management will continue to explore the possibility of expanding the Group's Petroleum Indent Trading Business, subject to the market conditions and availability of the Group's resources at the relevant time. Since the commencement of the Petroleum Indent Trading Business, Ms. Cheung Lai Na and Ms. Cheung Lai Ming have been instrumental in sourcing customers and suppliers through their professional network as well as leveraging their industry knowledge and reputation in the market.

Since the commencement of its Petroleum Indent Trading Business around mid-2017, the Group has derived its indent trading revenue from one customer, namely, being a trading company for petroleum related products. The Vendor confirmed that such customer is not a customer of the Vendor in the past 12 months. In connection with supplier, the Group has purchased its petroleum for indent trading primarily from one supplier, being part of a listed corporation in the

petroleum industry with an international presence (the “**Supplier**”) since mid-2017. Given the size of the Supplier’s group and the scale of their operations across Asia as well as other parts of the world, it is inevitable that the Vendor may have business relationship with the Supplier’s group from time to time. Nonetheless, the Vendor did not have nor did it conduct any Petroleum Indent Trading business as at the Latest Practicable Date.

Given members of the Company’s management have a wealth of relevant trading experience and established track record for over a decade, the Petroleum Indent Trading Business is considered by the management to have relatively low risk exposure to the Group and such business is expected to yield a stable yet reasonable return based on management’s experience. Subject to the ongoing development of the macro economy, the management shall continue to develop this business with caution.

With respect to vessel leasing, the management is confident that the vessel leasing business will generate a stable and satisfactory yield to the Group as well as a net cash inflow after Completion. Based on information available including information set out in the website of The Maritime and Port Authority of Singapore (the “**MPA**”) (www.mpa.gov.sg), the management expects that the demand in vessel leasing in Singapore to at least maintain at the prevailing level attributable to the outlook of the bunker sales business in the region. As per the MPA website, total bunker sales volume in Singapore port amounted to approximately 42.4 million tonnes in 2014, approximately 45.2 million tonnes in 2015, approximately 48.6 million tonnes in 2016, and approximately 33.7 million tonnes for the first eight months of 2017 (approximately 32.7 million tonnes for first eight months of 2016). The compound annual growth rate between 2014 and 2016 in total bunker sales volume amounted to approximately 7.1%. Out of the above bunker sales volume, the most significant single marine fuel product in terms of volume is Medium Fuel Oil 380 cst (the “**MFO 380**”), which contributed bunker sales volume of approximately 31.8 million tonnes in 2014, approximately 34.1 million tonnes in 2015, approximately 36.1 million tonnes in 2016, and approximately 25.2 million tonnes for the first eight months of 2017 (approximately 24.4 million tonnes for first eight months of 2016). The compound annual growth rate between 2014 and 2016 in MFO 380 bunker sales volume amounted to approximately 6.5%. Given bunkering is the supply of fuel for use by vessels and that such process involves the transportation of fuel from the fuel storage location to the subject vessel at sea by specialised vessels, the Directors are of the view that in the event of an increase in bunker sales volume, given the supply (i.e. the availability) of specialised vessels stays constant, the demand for the lease of these vessels shall increase. On this basis, the vessel leasing rate should be positively affected. The Vendor advised that it has used the Vessels primarily to transport MFO 380 in the past. In view of the above, the Directors are optimistic about the prospects of the vessel leasing business in the Singapore market.

In view of the above, the Directors consider that the acquisition of the Vessels under the Sale and Purchase Agreement and the Master Lease Agreement to be beneficial to the Company as (i) it represents an excellent opportunity for the Group to further broaden its revenue base and facilitates the Group to derive stable leasing income from the Vessels in the foreseeable future; (ii) the leasing of Vessels shall contribute net operating cash inflow to the Group based the expected fee income to be derived from the Master Lease Agreement; (iii) the leasing income is expected to provide the Group with a reasonable rate of return based on the prevailing market leasing rates; (iv) senior management is familiar with the petrochemical trading industry in various regions in Southeast Asia, as evidenced by the experience of Ms. Cheung Lai Na and Ms. Cheung Lai Ming, each an executive Director, in the business of petrochemical trading of over 13 years and 7 years, respectively; and (v) a substantial portion of the Consideration, being HK\$146,480,000, is on a deferred basis in the form of Promissory Notes at nil interest rate with a maturity of two years from date of its issuance.

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| APPENDIX II UNAUDITED FINANCIAL INFORMATION OF THE VESSELS |
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In accordance with Rule 14.67(6)(b)(i) of the Listing Rules, the Company is required to include in this circular an unaudited profit and loss statement for the three preceding financial years on the identifiable net income stream in relation to the relevant asset(s) which must be reviewed by the reporting accountants to ensure that such information has been properly compiled and derived from the underlying books and records.

The unaudited profit and loss statements of a vessel, namely Pacific Energy 8 (the “PE 8”), which has been used internally by the Vendor and leased to third parties at the relevant times during the years ended 30 June 2014 and 30 June 2015, the eighteen months period ended 31 December 2016 and the eight months period ended 31 August 2017 (the “**Relevant Periods**”), have been prepared by the Directors based on the information provided by the Vendor. They are set out below:

| | Year ended 30 June | | Period from 1 July 2015 to 31 December 2016 | Period from 1 January 2017 to 31 August 2017 |
|---|--------------------|-----------|--|--|
| | 2014 | 2015 | 2016 | 2017 |
| | US\$ | US\$ | US\$ | US\$ |
| Revenue | | | | |
| Charter income from third parties | 328,911 | – | – | – |
| Charter income from immediate holding company (<i>Note</i>) | 504,404 | 1,465,727 | 1,686,365 | 745,696 |
| Storage income from immediate holding company | 573,955 | – | – | – |
| | 1,407,270 | 1,465,727 | 1,686,365 | 745,696 |
| Other income | – | 15,226 | 80,822 | – |

