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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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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 your stockbroker, or other licensed securities dealer, bank manager, solicitors, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Daisho Microline Holdings Limited (the “Company”), you should at once hand this circular together with the enclosed form of proxy to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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**DAISHO MICROLINE HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 0567)**

**MAJOR TRANSACTION  
DISPOSAL OF TWO VESSELS**

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A notice convening a special general meeting (“SGM”) of the Company to be held at 10:00 a.m. on Friday, 23 April 2021 at PH3, 3/F, 186-190 Queen’s Road East, Wanchai, Hong Kong is set out on pages 42 to 44 of this circular.

A form of proxy for the SGM is enclosed with this circular. Whether or not you intend to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company’s Hong Kong branch share registrar, Tricor Tengis Limited at Level 54, 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 the holding of the SGM or any adjourned meeting. 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.

31 March 2021

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:*

“Addendum I”	the addendum dated 12 March 2021 and entered into between the Seller I and the Buyer I in relation to the extension of the long stop date under the MOA I
“Addendum II”	the addendum dated 12 March 2021 and entered into between the Seller II and the Buyer II in relation to the extension of the long stop date under the MOA II
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Buyer I”	Angel Tankers Pte. Ltd., an Independent Third Party
“Buyer II”	Bella Tankers Pte. Ltd., an Independent Third Party
“Buyers”	together the Buyer I and the Buyer II
“Company”	Daisho Microline Holdings Limited, a company incorporated in Bermuda, the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock code: 0567)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Deposit Holder”	the deposit holder for the deposits payable by the Buyers under the MOAs, who is an Independent Third Party
“Director(s)”	Director(s) of the Company
“Disposal”	the Vessel I Disposal and the Vessel II Disposal
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any of the directors, chief executives or substantial shareholders (as defined in the Listing Rules) of the Company or subsidiaries of the Company or any of their respective associates (as defined in the Listing Rules)

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## DEFINITIONS

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“Latest Practicable Date”	29 March 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOA I”	the memorandum of agreement dated 25 January 2021 and entered into between the Seller I and the Buyer I in relation to the Vessel I Disposal (as supplemented by Addendum I)
“MOA II”	the memorandum of agreement dated 25 January 2021 and entered into between the Seller II and the Buyer II in relation to the Vessel II Disposal (as supplemented by Addendum II)
“MOAs”	together the MOA I and the MOA II
“Seller I”	PE28 Pte. Limited, a wholly owned indirect subsidiary of the Company
“Seller II”	PE138 Pte. Limited, a wholly owned indirect subsidiary of the Company
“Sellers”	together the Seller I and the Seller II
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held and convened for the Shareholders to consider and, if though fit, to approve the MOAs, the escrow agreements and the transactions contemplated thereunder
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holders of the issued Shares
“Singapore”	The Republic of Singapore
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vessel I”	the vessel named as Pacific Energy 28, the vessel to be disposed under the MOA I
“Vessel I Disposal”	disposal of the Vessel I pursuant to the terms of the MOA I
“Vessel II”	the vessel named as Pacific Energy 138, the vessel to be disposed under the MOA II

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## DEFINITIONS

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“Vessel II Disposal”	disposal of the Vessel II pursuant to the terms of the MOA II
“Vessels”	together the Vessel I and the Vessel II
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“S\$”	Singapore dollars, the lawful currency of Singapore
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

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## LETTER FROM THE BOARD

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### DAISHO MICROLINE HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 0567)**

*Executive Directors:*

LEE Man Kwong (*Chairman*)

WONG Siu Hung, Patrick

*Non-executive Director:*

YAU Pak Yue

*Independent non-executive Directors:*

LEUNG King Fai

CHOU Yuk Yan

CHAN Yau Ching, Bob

*Registered Office:*

Victoria Place, 5th Floor

31 Victoria Street

Hamilton HM10

Bermuda

*Head Office and Principal Place of  
Business:*

Unit A, 10/F.

Fook Hing Industrial Building

33 Lee Chung Street

Chai Wan, Hong Kong

31 March 2021

*To the Shareholders*

Dear Sir or Madam,

### MAJOR TRANSACTION DISPOSAL OF TWO VESSELS

#### INTRODUCTION

Reference is made to the announcement of the Company dated 25 January 2021, pursuant to which the Board announces that (i) On 25 January 2021 (after trading hours), the Seller I entered into the MOA I with the Buyer I pursuant to which the Seller agreed to sell and the Buyer I agreed to acquire the Vessel I for a total cash consideration of S\$4,020,000. Upon completion of the Vessel I Disposal, the Company will cease to have any interests in the Vessel I; and (ii) on 25 January 2021 (after trading hours), the Seller II entered into the MOA II with the Buyer II pursuant to which the Seller agreed to sell and the Buyer II agreed to acquire the Vessel II for a total cash consideration of S\$4,760,000. Upon completion of the Vessel II Disposal, the Company will cease to have any interests in the Vessel II. Reference is also made to the announcement of the Company dated 15 March 2021 in relation to the extension of the long stop dates under the MOAs.

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## LETTER FROM THE BOARD

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As the relevant percentage ratio(s) exceeds 25% but falls below 75%, the Disposal and the transactions contemplated thereunder constitute a major transaction on the part of the Company under Chapter 14 of the Listing Rules and are subject to the announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The purpose of this circular is to provide you with details regarding the Disposal and the transactions contemplated thereunder in accordance with the Listing Rules. A notice of the SGM is set out on pages 42 to 44 of this circular.

### THE DISPOSAL

On 25 January 2021 (after trading hours), the Sellers, which are both wholly-owned indirect subsidiaries of the Company, entered into the respective MOAs with the Buyer I and the Buyer II pursuant to which the relevant Seller agreed to dispose of and the relevant Buyer agreed to acquire the Vessels for a total cash consideration of S\$8,780,000.

Summarised below are the principal terms of the MOA I and the MOA II, which are legally binding.

### MOA I

**Date:** 25 January 2021 (after trading hours)

**Parties:** (1) Seller I : PE28 Pte. Limited  
(2) Buyer I : Angel Tankers Pte. Ltd.

The Seller I is a limited liability company incorporated in Singapore and an indirect wholly owned subsidiary of the Company. The Seller I is the legal and registered owner of the Vessel I.

The Buyer I is a company incorporated in Singapore with limited liability and its principal activities are operating barges, tugboats and bumboats. The parent company of Buyer I is V-Bunkers Pte. Ltd.. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Buyer I and its ultimate beneficial owner(s) are Independent Third Parties.

### Assets to be disposed

The Seller I is the legal and registered owner of the Vessel I. Pursuant to the MOA I, the Seller I has agreed to dispose of and the Buyer I has agreed to acquire the Vessel I.

### Purchase Price

The total purchase price (the "**Purchase Price I**") for the Vessel I Disposal is S\$4,020,000. The Buyer I shall lodge a deposit (the "**Deposit I**") of 10% of the Purchase Price I in an escrow account to the joint order of the Seller I and the Buyer I with the Deposit Holder within three Banking Days (as defined in the MOA I) after the date of the signing and exchange of the MOA I by the Seller I and the Buyer I and the signing of the relevant escrow agreement by the Seller I, the Buyer I and the Deposit Holder.

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## LETTER FROM THE BOARD

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The balance of the Purchase Price I less the sum of US\$112,000, being the security deposit (the “**Security Deposit I**”) held by the Seller I under the existing charterparty in respect of the Vessel I (the “**Charter I**”) and which is to be transferred from the Seller I to the Buyer I on novation of the Charter I from the Seller I to the Buyer I, and all other sums payable on delivery by the Buyer I to the Seller I under the MOA I shall be paid in full free of bank charges to the Seller I, provided that if the Charter I has been or will be terminated prior to delivery of the Vessel I such that the Charter I will not be novated from the Seller I to the Buyer I and the Security Deposit I will not be transferred from the Seller I to the Buyer I, the Buyer I shall make payment of the full balance of the Purchase Price I together with all other sums payable on delivery by the Buyer I to the Seller I under the MOA I. In this regard, the Buyer I shall deposit sufficient funds with the Deposit Holder not later than one (1) Banking Day (as defined in MOA I) prior to the intended date of delivery of the Vessel I by the Seller I to the Buyer I pursuant to the MOA I to be held by the Deposit Holder to the Buyer I’s sole order and to be released in accordance with the terms of the relevant escrow agreement.

Set out below are the principal terms of Charter I.

	Charter I (PE28)
Commencement	8 December 2020
Expiry	7 July 2021 (subject to renewal option)
Renewal Option	Renewable for a further 6 months one month before expiry subject to renegotiation of new terms to be agreeable mutually
Charter Rates	
8 Dec 2020 – 7 Jan 2021	USD112,000 per month
8 Jan 2021 – 7 Feb 2021	USD112,000 per month
8 Feb 2021 – 7 Jul 2021	USD127,000 per month
Security Deposit	USD112,000

In respect of the “all other sums payable on delivery” under the MOAs, the term typically refers to the amounts in respect of the remaining lubricating and hydraulic oils and greases, bunkers etc. that are to be paid by the Buyers to the Sellers pursuant to each of the MOAs. As such, it is infeasible to calculate the exact amount of such “other sums payable” as at the date hereof, but at least for the remaining oils, greases and bunkers, the basis of determination of this amount would be either (a) the supporting invoices and vouchers evidencing the actual net price for the quantities to be taken over the Buyers or (b) the last supplied price in the event that supporting invoices or vouchers are not available, as contemplated in each MOA. The Company contemplates that such other sums payable on delivery would be relatively small in comparison with the Purchase Prices.



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## LETTER FROM THE BOARD

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On delivery of the Vessel I and not later than three (3) Banking Days (as defined in the MOA I) after the date the relevant notice of readiness has been given pursuant to the MOA I, the Deposit Holder shall release (a) the Deposit I to the Seller I in accordance with joint written instructions from the Buyer I and the Seller I and (b) the balance of the Purchase Price I less the Security Deposit I (if applicable) and all other sums payable on delivery by the Buyer I to the Seller I under the MOA I to the Seller I in accordance with the terms of the relevant escrow agreement.

The consideration for the Vessel I Disposal was determined with reference to the latest appraised value of the Vessel I by an independent valuer obtained by the Company and arrived at after arm's length negotiations between the parties to the MOA I. The valuation report of the Vessel I has been included in Appendix II of this circular and the market value of the Vessel I as shown in the valuation report is S\$3,800,000. The Directors (including the independent non-executive Directors) consider the terms of the Vessel I Disposal (including but not limited to the consideration) to be fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

### **Condition precedent**

The MOA I shall be subject to the condition precedent that the passing by the Shareholders at the SGM to be convened and held of relevant resolution(s) to approve the MOA I, the relevant escrow agreement and the transactions contemplated thereunder and compliance with the relevant requirement in respect of the MOA I by the Company under the Listing Rules.

If the condition precedent set out above has not been satisfied on or before 19 May 2021 (or such later date as the parties may agree in writing) (the "**Long Stop Date I**"), the MOA I shall cease and terminate, and thereafter neither party shall have any obligations and liabilities towards each other thereunder, and the Seller I shall instruct the Deposit Holder to refund the Deposit I to the Buyer I in accordance with the terms and conditions of the relevant escrow agreement within five (5) Banking Days (as defined in the MOA I) after the Long Stop Date I.

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## LETTER FROM THE BOARD

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### Completion

The Vessel I shall be delivered and taken over safely afloat at a safe and accessible berth or anchorage in Singapore in the Seller I's option, with the notice of readiness not to be tendered before 5 April 2021. The place of closing meeting for the Vessel I Disposal shall be the offices of the Deposit Holder and relevant closing documents will be executed and exchanged between the Seller I and Buyer I.

Upon completion of the Vessel I Disposal, the Company will cease to hold any interests in the Vessel I.

### MOA II

**Date:** 25 January 2021 (after trading hours)

**Parties:** (1) Seller II : PE138 Pte. Limited

(2) Buyer II : Bella Tankers Pte. Ltd.

The Seller II is a limited liability company incorporated in Singapore and an indirect wholly owned subsidiary of the Company. The Seller II is the legal and registered owner of the Vessel II.

The Buyer II is a company incorporated in Singapore with limited liability and its principal activities are operating barges, tugboats and bumboats. The parent company of the Buyer II is V-Bunkers Pte. Ltd.. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Buyer II and its ultimate beneficial owner(s) are Independent Third Parties.

### Assets to be disposed

The Seller II is the legal and registered owner of the Vessel II. Pursuant to the MOA II, the Seller II has agreed to dispose of and the Buyer II has agreed to acquire the Vessel II.

### Purchase Price

The total purchase price (the "**Purchase Price II**") for the Vessel II Disposal is S\$4,760,000. The Buyer II shall lodge a deposit (the "**Deposit II**") of 10% of the Purchase Price II in an escrow account to the joint order of the Seller II and the Buyer II with the Deposit Holder within three Banking Days (as defined in the MOA II) after the date of the signing and exchange of the MOA II by the Seller II and the Buyer II and the signing of the relevant escrow agreement by the Seller II, the Buyer II and the Deposit Holder.