APPENDIX II UNAUDITED FINANCIAL INFORMATION OF THE VESSELS

| | Year ended 30 June | | Period from 1 July 2015 to 31 December 2016 | Period from 1 January 2017 to 31 August 2017 |
|--|--------------------|--------------------|--|--|
| | 2014 | 2015 | 2016 | 2017 |
| | US\$ | US\$ | US\$ | US\$ |
| Less: Other items of expenses | | | | |
| Storage & petroleum charges | (415,932) | (396,740) | (142,917) | (17,816) |
| License, certificate & survey fees | (48,489) | (67,312) | (82,187) | (23,358) |
| Port due expenses | (83,962) | (113,030) | (74,240) | (11,652) |
| Insurance expenses | (54,454) | (38,322) | (49,233) | (21,084) |
| Employee benefits expense | (312,590) | (305,892) | (428,318) | (171,872) |
| Repair and maintenance | (113,817) | (148,862) | (394,088) | (61,878) |
| Depreciation | (195,256) | (201,369) | (358,511) | (162,193) |
| Legal and professional fee | (204,921) | (69,065) | (292) | - |
| Bank loan interest | (67,859) | (66,156) | (65,237) | - |
| Income tax provision | - | - | (386) | - |
| Others | (108,089) | (154,708) | (174,278) | (71,037) |
| | <u>(1,605,369)</u> | <u>(1,561,456)</u> | <u>(1,769,687)</u> | <u>(540,890)</u> |
| (Loss)/Profit for the year/period | <u>(198,099)</u> | <u>(80,503)</u> | <u>(2,500)</u> | <u>204,806</u> |

Note: The immediate holding company of Pacific Energy 8 Owner has sub-leased PE 8 to a third party for the period from 31 January 2016 to 31 August 2017.

The Directors confirm that the accounting policies used by the Vendor are materially consistent with the Group's accounting policies.

Procedures have been carried out by Mazars CPA Limited, the reporting accountant of the Company, on the unaudited profit and loss statement of the PE 8 for the Relevant Periods as shown in the above table in accordance with Hong Kong Standard on Related Services 4400 "Engagements to perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") to assess whether such information was in agreement with the underlying books and records of the Vendor. Mazars CPA Limited, the reporting accountant of the Company, reported that they found such information was in agreement with the underlying books and records of the Vendor.

The work performed by Mazars CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements, Hong Kong Standards on Assurance Engagements or Hong Kong Standards on Investment Circular Reporting Engagements issued by the HKICPA and consequently no assurance has been expressed by Mazars CPA Limited on the profit and loss statement of the PE 8.

Based on information of Pacific Energy 8 as set out in Appendix II to this circular and provided by the Vender during the year from 1 July 2013 to 30 June 2014, the year from 1 July 2014 to 30 June 2015, the period from 1 July 2015 to 31 December 2016 and the period from 1 January 2017 to 31 August 2017 (i.e. the Relevant Periods). Set out below is the relevant management discussion and analysis on Pacific Energy 8. For the avoidance of doubt, the acquisition of Vessels under the Sale and Purchase Agreement is an acquisition of assets, not companies.

While the functional currency of Pacific Energy 8 Owner is Singapore dollars and the financial statements are presented in US dollars (except where otherwise indicated), for the purposes of illustration and discussion in this appendix only, amounts denominated in SGD and US\$ have been translated to HK\$ at the exchanges rate of SGD1:HK\$5.77 and US\$1:HK\$7.8 in this appendix. No representation is made that any amounts in SGD, US\$ and HK\$ can be or could have been converted at the relevant dates at the above rates or at any other rates at all.

FINANCIAL AND BUSINESS PERFORMANCE

During the Relevant Periods, revenue attributable to Pacific Energy 8 amounted to approximately HK\$11.0 million, HK\$11.4 million, HK\$13.2 million and HK\$5.8 million, respectively.

The expenses attributable to the Pacific Energy 8 for the year ended 30 June 2014 amounted to approximately HK\$12.5 million, which mainly consisted of (i) storage and petroleum charges of approximately HK\$3.2 million; (ii) employee benefits expenses of approximately HK\$2.4 million; (iii) legal and professional fee of approximately HK\$1.6 million; and (iv) depreciation of approximately HK\$1.5 million. The expenses attributable to the Pacific Energy 8 for the year ended 30 June 2015 amounted to approximately HK\$12.2 million, which mainly consisted of (i) storage and petroleum charges of approximately HK\$3.1 million; (ii) employee benefits expenses of approximately HK\$2.4 million; (iii) depreciation of approximately HK\$1.6 million; and (iv) repair and maintenance expenses of approximately HK\$1.2 million. The expenses attributable to the Pacific Energy 8 for the eighteen months period ended 31 December 2016 amounted to approximately HK\$13.8 million, which mainly consisted of (i) employee benefits expenses of approximately HK\$3.3 million; (ii) repair and maintenance expenses of approximately HK\$3.1 million; (iii) depreciation of approximately HK\$2.8 million; and (iv) storage and petroleum charges of approximately HK\$1.1 million. The expenses attributable to the Pacific Energy 8 for the eight months period ended 31 August 2017 amounted to approximately HK\$4.2 million, which mainly consisted of (i) employee benefits expenses of approximately HK\$1.3 million; (ii) depreciation of approximately HK\$1.3 million; and (iii) repair and maintenance expenses of approximately HK\$0.5 million.

For the majority of the period during the two years ended 30 June 2014 and 2015, Pacific Energy 8 was used internally by the Vendor. Based on the revenue attributable to Pacific Energy 8, the average monthly revenue amounted to not less than HK\$0.9 million for each of the years ended 30 June 2014 and 2015. During each of the years ended 30 June 2014 and 2015, the largest expenses item was storage and petroleum charges which

totalled to approximately HK\$3.2 million and HK\$3.1 million, representing approximately 25.9% and 25.4% of the total expenses during the relevant period. The second largest expenses item was employee benefits expense which totalled to approximately HK\$2.4 million and HK\$2.4 million, representing approximately 19.5% and 19.6% of the total expenses during the relevant period. The Vendor advised that given Pacific Energy 8 was used internally by the Vendor for the majority of the period during the two years ended 30 June 2014 and 2015. The aforesaid two largest expenses items were based on internal charges.