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## LETTER FROM THE BOARD

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The balance of the Purchase Price II less the sum of US\$140,000, being the security deposit (the “**Security Deposit II**”) held by the Seller II under the existing charterparty in respect of Vessel II (the “**Charter II**”) and which is to be transferred from the Seller II to the Buyer II on novation of the Charter II from the Seller II to the Buyer II, and all other sums payable on delivery by the Buyer II to the Seller II under the MOA II shall be paid in full free of bank charges to the Seller II, provided that if the Charter II has been or will be terminated prior to delivery of the Vessel II such that the Charter II will not be novated from the Seller II to the Buyer II and the Security Deposit II will not be transferred from the Seller II to the Buyer II, the Buyer II shall make payment of the full balance of the Purchase Price II together with all other sums payable on delivery by the Buyer II to the Seller II under the MOA II. In this regard, the Buyer II shall deposit sufficient funds with the Deposit Holder not later than one (1) Banking Day (as defined in MOA II) prior to the intended date of delivery of the Vessel II by the Seller II to the Buyer II pursuant to the MOA II to be held by the Deposit Holder to the Buyer II’s sole order and to be released in accordance with the terms of the relevant escrow agreement.

Set out below are the principal terms of Charter II.

	Charter II (PE138)
Commencement	8 December 2020
Expiry	7 July 2021(subject to renewal option)
Renewal Option	Renewable for a further 6 months one month before expiry subject to renegotiation of new terms to be agreeable mutually
Charter Rates	
8 Dec 2020 – 7 Jan 2021	USD140,000 per month
8 Jan 2021 – 7 Feb 2021	USD140,000 per month
8 Feb 2021 – 7 Jul 2021	USD155,000 per month
Security Deposit	USD140,000

In respect of the “all other sums payable on delivery” under the MOAs, the term typically refers to the amounts in respect of the remaining lubricating and hydraulic oils and greases, bunkers etc. that are to be paid by the Buyers to the Sellers pursuant to each of the MOAs. As such, it is infeasible to calculate the exact amount of such “other sums payable” as at the date hereof, but at least for the remaining oils, greases and bunkers, the basis of determination of this amount would be either (a) the supporting invoices and vouchers evidencing the actual net price for the quantities to be taken over the Buyers or (b) the last supplied price in the event that supporting invoices or vouchers are not available, as contemplated in each MOA. The Company contemplates that such other sums payable on delivery would be relatively small in comparison with the Purchase Prices.

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## LETTER FROM THE BOARD

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On delivery of the Vessel II and not later than three (3) Banking Days (as defined in the MOA II) after the date the relevant notice of readiness has been given pursuant to the MOA II, the Deposit Holder shall release (a) the Deposit II to the Seller II and (b) the balance of the Purchase Price II less the Security Deposit II (if applicable) and all other sums payable on delivery by the Buyer II to the Seller II under the MOA II to the Seller II in accordance with the terms of the relevant escrow agreement.

The consideration for the Vessel II Disposal was determined with reference to the latest appraised value of the Vessel II by an independent valuer obtained by the Company and arrived at after arm's length negotiations between the parties to the MOA II. The valuation report of the Vessel II has been included in Appendix II of this circular and the market value of the Vessel II as shown in the valuation report is S\$4,700,000. The Directors (including the independent non-executive Directors) consider the terms of the Vessel II Disposal (including but not limited to the consideration) to be fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

### **Condition precedent**

The MOA II shall be subject to the condition precedent that the passing by the Shareholders at the SGM to be convened and held of relevant resolution(s) to approve the MOA II, the relevant escrow agreement and the transactions contemplated thereunder and compliance with the relevant requirement in respect of the MOA II by the Company under the Listing Rules.

If the condition precedent set out above has not been satisfied on or before 19 May 2021 (or such later date as the parties may agree in writing) (the "**Long Stop Date II**"), the MOA II shall cease and terminate, and thereafter neither party shall have any obligations and liabilities towards each other thereunder, and the Seller II shall instruct the Deposit Holder to refund the Deposit II to the Buyer II in accordance with the terms and conditions of the relevant escrow agreement within five (5) Banking Days (as defined in the MOA II) after the Long Stop Date II.

### **Completion**

The Vessel II shall be delivered and taken over safely afloat at a safe and accessible berth or anchorage in Singapore in the Seller II's option, with the notice of readiness not to be tendered before 5 April 2021. The place of closing meeting for the Vessel II Disposal shall be the offices of the Deposit Holder and relevant closing documents will be executed and exchanged between the Seller II and Buyer II.

Upon completion of the Vessel II Disposal, the Company will cease to hold any interests in the Vessel II.

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## LETTER FROM THE BOARD

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### INFORMATION ON THE VESSELS

The Vessel I is a vessel named as Pacific Energy 28 with place of registration in Singapore and year of build in 2012. As at 31 March 2020, the audited carry value of the Vessel I in the book of the Seller I was approximate HK\$37,060,000. The Vessel II is a vessel named as Pacific Energy 138 with place of registration in Singapore and year of build in 2010. As at 31 March 2020, the audited carry value of the Vessel II in the book of the Seller II was approximate HK\$47,310,000. The Vessels have been leased out to trader/operator of fuel refilling (otherwise known as bunkering) business in Singapore during the year of 2020.

Set out below is the Group's segment results in relation to the Vessels for the financial years ended 31 March 2019 and 2020 and for the six months ended 30 September 2020:

	<b>For the year ended 31 March 2019</b>	<b>For the year ended 31 March 2020</b>	<b>For the six months ended 30 September 2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from vessel chartering	10,915	20,403	9,343
Segment results <i>Note (1)</i>	(7,843)	3,498	1,147

*Note (1):* Segment results represent the results before taxation earned by vessel chartering without allocation of other income generated, administrative expenses and other operating expenses incurred by the corporate office, impairment loss on deposits paid for the acquisition of property, plant and equipment and finance costs, if any.

Two promissory notes of total HK\$74,045,000 was issued by the Company for the completion of acquisition of the Vessels. The Company had exercised its right to early redeem the promissory notes and resulting an accounting loss of approximately HK\$10,900,000 (2019 annual report, P.8) incurred by the Company during the year ended 31 March 2019. When analyzing the performance of the vessel segment, that loss on early redemption of promissory note was taken into account together with the net profits of the Vessels. As a result, the vessel segment was in a loss position during the year of 31 March 2019. It comes to the attention of the current Board that the Company did have sufficient cash balance during the time of early redemption of the promissory notes. The current Board believes that the Company should have taken into account of the cash position of the Group together with its funding needs for the early redemption. The early redemption of the promissory notes would reduce the gearing of the Company and that could be in the interests of the Company and its shareholders as whole. The Company would also like to emphasize the accounting loss was as a result of relevant accounting treatments and the Company would have to redeem the promissory notes upon its maturity even in the event that the early redemption did not occur.

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## LETTER FROM THE BOARD

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The segment results of the Vessels were arrived at after adding back the management fees paid to another Group's wholly-owned subsidiary company, which amounted to approximately HK\$1,623,000, HK\$3,290,000 and HK\$2,982,000 for the years ended 31 March 2019 and 2020 and the six months ended 30 September 2020, respectively. The Company is of the view that the turnaround was as a result of the performance fluctuations which was due to the vessels condition and the market uncertainty as disclosed below.

Carrying value of Vessel I and Vessel II as at 30 September 2020 (unaudited):

	<i>HK\$'000</i>
Vessel I	37,624
Vessel II	47,802

The combined total net profits of PE28 Pte. Limited and PE138 Pte. Limited (both before and after tax) for the financial years ended 31 March 2019 and 2020 and for the six months ended 30 September 2020:

	<b>For the year ended 31 March 2019 <i>HK\$'000</i></b>	<b>For the year ended 31 March 2020 <i>HK\$'000</i></b>	<b>For the six months ended 30 September 2020 <i>HK\$'000</i></b>
Net profit (loss) before tax	1,294	3,010	(1,529)
Net profit (loss) after tax	1,112	2,570	(1,529)

In respect of the fluctuations in the management fees, during the years ended 31 March 2019 and 2020, in addition to the ship management fee paid, certain general and administrative expenses such as administrative staff salaries incurred by the Group were not allocated to the Vessel Segment. As such costs and expenses had not been charged to the Vessels companies through the management fees.

In January 2020, the Group set up a wholly owned subsidiary company specifically for the purpose of ship management. A team of staff which focus on ship management operation was employed during the six months ended 30 September 2020. As such, the management fees payable by the Vessel companies for the six months ended 30 September 2020 increased during that period.

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## LETTER FROM THE BOARD

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Set out below are the charter rates of the Vessels since acquisition of the Vessels by the Group.

Vessel I		Vessel II	
April 2018 to April 2020	S\$135,000	February 2019 to August 2019	S\$135,000
May 2020 to June 2020	S\$113,000	September 2019 to April 2020	S\$160,000
July 2020 to November 2020	S\$140,000	May 2020 to June 2020	S\$132,000
December 2020 to January 2021	US\$112,000	July 2020 to November 2020	S\$180,000
February 2021 to March 2021	US\$127,000	December 2020 to January 2021	US\$140,000
		February 2021 to March 2021	US\$155,000

Whilst the charter rates for the Vessels are at their highest point under the current charter, the charter rates demonstrate market uncertainty and fluctuations. The current charter will expire July 2021. As disclosed below, notwithstanding the renewal clause, the Group has been in touch with the Charterer to explore possible early renewal of the Charter but no positive responses were received by the Group. With the downside risks as elaborated below and the uncertainty to renew the existing charter at the current terms, the Company considers that the Disposal will limit the risk exposure of the Group.

As disclosed in the announcements of the Company dated 16 March 2018 and 14 June 2018, there were delays in the registration of the transfer of the title of the vessels during the year ended 31 March 2019. The acquisitions of Vessel I and Vessel II were completed on 27 March 2018 and 31 January 2019 respectively and the Group commenced to record chartering incomes for each of the Vessels upon respective completion of the acquisition. As such, the chartering income from the Vessels during the year ended 31 March 2019 was lower in comparison with the chartering income from the Vessels for the year ended 31 March 2020, resulting in fluctuation of performance. In addition to the accounting loss as a result of the early redemption of the promissory note as disclosed above, there were repairs and maintenance expenses incurred from time to time depending upon the Vessels' conditions, which contributed to fluctuation of performance. The performance of the Vessels chartering would be depended upon market demand and supply and this also contributes to the performance fluctuation.

The fluctuations in the performance of segment results for the year ended 31 March 2019, 31 March 2020 and the six months ended 30 September 2020 demonstrates the uncertainty in the market. The vessel chartering business would depend upon the charter rate, which would depend on the market situation. With that the industry has recently undergone significant restructuring since around 2020 and consolidation whereby independent operators are reduced or squeezed out of business as the major trading groups have stepped up to build up their own distribution logistics capabilities, it is expected that the segment will be subject to future downward risks.

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## LETTER FROM THE BOARD

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### INFORMATION OF THE BUYERS

Based on the information available to the Company and having made all reasonable enquiries, Buyer 1 Angel Tanker Pte Ltd and Buyer II Bella Tankers Pte Ltd are wholly owned subsidiaries of V-Bunkers Pte Ltd (V-Bunkers). V-Bunkers is a wholly subsidiary of Vitol Marine Fuels Pte. Ltd which in turn is wholly owned subsidiary of Vitol.

According to relevant website information (<https://www.vbunkers.com/>), V-Bunkers is a bunker tanker owner, manager and operator. V-Bunkers currently owns a fleet of 17 bunker tankers. According to the website of V-Bunkers, based in the world's largest bunkering port of Singapore, Vitol Bunkers is a leading supplier of high-quality bunker fuels. V-Bunkers has access to a fleet of Singapore flagged bunker tankers, enabling it to offer customers a reliable end-to-end delivered fuel supply service both regionally and internationally and V-Bunkers is the owner and operator of the first dual fuel (LNG/MGO) powered bunker tanker in Singapore.

Based on public information, Vitol is an energy and commodities company; its primary business is the trading and distribution of energy products globally – it trades 8 million barrels per day of crude oil and products and, at any time, has 250 ships transporting its cargoes.

Based on public information, Vitol's clients include national oil companies, multinationals, leading industrial and chemical companies and the world's largest airlines. Founded in Rotterdam in 1966, today Vitol serves clients from some 40 offices worldwide and is invested in energy assets globally including: circa 16mm<sup>3</sup> of storage globally, 480kbpd of refining capacity and 7,000 service stations across Africa, Australia, Brazil, Eurasia and in Northwest Europe. Revenues in 2019 were \$225 billion. (Source of information: press release at [www.vitol.com](http://www.vitol.com))

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Buyers and their ultimate beneficial owners are Independent Third Parties.

### REASONS FOR THE DISPOSAL

The Company is an investment holding company. The Group operates its business mainly through four segments: (i) the trading of petroleum and energy products and related business; (ii) the Printed Circuit Boards (the "PCB") segment engages in the manufacturing and trading of PCB; (iii) the vessel chartering business segment engages in the vessel chartering business; and (iv) the printing business segment engages in the manufacture and trading of printing and packaging products businesses.