Unlike the two years ended 30 June 2014 and 2015, the majority of the period during the 18 months period from 1 July 2015 to 31 December 2016, and the eight months period ended 31 August 2017 (together the “**2016 & 2017 Financial Periods**”), Pacific Energy 8 was leased out to a third party by the Vendor. Based on the revenue attributable to Pacific Energy 8, the average monthly revenue amounted to not less than HK\$0.7 million for the 2016 & 2017 Financial Periods. During the 2016 & 2017 Financial Periods, the largest expenses item was employee benefits expense which totalled to approximately HK\$3.3 million and HK\$1.3 million, representing approximately 24.2% and 31.8% of the total expenses during the relevant period. For the 18 months period from 1 July 2015 to 31 December 2016, the second largest expenses item was repair and maintenance costs which totalled to approximately HK\$3.1 million, representing approximately 22.3% of the total expenses. For the eight months ended 31 August 2017, the second largest expenses item was depreciation which totalled to approximately HK\$1.3 million, representing approximately 30.0% of the total expenses. The Vendor advised that given Pacific Energy 8 was leased by the Vendor to third party for the majority of the period during the 2016 & 2017 Financial Periods. The aforesaid two largest expenses items were determined with reference to actual costs incurred.

It was also noted that during the 18 months period from 1 July 2015 to 31 December 2016, (i) bank loan interest attributable to Pacific Energy 8 amounted to HK\$0.5 million, compared to nil for the eight months ended 31 August 2017; (ii) the average monthly repair and maintenance costs amounted to approximately HK\$171,000, compared to the monthly average of approximately HK\$60,000 for the eight months ended 31 August 2017; and (iii) the average monthly storage and petroleum charges amounted to approximately HK\$62,000, compared to the monthly average of approximately HK\$17,000 for the eight months ended 31 August 2017. The Vendor advised that the aforesaid differences in (i) bank loan interest attributable to the aforesaid periods was attributable to the repayment of the relevant bank loan in 2016; (ii) average monthly repair and maintenance costs was attributable to an one-off repair and maintenance costs arising from regular certification renewal for its first five year renewal of approximately HK\$1.4 million recorded during the 18 months period from 1 July 2015 to 31 December 2016; and (iii) average monthly storage and petroleum charges was attributable to (a) internal recharges related to storage and petroleum charges during the 18 months period from 1 July 2015 to 31 December 2016 as Pacific Energy 8 was used internally by the Vendor for a period of time, but there were no such internal charges during the eight months ended 31 August 2017; and (b) the fluctuations in petroleum market prices during the relevant period.

As a result of the foregoing, during the Relevant Periods, net loss attributable to Pacific Energy 8 amounted to approximately HK\$1.5 million, net loss attributable to Pacific Energy 8 amounted to approximately HK\$0.6 million, net loss attributable to Pacific Energy 8 amounted to approximately HK\$19,500 and net profit attributable to Pacific Energy 8 amounted to approximately HK\$1.6 million, respectively.

CHARGE OF ASSETS

Based on information provided by the Vendor, Pacific Energy 8 has been charged in favour of two financial institutions as security for (i) a term loan of approximately SGD\$3.1 million or 50% valuation of Pacific Energy 8 granted to Pacific Energy 8 Owner; and (ii) a trade finance facility of US\$100.0 million granted to a fellow subsidiary of the Vendor (the “**Trade Finance Facility**”), respectively.

In addition, the Vendor advised that (i) Pacific Energy 168 has also been charged in favour of a financial institution as security for the Trade Finance Facility; and (ii) Pacific Energy 138 has been charged in favour of a financial institution as security for certain general banking facilities up to an aggregate maximum amount of HK\$40.0 million granted to a fellow subsidiary of the Vendor.

FUTURE PLANS

After Completion, the leasing of Pacific Energy 8, as well as other Vessels, shall subject to market demands, as well as chartering rates at the relevant times. Please refer to disclosure as set out under paragraph headed “5. Financial and trading prospects of the Group” in Appendix I to this circular.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

1. INTRODUCTION

The following is a summary of illustrative unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 September 2017 in connection with the proposed transactions of acquisition of four petroleum product tankers (the “**Vessels**”) and leasing back the Vessels to the Vendor (the “**Proposed Transactions**”). The unaudited pro forma financial information presented below is prepared to illustrate the financial position of the Group immediately after completion of the Proposed Transactions as at 30 September 2017 as if the Proposed Transactions had been completed on 30 September 2017.

The unaudited pro forma financial information is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2017 as extracted from the published interim report of the Company for the six months ended 30 September 2017.

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

The unaudited pro forma financial information has been prepared by the directors of the Company (the “**Directors**”) in accordance with paragraph 4.29(1) of the Listing Rules, for the purposes of illustrating the effect of the Proposed Transactions and is based on a number of assumptions, estimates and uncertainties. Accordingly, it may not give a true picture of the financial position of the Group had the Proposed Transactions been completed as of 30 September 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 interim report of the Company for the six months ended 30 September 2017 and other financial information included elsewhere in the Circular.

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| APPENDIX IV UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP |
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2. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP

The unaudited pro forma consolidated statement of assets and liabilities of the Group as at 30 September 2017 has been prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2017, which have been extracted from the interim report of the Company for the period then ended, after making pro forma adjustments relating to the Proposed Transactions that are directly attributable to the transaction and factually supportable.