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## LETTER FROM THE BOARD

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As disclosed in the circular of the Company dated 27 December 2017, in mid-2017, the Group undertook the business of indent trading of petrochemical products as well as petroleum and energy products. As disclosed in that circular, the purpose for the acquisition of the Vessels was to expand its Petroleum Indent Trading Business to include vessel leasing (page 18 of the circular dated 27 December 2017) and the petroleum indent trading and vessel leasing business and the synergy was further elaborated on pages 22 and 23 of that circular. Whilst there was a master lease agreement entered into between the Group and the vendor of the Vessels (Inter-Pacific Group Pte. Limited) upon completion of the acquisition, the master lease agreement was terminated on 19 August 2019. The consideration for acquisition of Vessel I and Vessel II were HK\$44,680,000 and HK\$54,640,000 respectively. However, as disclosed in the interim report of the Company for the six months ended 30 September 2020, with suspension of the banking facilities provided by Societe Generale to the Group for trading of petroleum and energy products, the petroleum trading business of the Group has ceased and is unlikely to be resumed. Whilst the Group has exercised its best endeavours to utilise the Vessels for vessel chartering business, the Vessels have been chartered out on short term basis. It is noted that the current charter agreements will expire in around July 2021 and there is no indication that the charter agreements would be renewed. In the event that the charter agreements could not be renewed and no trader/operator of fuel refilling is willing to lease the Vessels, the Group will suffer as there remain ongoing costs and expenses to be incurred for maintenance and operating of the Vessels.

The Vessels have been leased by the Group out to trader/operator of fuel refilling (otherwise known as bunkering) business in Singapore. Despite Singapore being one of the top fuel refilling ports in the world, outbreaks of the coronavirus pandemic have led to lockdowns which depress demand for transportation fuel. In addition, the industry has recently undergone significant restructuring and consolidation whereby independent operators are reduced or squeezed out of business as the major trading groups have stepped up to build up their own distribution logistics capabilities. Coupled with the reducing availability of credit facilities made available to the trader/operator of fuel refilling business, the current environment has a negative impact on the demand of vessels for the refilling business. The information quoted above is a summary of state of affairs in the oil trading and bunkering market based on information available to the Company from relevant media, including Ship and Bunker ([shipandbunker.com](http://shipandbunker.com)), S&P Global ([www.spglobal.com](http://www.spglobal.com)), Reuters ([www.reuters.com](http://www.reuters.com)) and Bloomberg ([www.bloomberg.com](http://www.bloomberg.com)).

The Charterer has the right to renew for a further 6 months one month before expiry of the current charter subject to renegotiation of new terms to be agreed mutually. Notwithstanding the renewal clause, the Group has been in touch with the Charterer to explore possible early renewal of the Charter but no positive responses were received by the Group.

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## LETTER FROM THE BOARD

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Moreover, it is also noted that the latest appraised values of the Vessels as shown in the valuation report in Appendix II indicate the downside risk on the asset value of the Vessels. The independent valuation reports provide a mark to market value of the Vessels which indicates the impairment in values that the Group will have to take if the Disposal did not take place. It is noted that the segment results for the year ended 31 March 2020 was approximately HK\$3,498,000 whilst the segment results for the six months ended 30 September 2020 was approximately HK\$1,147,000. The vessel chartering business would depend upon the conditions of the vessels, the charter rate and whether the charter can be renewed, which in turn would depend on the market situation. Such previous performance fluctuations in the segment also indicate the uncertainty in future performance. Furthermore, it recently comes to the attention of the Company from public information that it is contemplated that there will be more vessels of various sizes to be sold in the market during the year ([www.reuters.com](http://www.reuters.com)). With the increase in supply, this indicates that the values of the Vessels will continue to be under selling pressure and therefore their values.

The considerations for the Disposal are based on the latest appraised value and the Disposal is the best available terms obtained by the Company and the purchase prices are higher than the valuation. No less than 30 potential buyers was approached for the potential disposal of the Vessels since September 2020 and the Disposal was the best available terms obtained by the Company as the offer prices by the Buyers were higher than those of the other potential buyers. Based on the independent valuation report, the expected loss of approximately HK\$33 million in relation to the Vessels would nevertheless be recorded, either in form of impairment losses or in form of disposal loss. Having taken into consideration of the future downside risks, the Board considers that it is the appropriate moment to dispose of the Vessels.

Based on the book value of the Vessels as at 31 March 2020, it is estimated that upon completion of the Disposal, the Group will record a loss of approximately HK\$33,102,000 on the Disposal, which is the difference between the consideration and the book value of the Vessels. The exchange rate for calculating the disposal loss was on the exchange rate of S\$1 to HK\$5.84. Based on the unaudited book value of the Vessels as at 30 September 2020, the disposal loss would be approximately HK\$34 million. The actual gain or loss as a result of the Disposal to be recorded by the Group is subject to final audit to be performed by the Company's auditors.

The net proceeds from the Disposal of approximately HK\$50,505,000 are intended to be applied towards as to (1) approximately HK\$40 million for repayment of indebtedness of the Group including its shareholder's loan; (2) payment of interest of approximately HK\$2 million; (3) acquisition of new printing machines of approximately HK\$3 million; (4) professional and legal fees of approximately HK\$2 million; and (5) general working capital of approximately HK\$3.5 million.

Spring Global Enterprises Limited ("**Spring Global**"), a company wholly owned by Mr. Ng Man Chan ("**Mr. Ng**") and a shareholder interested in 59,576,000 Shares representing approximately 7.39% of the issued share capital of the Company as at the Latest Practicable Date, advanced a loan of HK\$40,000,000 to the Group and the shareholder's loan carries interest rate of 5% per annum and is repayable on demand. Whilst Spring Global and Mr. Ng were not involved in the negotiations of the Disposal and its interests in the Disposal are of no difference with those other Shareholders, in light of that the proceeds from the Disposal may be utilized towards the repayment of the shareholder's loan, Mr. Ng, Spring Global and their associates shall abstain from voting at the relevant resolutions approving the Disposal at the SGM.

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## LETTER FROM THE BOARD

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Upon completion of the Disposal, the Group will cease to operate vessel chartering business. The Board is of the view that the Disposal provides a good opportunity for the Group to limit its downside risk on the asset value and to repay its shareholder's loan, and also allow the Group to focus its resources to develop the other existing business segments, including but not limiting to the newly identified business segment.

Taking into consideration of the aforesaid, the Directors (including the independent non-executive Directors) consider that the terms of the Disposal are fair and reasonable and are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

It is expected that there will be reduction in earnings of the Group as a result of the Disposal since the Group will have no revenue from the Charters after the Disposal. There would also be decrease in the total assets of the Group and there will be no impact on the liabilities of the Group as a result of the Disposal.

### **BUSINESS MODEL OF THE GROUP AFTER DISPOSAL**

The business and revenue model and the operation scale of the remaining segments of the Group upon completion of the Disposal are below:

#### **The PCB Business**

For the PCB Business, the key product is PCB for automotive electronics used in automobiles and for artificial intelligent building equipments, which the Group deals with the customers directly and/or through agents and traders. The Printed Circuit Boards Business has an experienced technical team and quality control team with almost 20 years of work experience in the electronic components industry. In the PCB Business, the Group has 22 employees as at 31 December 2020, approximately 63 customers and 62 suppliers, which are active and/or regular customers and/or suppliers. The Group continues to focus on PCB for automotive electronic markets and proposes to expand into the consumer electronics market. The unaudited revenue during the period from 1 April 2020 to 31 December 2020 amounted to approximately HK\$22,721,000.

The PCB business expects to make more sales to both the local PRC customers and overseas customers due to the global economic recovery after the rollout of vaccination plan. In the coming years, the PCB business will not only focus on the automotive industry but also manufacturing industry of medical devices.

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## LETTER FROM THE BOARD

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For the PCB Business, the relevant operating subsidiary is located in Huizhou, the PRC. The operating subsidiary would sell products to third parties through domestic sales of finished goods and raw materials in the PRC and also export sales of finished goods to Hong Kong, whilst sales are mainly domestic sales to third parties in China. The operating subsidiary would procure raw materials from external suppliers. The Group deals with the customers directly and/or through agents and traders. Whilst the Group has sub-contracted certain PCB production process such as printing, drilling and plating to third parties, the PCB Business maintains an experienced technical team and quality control team with years of work experience in the electronic component industry. The Group will be responsible for design, testing and quality control of the products. As such, the PCB Business can meet the production flexibility and design requirements as requested by its customers.

The operating subsidiary would charge its customer at market rates. Based on the segment results for the six months ended 30 September 2020, the gross profit margin for the PCB Business was approximately 11%.

The Company is of the view that the competitive advantage of the PCB Business as compared to its industry peers is the production flexibility offered by the Group. The Group's experienced technical team and quality control team in the PCB Business can utilise its experience to meet the production flexibility and design requirements as requested by its customers. There was no long term contract between the Company and its customers regarding the PCB Business but a major customer would provide a blanket indicative purchase order yearly. That major customer accounts for approximately 30%, 36% and 10% respectively of the segment revenue of the PCB Business for the years ended 31 March 2019 and 31 March 2020 and the six months ended 30 September 2020.

Set out below is the historical financial performance for the PCB Business:

	<b>For the year ended 31 March 2019</b>	<b>For the year ended 31 March 2020</b>	<b>For the six months ended 30 September 2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	136,060	37,009	15,181
Segment profit/(loss)	(40,623)	(39,837)	(5,035)
Assets at the year/ period end date	69,008	63,939	53,704

Due to the outbreak of COVID-19 pandemic, the PCB Business was further affected as the PCB factory has been temporarily suspended during January to March 2020. As a result, the revenue decreased in the year ended 31 March 2020. With the conditions of COVID-19 pandemic in the PRC was recovering in the second half of 2020, the PCB Business has been resumed gradually. The Group will closely monitor and assess the impact as a result of COVID-19 pandemic to the PCB Business.

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## LETTER FROM THE BOARD

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The segment loss for the year ended 31 March 2019 for the PCB Business was mainly contributed by the relevant staff compensation and expenses related to the disposal of a subsidiary company and the relocation costs for relocating the factory during that financial year. The segment loss for the year ended 31 March 2020 was mainly contributed by the business downturn as the COVID-19 outbreak.

### **The Vessel Chartering Business**

The Vessels Chartering Business is operated through the Vessels. The Vessels Chartering Business is currently run by 32 staff of the Group. The Vessels are currently time chartered to a bunkering company, which has businesses in Singapore and Malaysia but the charter agreements will expire in or around July 2021 and there is no indications for renewals. As disclosed in the Announcement, the Group will cease to carry on the Vessel Chartering Business upon completion of the Disposal. The unaudited net profit of vessel segment recorded during the period from 1 April 2020 to 31 December 2020 amounted to approximately HK\$1,664,000.

### **The Petroleum Trading Business**

The Petroleum Trading Business has been ceased after the banking facilities provided by Societe Generale to the Group for its trading of petroleum and energy products and related business were suspended as disclosed in the FY2021 Interim Report. The Group has no current intention to reactivate the Petroleum Trading Business. There was no revenue recorded in that segment since 1 April 2020.

### **The Printing Business**

For the Printing Business, the key products include paper packaging products, paper gift items, paper promotional materials and other various paper printed products. The customers generally provide the product design and/or specifications for quotation. Based on such product design and/or specifications, the Group provides product development, product engineering and printing solutions to the customers for consideration and then make prototypes or mock-up samples for customers' review and confirmation. Upon the confirmation of sales orders by the customers, the Group sources raw materials and proceeds to manufacture the products for the customers. The Group implements stringent quality control measures to ensure the procurement and production process. The Group arranges third party logistics operators to collect raw materials, if not delivered by suppliers, and deliver the finished products to the customers. In the Printing Business, the Group has 215 employees, approximately 34 active customers and 50 core suppliers. The unaudited revenue during the period from 1 April 2020 to 31 December 2020 amounted to approximately HK\$33,230,000. The unaudited net profit recorded during the period from 1 April 2020 to 31 December 2020 amounted to approximately HK\$2,499,000. There is a profit guarantee that the net profit for the printing company for the financial year ending 31 March 2021 shall be not less than HK\$7,000,000. In order to meet the increasing demands from the customers, the Printing Business plans to increase the capital expenditure through acquisition of additional plant and machinery so as to increase the production capacity.

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## LETTER FROM THE BOARD

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The Group commenced the Printing Business after completion of acquisition of the Printing Business in August 2020, though the Printing Business has years of track records.

The manufacturing base of the Printing Business of the Group is located in Shenzhen, the PRC. The manufacturing base is equipped with major automated manufacturing machines including offset 5 and 6 colours printers and full rotary label press machine, hot stamping foil machine, paper bag forming machine, silk screening machine, die cutting/slotting machine, paper surface line-impress machine, etc. The Printing Business produces and sells various printed products, including paper packaging products (i.e. gift packages and container boxes with logo, brands and graphics), paper gift items (i.e. jewelry boxes, carrier bags, letter sets and other stationery and gift accessories), paper promotional materials (i.e. leaflet, manuals, catalogues and other promotional materials) and other various paper printed products.