| | The Group as at 30 September 2017 <i>HK\$'000</i> <i>(Unaudited)</i> <i>(Note 1)</i> | Pro forma adjustments | | | The Group as at 30 September 2017 <i>HK\$'000</i> <i>(Unaudited)</i> |
|---|--|--|--|--|---|
| | <i>(Unaudited)</i> | <i>HK\$'000</i> <i>(Unaudited)</i> <i>(Note 2)</i> | <i>HK\$'000</i> <i>(Unaudited)</i> <i>(Note 3)</i> | <i>HK\$'000</i> <i>(Unaudited)</i> <i>(Note 4)</i> | <i>(Unaudited)</i> |
| Non-current assets | | | | | |
| Property, plant and equipment | 89,946 | 177,446 | 1,501 | - | 268,893 |
| Prepaid lease payments | 12,336 | - | - | - | 12,336 |
| Deposits paid for acquisition of property, plant and equipment | 30,706 | - | - | - | 30,706 |
| Available-for-sale financial assets | 9,281 | - | - | - | 9,281 |
| | 142,269 | 177,446 | 1,501 | - | 321,216 |
| Current assets | | | | | |
| Inventories | 25,896 | - | - | - | 25,896 |
| Trade receivables | 90,320 | - | - | - | 90,320 |
| Other receivables, deposits and prepayments | 10,997 | - | - | - | 10,997 |
| Pledged bank deposit | 140,382 | - | - | - | 140,382 |
| Cash and cash equivalents | 53,845 | (50,000) | (1,501) | 3,370 | 5,714 |
| | 321,440 | (50,000) | (1,501) | 3,370 | 273,309 |
| Current liabilities | | | | | |
| Trade payables | 36,946 | - | - | - | 36,946 |
| Other payables and accruals | 24,148 | - | - | 3,370 | 27,518 |
| Interest-bearing borrowings | 124,729 | - | - | - | 124,729 |
| | 185,823 | - | - | 3,370 | 189,193 |
| Net current assets (liabilities) | 135,617 | (50,000) | (1,501) | - | 84,116 |
| Total assets less current liabilities | 277,886 | 127,446 | - | - | 405,332 |
| Non-current liabilities | | | | | |
| Derivative financial instruments | 10,250 | - | - | - | 10,250 |
| Convertible bonds | 67,146 | - | - | - | 67,146 |
| Promissory notes | - | 127,446 | - | - | 127,446 |
| | 77,396 | 127,446 | - | - | 204,842 |
| Net assets | 200,490 | - | - | - | 200,490 |

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| APPENDIX IV UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP |
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3. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

1. The unaudited condensed consolidated statement of assets and liabilities of the Group as at 30 September 2017 is extracted, without adjustments, from the published interim report of the Company for the six months ended 30 September 2017.
2. Pursuant to the Sale and Purchase Agreement, the total consideration for the acquisition of the Vessels shall be HK\$196,480,000, which comprises (i) HK\$50,000,000 to be settled by cash, and (ii) HK\$146,480,000 to be settled by way of the issuance of the Promissory Notes.

The Promissory Notes in the principal amount of HK\$146,480,000 are due in two years and shall bear no interest. The pro forma fair value of the Promissory Notes as at 31 August 2017 is estimated to be approximately HK\$127,446,000, which is determined by calculating the present value through discounting future estimated payments at discount rate of 7.21% per annum carried out by an independent valuer.

The adjustment reflects the effect of the acquisition of the Vessels, representing (i) the payment of cash consideration of HK\$29,472,000 which had been settled in cash upon signing the Sale and Purchase Agreement as refundable deposit, (ii) the cash consideration in aggregate of HK\$20,528,000 which will be settled upon the Completion of the acquisition of the Vessels, and (iii) the issuance of the Promissory Notes with an estimated fair value in aggregate of approximately HK\$127,446,000 for the settlement of the remaining consideration of the acquisition of the Vessels.

The above-mentioned pro forma fair value of the Promissory Notes is subject to change as the actual valuation inputs, including but not limited to, the market interest rate, may change at the date of Completion of the acquisition of the Vessels.

In the opinion of the Directors, after the acquisition of the Vessels, it is intended that the Vessels will be held for deriving stable leasing income, therefore, the Vessels will be accounted for as property, plant and equipment.

3. The adjustment represents the estimated transaction costs of approximately HK\$1,501,000, including but not limited to legal and professional fees, directly attributable to the Proposed Transactions.
4. The adjustment represents the estimated monthly leasing income of the Vessels of approximately SGD584,000 (equivalent to approximately HK\$3,370,000) received in advance pursuant to the Master Lease Agreement. Based on the terms of the Master Lease Agreement, no leasing deposit is required.
5. For the purpose of preparing the unaudited pro forma consolidated statement of assets and liabilities of the Group, the exchange rate as stipulated above is SGD1 to HK\$5.77.
6. No adjustment has been made to the unaudited pro forma consolidated statement of assets and liabilities of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2017.

APPENDIX IV UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE GROUP

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



MAZARS CPA LIMITED

瑪澤會計師事務所有限公司

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27 December 2017

The Board of Directors
Daisho Microline Holdings Limited
Units 1-2, 16/F, Nan Fung Commercial Centre
19 Lam Lok Street
Kowloon 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 assets and liabilities at 30 September 2017 and related notes as set out on pages IV-1 to IV-3 of the circular in connection with the proposed transactions of acquisition of four petroleum product tankers (the “**Vessels**”) and leasing back the Vessels to the Vendor (the “**Proposed Transactions**”) dated 27 December 2017 (the “**Circular**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages IV-1 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Proposed Transactions on the Group’s financial position at 30 September 2017 as if the Proposed Transactions had taken place on 30 September 2017. As part of this process, information about the Group’s unaudited condensed consolidated financial position at 30 September 2017 has been extracted by the Directors from the published interim report of the Company for the six months ended 30 September 2017.

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

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| APPENDIX IV UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP |
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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.

Our firm applies 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 accountants’ 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 accountants plan and perform 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 the 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 at 30 September 2017 would have been as presented.

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| APPENDIX IV UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP |
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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

The following is the text of a letter, and valuation certificate, prepared for the purpose of incorporation in this circular received from Roma Appraisals Limited, an independent valuer, in connection with its valuation as at 31 October 2017 of the Vessels to be acquired by the Group.



22/F, China Overseas Building
139 Hennessy Road, Wan Chai, Hong Kong
Tel (852) 2529 6878 Fax (852) 2529 6806
E-mail info@romagroup.com
<http://www.romagroup.com>

27 December 2017

Daisho Microline Holdings Limited

Unit 1-2, 16th Floor,
Nan Fung Commercial Centre,
19 Lam Lok Street, Kowloon Bay,
Kowloon, Hong Kong

Dear Sir/Madam,

Re: Vessel Valuations for Daisho Microline Holdings Limited

In accordance with your instructions for us to value four vessels including “Pacific Energy 28”, “Pacific Energy 8”, “Pacific Energy 168” and “Pacific Energy 138” (the “**Vessels**”) to be acquired by Daisho Microline Holdings Limited (the “**Company**”) and/or its subsidiaries and associated companies (together with the Company referred to as the “**Group**”), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the Vessels as at 31 October 2017 (the “**Date of Valuation**”) for the purpose of incorporation in the Circular of the Company dated 27 December 2017.

1. BASIS OF VALUATION

The valuation was made for the purpose of formulating and expressing our opinion of the market values of the Vessels as at 31 October 2017.

Market Value is defined as “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 an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

2. DESCRIPTION OF THE VESSELS

The Vessels are to provide bunkering service. The voyage areas are mainly in Singapore and Indonesia.

This valuations report comprises the following vessels valuations:

- (1) Pacific Energy 28;
- (2) Pacific Energy 8;
- (3) Pacific Energy 168; and
- (4) Pacific Energy 138.

2.1 Particulars of Pacific Energy 28

| | |
|-------------------------|--|
| Name of Owner: | PACIFIC ENERGY 28 PTE. LTD. (As per Provisional Certificate of Singapore Registry No. COR-0546-17 dated 11 August 2017) |
| Name of Previous Owner: | CHUANG XIN (CHINA) GROUP LIMITED (As per Certificate of Ownership issued by Marine Department of the Government of the Hong Kong SAR dated 19 December 2012) |
| Vessel Name: | Pacific Energy 28 |
| Vessel Type: | Bunker Tanker |
| Licence No.: | SB 3388I (As per Harbour Craft Licence) |
| Class No.: | 12E0248 (As per Interim Classification Certification No. HK17SS00127) |
| Class Notations: | CSA Oil Tanker, Double Hull; F.P. ≤ 60°C; ESP |
| Official No.: | 398764 (As per Certificate of Singapore Registry) |
| IMO No.: | 9647899 |
| Place of Construction: | China |
| Material of Hull: | Steel |

| | |
|------------------------------|--|
| Length of Craft: | 64.91 metres (As per Certificate of Singapore Registry) |
| Breadth of Craft: | 14.30 metres (As per Certificate of Singapore Registry) |
| Depth of Craft: | 7.20 metres |
| Gross Tonnage: | 1,999 tons |
| Net Tonnage: | 794 tons (As per Operating Licence) |
| Year of Construction: | 2012 |
| Particulars of Main Engines: | 2 Nos. of "Chongqing Cummins" diesel engines, Serial Nos. 41168679 and 41168680 (Power: 895 kW each; Type: K38-M / 1,800 RPM each) |

The above information are based on Harbour Craft Licence, Interim Classification Certification, Certificate of Singapore Registry and Operating Licence.

2.2 Particulars of Pacific Energy 8

| | |
|------------------------|---|
| Name of Owner: | PACIFIC ENERGY 8 PTE. LTD. |
| Vessel Name: | Pacific Energy 8 |
| Licence No.: | SB 1238E (As per Harbour Craft Licence) |
| Class No.: | 10P0155 (As per Classification Certification) |
| Class Notations: | CSA Oil Tanker, Double Hull; F.P. \leq 60°C; ESP |
| Official No.: | 397942 (As per Certificate of Singapore Registry) |
| IMO No.: | 9588689 |
| Vessel Type: | Bunker Tanker |
| Place of Construction: | China |
| Material of Hull: | Steel |
| Length of Craft: | 82.00 metres (As per Certificate of Singapore Registry) |
| Breadth of Craft: | 13.66 metres (As per Certificate of Singapore Registry) |

| | |
|------------------------------|--|
| Depth of Craft: | 6.90 metres |
| Gross Tonnage: | 2,405 tons |
| Net Tonnage: | 1,026 tons |
| Year Made: | 2009 |
| Total Registered Manning: | 14 |
| Particulars of Main Engines: | A diesel engine made by "Weichai Power Co. Ltd.", model No. G6300ZCA (Power: 735 kw each; 500 RPM) |

The above information are based on Harbour Craft Licence, Classification Certification and Certificate of Singapore Registry.

2.3 Particulars of Pacific Energy 168

| | |
|------------------------|---|
| Name of Owner: | PACIFIC ENERGY 168 PTE. LTD. |
| Vessel Name: | Pacific Energy 168 |
| Licence No.: | SB 1002A (As per Harbour Craft Licence) |
| Class No.: | 13Y0087 (As per Classification Certification No. BJ11NB00241) |
| Class Notations: | CSA Oil Tanker, Double Hull; F.P. > 60°C; Ice Class B; PSPC(B); ESP |
| Official No.: | 398187 (As per Certificate of Singapore Registry) |
| IMO No.: | 9647904 |
| Vessel Type: | Bunker Tanker |
| Place of Construction: | China |
| Material of Hull: | Steel |
| Length of Craft: | 64.91 metres |
| Breadth of Craft: | 14.30 metres |
| Depth of Craft: | 7.20 metres |

| | |
|------------------------------|--|
| Gross Tonnage: | 1,999 tons |
| Net Tonnage: | 794 tons |
| Year Made: | 2012 |
| Total Registered Manning: | 12 |
| Particulars of Main Engines: | 2 Nos. of “Chongqing Cummins” diesel engines, model KTA38-M2 (Power: 895 kW each; 1,800 RPM) |

The above information are based on Harbour Craft Licence, Classification Certification and Certificate of Singapore Registry.

2.4 Particulars of Pacific Energy 138

| | |
|------------------------|---|
| Name of Owner: | PACIFIC ENERGY 138 PTE. LTD. |
| Vessel Name: | Pacific Energy 138 |
| Licence No.: | SB 1001C (As per Harbour Craft Licence) |
| Class No.: | 11R0231 (As per Classification Certification) |
| Class Notations: | CSA Oil Tanker, Double Hull; F.P. ≤ 60°C; Ice Class B |
| Official No.: | 398184 (As per Certificate of Singapore Registry) |
| IMO No.: | 9625267 |
| Vessel Type: | Bunker Tanker |
| Place of Construction: | China |
| Material of Hull: | Steel |
| Length of Craft: | 88.00 metres (As per Certificate of Singapore Registry) |
| Breadth of Craft: | 14.20 metres (As per Certificate of Singapore Registry) |
| Depth of Craft: | 6.90 metres |
| Gross Tonnage: | 2,608 tons |
| Net Tonnage: | 1,139 tons |

| | |
|------------------------------|--|
| Year Made: | 2010 |
| Particulars of Main Engines: | A "Anqing CSSC" diesel engine, model No. 6DKM-26 (Power: 1,618 kW) |

The above information are based on Harbour Craft Licence, Classification Certification and Certificate of Singapore Registry.