The operating subsidiary would charge its customer at market rates. Based on the segment results for the six months ended 30 September 2020, the gross profit margin for the Printing Business was approximately 13.4%.

The Company is of the view that the competitive advantage of the Printing Business as compared to its industry peers is the production quality and variety. The Group is capable of producing various paper printed products to meet its customer needs. There is no long term contract between the Company and its customers regarding the Printing Business.

### LISTING RULES IMPLICATION

As the relevant percentage ratio(s) exceed 25% but below 75%, the Disposal and the transactions contemplated thereunder constitute a major transaction on the part of the Company under Chapter 14 of the Listing Rules and are subject to the announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

A SGM will be convened and held for the Shareholders to approve the MOAs, the escrow agreements and the transactions contemplated thereunder. To the best knowledge, information and belief of the Directors and having made reasonable enquiries, save for Spring Global and Mr. Ng, which hold 59,576,000 Shares representing approximately 7.39% of the issued share capital of the Company as at the Latest Practicable Date, no Shareholder is involved in or interested in the MOA(s) and the transactions contemplated thereunder which requires him/her/it to abstain from voting on the proposed resolution(s) to approve the MOAs, the escrow agreements and the transactions contemplated thereunder at the SGM.

### RECOMMENDATION

The Board considers that the terms of the MOAs, the escrow agreements and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. The Directors recommend the Shareholders to vote in favour of the relevant resolutions approving the Disposal and the transactions contemplated thereunder at the SGM.

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## LETTER FROM THE BOARD

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### ADDITIONAL INFORMATION

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

Yours faithfully  
By order of the Board  
**Daisho Microline Holdings Limited**  
**LEE Man Kwong**  
*Chairman*



## 1. SUMMARY OF FINANCIAL INFORMATION

The audited consolidated financial statements, together with the accompanying notes to the financial statements, of the Group for the years ended 31 March 2018, 2019 and 2020 and the unaudited consolidated financial statements, together with the accompanying notes to the financial statements, of the Group for the six months ended 30 September 2020 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company ([www.irasia.com/listco/hk/daisho](http://www.irasia.com/listco/hk/daisho)):

- Annual report for the year ended 31 March 2018 (pages 53 to 120):  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0711/ltn20180711501.pdf>
- Annual report for the year ended 31 March 2019 (pages 64 to 144):  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0730/ltn20190730497.pdf>
- Annual report for the year ended 31 March 2020 (pages 62 to 144):  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0729/2020072900650.pdf>
- Interim report for the six months ended 30 September 2020 (pages 1 to 33):  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/1209/2020120900335.pdf>

## 2. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The principal activities of the Group are investment holding, manufacturing and trading of printed circuit boards (the “**Printed Circuit Boards Business**”), manufacturing and trading of printing and packaging products (the “**Printing Business**”), trading of petroleum and energy products and related business (the “**Petroleum and Energy Business**”), and vessel chartering business (the “**Vessel Chartering Business**”).

### Printed Circuit Boards Segment

The Group’s PCB business continued to be affected by the ongoing trade war between China and the U.S. and the coronavirus pandemic. Countries around the world are still severely affected by the coronavirus pandemic, lockdown measures and travel restrictions are implemented to contain and slow the spread of the virus. The Group has taken steps to re-focus and put more emphasis in the Chinese market. We are seeing results with the strategy. In addition, cost control scheme has been implemented which the Group will continue. With the recent positive development on the Vaccine front, together with the Group’s strategy and cost control measures, we hope business would improve in the near future.



**Printing Business Segment**

The Group completed acquisition of Sky Will Printing & Packaging Limited on 12 August 2020. However, coronavirus pandemic does have a negative impact on this business segment. The Group is carefully considering expanding by acquiring printing related business as and when they come along to offset the negative impact brought about by the coronavirus pandemic. As mentioned in the previous business segment, we hope, with the recent positive development in the Vaccine, the operating environment will be improved.

**Trading of Petroleum and Energy Products and Related Business Segment**

The legal proceedings against the Company initiated by SG Bank in August 2019 have been vigorously defended by the Company. On 10 July 2020, the Hong Kong High Court handed down its decision that the injunction to be continued but only on a proprietary basis, and only in the sums totalling HK\$10,229,000 and discharge of the injunction would be permitted if such amount is paid into the Court. The process of transferring the funds to the Court, and the subsequent discharge of the injunction is ongoing. The Company is optimistic this will be completed in due course. As far as market condition goes, oil price continued hovering at a low level which reflects weak demand due to countries around the world are still severely affected by coronavirus pandemic implementing lockdown measures and travel restrictions. Another important negative factor affecting oil trading activities in the Asia Pacific was the tightening of credit availability to trading companies like us. Many major oil financing banks have quitted or reduced oil trading finance as they have suffered significant losses from loan repayment defaults by their oil trading customers. The Company's petroleum and energy product trading business is facing extreme challenges and may even be at the risk of being forced out of business if there is no improvement in the operating environment.

**Vessel Chartering Business Segment**

The Vessels have been leased out to trader/operator of fuel refilling (otherwise known as bunkering) business in Singapore. Despite Singapore being one of the top fuel refilling ports in the world, outbreaks of the coronavirus pandemic have led to lockdowns which depress demand for transportation fuel. In addition, the industry has recently undergone significant restructuring and consolidation whereby independent operators are reduced or squeezed out of business as the major trading groups have stepped up to build up their own distribution logistics capabilities. Coupled with the reducing availability of credit facilities as discussed above, has a negative impact on the demand of vessels for the refilling business. Upon completion of the Disposal, the Group will cease to carry out the Vessel Chartering Business.

It is the plan of the Company to look for investment and growth opportunities despite under the current market conditions. It is also the long-term strategy for the Company to diversify into other areas with development potentials. The Company will continue to explore the opportunities in the healthcare market and other business sectors that are beneficial to the Company and its Shareholders as a whole.

As at the Latest Practicable Date, the Company is considering of acquiring additional equipment and machinery for expanding its printing business. Save as disclosed, there is no current negotiation/understanding/agreement for its printing business or in healthcare market or other sectors.

### 3. INDEBTEDNESS

#### Borrowings

At the close of business on 31 January 2021, being the latest practicable date for the purpose of preparing this indebtedness statement, the Group had outstanding borrowings (including both current and non-current portions) of approximately HK\$85,665,000.