Notes:

- Pursuant to a Sale and Purchase Agreement in relation to the sale of the Vessels from Inter-Pacific Group Pte. Ltd. to the Group dated 29 September 2017, the breakdowns of consideration for the Vessels are as follows:

| No. | Name of Vessel | Consideration |
|-----|--------------------|------------------------|
| 1. | Pacific Energy 28 | HK\$44,680,000 |
| 2. | Pacific Energy 8 | HK\$52,710,000 |
| 3. | Pacific Energy 168 | HK\$44,450,000 |
| 4. | Pacific Energy 138 | HK\$54,640,000 |
| | Total: | HK\$196,480,000 |

It is a condition of the Sale and Purchase Agreement that the Group and Inter-Pacific Group Pte. Ltd. will enter into an agreement and agreed the Group to lease-back the Vessels to Inter-Pacific Group Pte. Ltd. or its subsidiary(ies) for a period commencing from the respective completion date of the acquisition of Pacific Energy 28, Pacific Energy 138, Pacific Energy 8 and Pacific Energy 168 and the expiry date of the lease-back arrangement is on 31 March 2020 with an annual rental cap for the lease shown below:

- SGD 2,920,000 for the financial year ended 31 March 2018;
- SGD 7,200,000 for the financial year ended 31 March 2019; and
- SGD 7,370,000 for the financial year ended 31 March 2020.

We conducted our on-site inspection of the Vessels in October 2017 in Singapore. During our inspection, the condition of the Vessels was considered as follows:

| Name of Vessel | Conditions of Vessel as inspected in October 2017 |
|--------------------|---|
| Pacific Energy 28 | Good |
| Pacific Energy 8 | Good |
| Pacific Energy 168 | Good |
| Pacific Energy 138 | Good |

3. VALUATION APPROACH AND METHODOLOGY

There are three generally accepted approaches to value that have been considered in determining the Market Values of the Vessels. These approaches are the market, income, and cost approaches.

The **Market Approach** provides an indication of value by comparing the asset being valued to comparable items recently sold. Using similar units of comparison, adjustments are made, based on the elements of comparison, to the sales price of the comparable. The market comparison approach is particularly well suited to the assessment of real estate and asset.

The **Income Approach** measures value based on capitalizing the net earnings attributable to the asset. It is not practical to attribute income to the individual machinery and equipment items that constitute an operating facility, since these units contribute to earnings only in concert with all other economic factors of production. This approach, therefore, is usually not applicable to a machinery and equipment valuation. However the income approach is a useful check method for valuing real estate where information on rents and yields paid for similar property is available.

The **Cost Approach** considers the cost to reproduce or replace in new condition the vessels appraised in accordance with current market prices for similar vessels, with allowance for accrued depreciation as evidence by observed condition or obsolescence present, whether arising from physical, functional or economic cause.

In conducting our valuation, we considered the Cost Approach and Market Approach as the appropriate approaches to the value the Vessels. Due to the unavailability of discrete financial information and cost information on the Vessels, the Income Approach was not adopted in our valuation.

In any valuation study, both approaches must be considered as one or more approaches may be applicable to value the Vessels. In some situations, elements of both approaches may be combined to reach an opinion of value. In arriving at our opinion of value, we have considered the two generally accepted approaches to valuing the Vessels. Cost Approach generally furnishes a reliable indication of value of an asset when the market is without similar transaction. However, in our valuation, there are a relatively large number of transactions for market comparables similar to the Vessels and we consider that the Market Approach produces a reliable estimate of Market Values and Market Approach is being adopted in our valuation.

Recent sales transactions on vessel market are considered to be most relevant and indicative of the prevailing Market Values of the Vessels and are adopted for comparison and analysis. In arriving at our valuation, appropriate adjustments have been made to account for differences between the Vessels and the Comparables in terms of size (length, breadth and gross tonnage), age, facility and time etc. of the Vessels.

In our valuation, we considered the following:

- The age (useful life), physical condition (external only), size (length, breadth and gross tonnage), character (small oil tanker or bunker tanker) and utility (provision of facilities) of the Vessels;
- The price of similar vessel in the used or second-hand market;
- The generally accepted useful life of the Vessels and comparables for 20-25 years and depreciation has been taken into account; and
- Present economic factors (pricing trend of vessel sales market) that may affect the market of the Vessels. In our valuation, we have considered that TPI (chinese translation as “國際油輪船價綜合指數”, known as tanker price index) is an indicator of the pricing trend of vessel sales market as provided by Shanghai Shipping Exchange. TPI is generated from transactions of various types of vessels on international sales market.

Regarding the age factor, completion years of the comparables' construction are ranged from 1998 to 2008 while completion years of the Vessels are ranged from 2009 to 2012. Therefore, in arriving at our valuation, appropriate adjustments have been made for age factor to reflect the differences of completion year between the Vessels and the comparables.

Regarding the vessel type, all of the comparables are classified as small oil tanker with DWT below 10,000 tons. While the Vessels are classified as bunker tankers which are a subset of small oil tanker with DWT below 5,000 tons. In arriving at our valuation, appropriate adjustments have been made to size factor (in terms of length, breadth and gross tonnage) to reflect DWT differences between the Vessels and the comparables.

Adjustment factors and calculation mechanism, which are applied on each of the comparables, are shown as follows:

| Adjustment Factors | Calculation Mechanism | Adjustment Ranges |
|---|-------------------------------------|--------------------------|
| Time | Application of TPI | : -4% to 0% |
| Age | 5% for each year difference | : 20% to 70% |
| Length | 0.5% for every metre difference | : -27% to -18% |
| Breadth | 2.5% for every metre difference | : -12% to -4% |
| Gross Tonnage | 1% for every 1,000 tons difference | : -3% to -2% |
| Facility (Engine) | Based on the quality of main engine | : -5% to 0% |
| Overall Adjustment made on each of the Comparable | | : -22% to 30% |

4. COMPARABLE AND SELECTION CRITERIA

Regarding the basis and the comparable selection criteria adopted in our valuation, we have considered various factors including size, year built, condition of vessel, date of transaction and vessel types. Details are as follows:

| | | |
|---------------------|---|---|
| Size | : | Light displacement tonnage and deadweight tonnage (“DWT”) of the vessel |
| Year built | : | Completion year of comparables construction (within the period from 1998 to the Date of Valuation) |
| Condition | : | Current operation status |
| Date of transaction | : | The date when the sale and purchase of a vessel takes place not more than 1 year prior to the Date of Valuation |
| Vessel type | : | Small oil tanker below 10,000 DWT (“Oil”) |

In arriving of our Market Values by Market Approach, we have considered comparables transactions and details are as follows:

List of Comparables Transaction and Details

| No. | Transaction Date | International Maritime Organization (“IMO”) No. | Consideration in USD | Size (DWT) (tons) | Gross Tonnage (tons) | Built Year | Condition (as per current operation status) | Vessel type |
|-----|------------------|---|----------------------|-------------------|----------------------|------------|---|-------------|
| 1 | 8 Nov 2017 | 9442914 | 9,000,000 | 7,700 | 5,261 | 2008 | Good | Oil |
| 2 | 5 Aug 2017 | 9191230 | 4,500,000 | 9,100 | 5,483 | 1998 | Good | Oil |
| 3 | 12 Jul 2017 | 9249609 | 6,500,000 | 8,800 | 5,359 | 2002 | Good | Oil |
| 4 | 11 Jan 2017 | 9377432 | 6,500,000 | 5,700 | 3,979 | 2008 | Good | Oil |
| 5 | 23 Dec 2016 | 9367255 | 7,100,000 | 5,500 | 3,997 | 2008 | Good | Oil |
| 6 | 23 Dec 2016 | 9367243 | 7,100,000 | 5,500 | 3,997 | 2007 | Good | Oil |

5. VALUATION COMMENTS AND ASSUMPTIONS

Our opinion of Market Values in continued use is not necessarily intended to represent the amount that might be realized from piecemeal disposition of the Vessels nor the amount that an owner would receive following a cessation of operations. Thus, our valuation is intended to be an opinion of the Vessels as a going concern and is subject to the adequate profitability of the business operating the Vessels.

In forming our opinion of the Market Values in continued use in its designed purpose, we have assumed that the Vessels will continue to be used in the purpose for which the Vessels were built (i.e. as a bunker tanker), and not run for some other alternate use.

We have assumed a prompt charter-free delivery of the Vessels and have not considered the impact of any delays in effecting a sale.

We have carried out on-site inspection to verify the general condition of the Vessels and we have obtained copies of all required licenses or other administrative authority permits.

While we have not carried out an independent investigation of the documents and information provided to us, we have no reason to doubt the truth and accuracy of these information and we were not aware of any material facts that may have been omitted. We have assumed that all material information that would affect the values of the Vessels have been properly disclosed.

We did not investigate any financial data pertaining to the present or prospective earning capacity of the operation in which the Vessels are used. It was assumed that prospective earnings would provide a reasonable return on the appraised values of the Vessels, plus the value of any assets not included in the valuation, and adequate net working capital. We did not attempt to arrive at a conclusion of values of the Vessels as a total business entity.

We have not made investigation and assume no responsibility for the titles or liabilities against the Vessels.

We have not investigated any safety regulations regarding the Vessels. It is assumed that all necessary licenses, procedures and measures were implemented in accordance with the relevant government legislation and guidance.

We have not made any deduction in respect of any grant either available or received, neither has any adjustment made for any outstanding amounts owing under financing agreements.

We hereby certify that we have no present or contemplated future interest in the Vessels or any other interests which may prevent us having arrived at a fair and unbiased assessment of values.

To the best of our knowledge, all data set forth in this report are true and accurate. The data, opinions, or estimates, identified as being furnished by others which have been used in formulating this analysis are gathered from reliable sources, yet, no guarantee is made nor liability assumed for the accuracy.

In accordance with our standard practice, we must state that this report is for the exclusive use of the addressee of this report for the specific purpose mentioned earlier. No responsibility is accepted to any third party for the whole or any part of its contents.

6. LIMITING CONDITIONS

The Vessels were listed as complete units and were meant to include all parts and accessories normally comprising the unit.

No investigation has been made of, and no responsibility is assumed for, the legal description or for legal matters, including title or encumbrances. Titles to the Vessels are assumed to be good and marketable unless otherwise stated. The Vessels are further assumed to be free and clear of any or all liens, easements or encumbrances, unless otherwise stated.

Information furnished by others, upon which all or portions of this report is based, is believed to be reliable but has not been verified except as set forth in this report. No warranty is given as to the accuracy of such information.

Neither the whole nor any part of this report nor any reference thereto may be included in any document, circular or statement without our written approval of the form and context in which it may appear.

This letter is for the exclusive use of the party to whom it is addressed only and is intended for the specific purpose to which it refers only. No responsibility is accepted to any third party for the whole or any part of its contents. No responsibility whatsoever is accepted for any loss suffered arising from a use other than that for which the letter is prepared nor is any responsibility whatsoever accepted to any third party at all for the whole or any part of the contents of this letter.

7. REMARK

Our valuations are prepared in compliance with the International Valuation Standard published by International Valuation Standards Council.

We hereby confirm that we have neither present nor prospective interest in the Group, the Vessels and the associated companies, or the values reported herein.

Unless otherwise stated, all monetary amounts stated in our valuations are in Hong Kong Dollars (“HK\$”).

8. OPINION OF VALUE

Vessels to be acquired by the Group

| No. | Name of Vessel | Market Values in existing state as at 31 October 2017 |
|-----|--------------------|---|
| 1. | Pacific Energy 28 | HK\$49,650,000 |
| 2. | Pacific Energy 8 | HK\$45,130,000 |
| 3. | Pacific Energy 168 | HK\$50,540,000 |
| 4. | Pacific Energy 138 | HK\$52,280,000 |
| | Total: | HK\$197,600,000 |

Based on the foregoing and as supported by the Operating Licence, Harbour Craft Licence, Classification Certification and Certificate of Singapore Registry, we are of the opinion that the Market Values of the Vessels as at 31 October 2017 is reasonably represented in the amount of **HK\$197,600,000 (HONG KONG DOLLARS ONE HUNDRED NINETY SEVEN MILLION AND SIX HUNDRED THOUSAND ONLY)**.

Yours faithfully,
For and on behalf of
Roma Appraisals Limited

Nancy Chan*BSc (Hons) MHKIS MRICS**RPS(GP)***Director**

Note: Ms. Nancy Chan is a Registered Professional Surveyor (General Practice), a member of Hong Kong Institute of Surveyors and a member of the Royal Institution of Chartered Surveyors. She has over 7 years' experience in real estate industry and property and asset valuation in Hong Kong, Macau, the PRC, Singapore, Taiwan, United Kingdom, Australia, Japan and other overseas countries.

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' INTERESTS

As at the Latest Practicable Date, the interests and short positions held by the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) to be entered in the register maintained by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in the Listing Rules, were as follows:

Long position in Shares

| Name | Capacity and nature of interests | Number of Shares and underlying Shares held | Approximate percentage of total issued share capital |
|---------------|----------------------------------|---|--|
| Cheung Lai Na | Trustee ^(Note) | 120,068,000 | 15.04% |

Note: Cheung Lai Na holds 120,068,000 shares of the Company in trust for Cheung Ling Mun.

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

3. DIRECTORS' INTERESTS IN ASSETS

Save for the four Vessels, details of which are disclosed in this circular, as at the Latest Practicable Date, none of the Directors has any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries since 31 March 2017, the date to which the latest published audited consolidated financial statements of the Group were made up.

4. DIRECTORS' INTERESTS IN MATERIAL CONTRACTS

As at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement which is significant in relation to the business of the Group.

5. DIRECTORS' 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 2015, 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.

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.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business which competed or was likely to compete with the business of the Group.

7. QUALIFICATIONS AND CONSENT OF EXPERT

The following are the qualifications of the experts whose name, opinions and/or reports are contained in this circular:

| Name | Qualification |
|-------------------------|--|
| Mazars CPA Limited | Certified Public Accountants |
| Roma Appraisals Limited | Independent property valuer |
| Nuada Limited | A corporation licensed to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO |

As at the Latest Practicable Date, each of the above experts (i) had no shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group; (ii) had no direct or indirect interest in any assets which had been, since 31 March 2017 (the date to which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the Group; and (iii) had given and had not withdrawn its consent to the issue of this circular with the inclusion of its letter, opinions and/or reports and the reference to its name included herein in the form and context in which they respectively appear.

8. CLAIMS AND LITIGATION

As disclosed in the Company's annual report 2017, 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 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.

9. GENERAL

- (a) The secretary of the Company is Mr. Siu Ching Hung who was awarded a Bachelor Degree of Commerce from Deakin University in Australia. He is an associate member of The Hong Kong Institute of Chartered Secretaries.
- (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, Level 22, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.
- (d) The English language text of this circular shall prevail over the Chinese language text in case of inconsistency.

10. MATERIAL CONTRACTS

The following contracts have been entered into by the members of the Group with the two years immediately preceding the date of this circular and are or may be material:

- (a) the conditional placing agreement dated 28 November 2016, 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 new sales agreement dated 15 February 2016, entered into between the Company and Daisho Denshi (H.K.) Limited, a company incorporated in Hong Kong, and a wholly-owned subsidiary of Daisho Denshi Co. Ltd. Details of the new sales agreement were set out in the circular published on 4 March 2016;
- (c) the Sale and Purchase Agreement; and
- (d) the Master Lease Agreement.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Unit 1-2, 16/F., Nan Fung Commercial Centre, 19 Lam Lok Street, Kowloon Bay, Hong Kong during normal business hours 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 2015, 2016 and 2017;
- (c) the interim report of the Group for the six months ended 30 September 2017;
- (d) the service contracts referred to in the paragraph headed "Directors' Service Contracts" in this appendix;
- (e) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;
- (f) the letter from the board, the text of which is set out on pages 6 to 29 of this circular;
- (g) the letter from the Independent Board Committee, the text of which is set out on pages 30 and 31 of this circular;
- (h) the letter of advice from Nuada Limited to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 32 and 64 of this circular;
- (i) the unaudited financial information on the vessels dated 27 December 2017, the text of which is set out in Appendix II of this circular;
- (j) the report from Mazars CPA Limited on the unaudited pro forma financial information of the Group dated 27 December 2017, the text of which is set out in Appendix IV of this circular;
- (k) the valuation report on the Vessels dated 27 December 2017, the text of which is set out in Appendix V of this circular;
- (l) the written consents referred to the paragraph headed "Qualifications and consent of Expert" in this appendix; and
- (m) 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 Room631, 6/F, Kowloon Bay International Trade & Exhibition Centre, 1 Trademart Drive, Kowloon Bay, Hong Kong on Tuesday, 16 January 2018 at 10:30 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT:**
 - (a) the sale and purchase agreement dated 29 September 2017 (the “**Sale and Purchase Agreement**”) entered into between the Company and Inter-Pacific Group Pte. Ltd. (the “**Vendor**”), a copy of which is tabled at the meeting and marked “A” and initialed by the chairman of the meeting for identification purpose, pursuant to which the Company conditionally agreed to acquire, and the Vendor conditionally agreed to dispose four petroleum product tankers (the “**Vessels**”, details of which are set out in the Sale and Purchase Agreement and the circular of the Company dated 27 December 2017 (the “**Circular**”) for a total consideration of HK\$196,480,000, 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 Sale and Purchase Agreement and in this resolution.”
2. “**THAT:**
 - (a) the master lease agreement dated 29 September 2017 (the “**Master Lease Agreement**”) entered into between the Company and the Vendor, a copy of which is tabled at the meeting and marked “B” and initialed by the chairman of the meeting for identification purpose, 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, the Vessels owned by the Company or its subsidiary(ies) (the “**Continuing Connected Transactions**”), and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

NOTICE OF SGM

- (b) the cap amounts in respect of the Continuing Connected Transactions as set out in the Circular for each of the three financial years ending 31 March 2020 be and are hereby approved; and
- (c) any one Director 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 Master Lease Agreement and in this resolution.”

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

Hong Kong, 27 December 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 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 authorised
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.