	At 31 January 2021 HK\$'000 (Unaudited)
<i>Secured and guaranteed</i>	
Bank revolving loan ( <i>Note a</i> )	37,026
<i>Secured and unguaranteed</i>	
Other borrowings ( <i>Note b</i> )	8,639
<i>Unsecured and unguaranteed</i>	
Other borrowings ( <i>Note c</i> )	40,000
	<u>85,665</u>

*Notes:*

- (a) The revolving bank loan is secured by (i) corporate guarantee given by a wholly owned subsidiary of the Company; (ii) personal guarantees given by a shareholder of the Company, Mr. Ng Man Chan ("Mr. Ng") and his spouse; and (iii) pledge of two properties whose beneficial owner is Mr. Ng.
- (b) The other borrowings from a non-financial institution are secured by property, plant and equipment of the Group located in the PRC. The amount bears fixed interest rate of 10% per annum and is repayable in April 2022.
- (c) The lender is a non-financial institution and a company wholly owned by Mr. Ng. The amount bears fixed interest rate of 5% per annum and is repayable on demand.

**Lease liabilities**

At 31 January 2021, the Group had outstanding lease liabilities (including both current and non-current portions) of approximately HK\$3,333,000.

	<b>At 31 January 2021</b> <i>HK\$'000</i> (Unaudited)
Amounts payable	3,442
Less: future finance charges	<u>(109)</u>
	<u><u>3,333</u></u>

At 31 January 2021, the weighted average incremental borrowing rate for lease liabilities of the Group was 4.75% per annum.

**Contingent liabilities**

At the close of business on 31 January 2021, 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 "5. Litigation" in Appendix III to this Circular.

Save as aforesaid and apart from intra-group liabilities and normal trade payables and other payables and accruals in the ordinary course of business, at the close of business on 31 January 2021, the Group did not have any debt securities issued and outstanding or agreed to be issued but unissued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade payables) or acceptance credits, debentures, mortgages, charges, finance lease, hire purchases commitments, guarantees or material contingent liabilities.

**4. WORKING CAPITAL**

The Directors, after due and careful consideration, are of the opinion that, taking into consideration the financial resources available to the Group including the internally generated funds, the present bank and other facilities, the Group will have sufficient working capital for at least twelve months from the date of this circular.

**5. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, so far as was known to the Directors, save for the significant unaudited loss to equity holders of the Company for the six months ended 30 September 2020, together with the continuing adverse effect on the Group's PCB business by the ongoing trade war between China and the U.S. and the coronavirus pandemic and interruption of the Group's petroleum trading business as disclosed in the announcement of the Company dated 17 November 2020, there are no any material adverse change in the financial or trading position of the Group as at 31 March 2020, the date to which the latest published audited financial statements of the Group were made up.

*The following is the text of the assessment report received from Roma Appraisals Limited, an independent valuer, in respect of the two vessels, "Pacific Energy 28" and "Pacific Energy 138" to be disposed by the Group as at 31 December 2020 for the purpose of incorporation in this circular. Terms defined in this appendix applies to this appendix only.*



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31 March 2021

The Board of Directors  
**Daisho Microline Holdings Limited**  
Unit A, 10/F,  
Fook Hing Industrial Building,  
33 Lee Chung Street,  
Chai Wan, Hong Kong

Dear Sirs/Madams,

#### **INSTRUCTIONS, PURPOSE AND VALUATION DATE**

In accordance with your instructions for us to assess the Market Value of the two vessels, identified as "Pacific Energy 28" and "Pacific Energy 138" (the "**Vessels**") to be disposed by Daisho Microline Holdings Limited (the "**Company**") and/or its subsidiaries (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 Value of the Vessels as at 31 December 2020 (the "**Valuation Date**") for the purpose of incorporation in the circular of the Company dated 31 March 2021.

#### **VALUATION BASIS**

Our valuation is our opinion of Market Value which 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 and where 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.

**DESCRIPTION OF THE VESSELS**

The Vessels are designed to provide bunkering service. This report comprises the Market Value assessment for the vessels identified as "Pacific Energy 28" and "Pacific Energy 138":

**Particulars of Pacific Energy 28**

Name of Owner:	PE 28 PTE. LIMITED
Vessel Name:	Pacific Energy 28
Vessel Type:	Bunker Tanker
Licence No.:	SB 33881
Class No.:	12E0248
Class Notations:	CSA Oil Tanker, Double Hull; F.P. ≤ 60°C; ESP
Official No.:	398764
IMO No.:	9647899
Place of Construction:	China
Year Made	2012
Material of Hull:	Steel
Length of Craft:	64.91 m
Breadth of Craft:	14.30 m
Depth of Craft:	7.20 m
Gross Tonnage:	1,999 tons
Net Tonnage:	794 tons
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 referenced Harbour Craft Licence, Interim Classification Certification, Certificate of Singapore Registry and Operating Licence.

**Particulars of Pacific Energy 138**

Name of Owner:	PE 138 PTE. LIMITED
Vessel Name:	Pacific Energy 138
Vessel Type:	Bunker Tanker
Licence No.:	SB 1001C
Class No.:	11R0231
Class Notations:	CSA Oil Tanker, Double Hull; F.P. $\leq$ 60°C; Ice Class B
Official No.:	398184
IMO No.:	9625267
Place of Construction:	China
Year Made	2010
Material of Hull:	Steel
Length of Craft:	88.00 m
Breadth of Craft:	14.20 m
Depth of Craft:	6.9 m
Gross Tonnage:	2,608 tons
Net Tonnage:	1,139 tons
Particulars of Main Engines:	A "Anqing CSSC" diesel engine, model No. 6DKM-26 (Power: 1,618 kW)

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

**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 for which there is established and used market may be appraised by this approach.

The Income Approach measures value based on capitalizing the net earnings attributable to the asset.

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.

For this valuation, we have adopted Market Approach as the principal valuation method as Market Approach is widely considered the most accepted valuation approach for valuing most forms of asset when relevant market transaction evidence is available. We have not adopted Cost Approach and Income Approach because lack of cost information and financial information to make appropriate adjustments. The construction cost is highly fluctuated in different location especially under the current pandemic situation and financial information of other vessels is often not publicly disclosed.

As a consequence of the COVID-19 outbreak, the liquidity and transaction volume in the vessel market have been reduced, therefore, we make reference to the recent second hand vessel sales transactions from VesselsValue Limited, a specialised global network of brokerage houses which provide information on vessel transactions. We selected sales transactions within an extended period of six months to the valuation date (instead of a period of three months according to the usual market practice) in order to accommodate the recent market fluctuation and to avoid uncertainty of short term market fluctuation. In arriving at our valuation, we adopted three comparables over twenty transactions in the exhaustive list obtained which fit the criteria for appropriate adjustment namely age, length, breadth, gross tonnage, and time etc since only those three comparables meet the criteria. The details of the three comparables are listed below:



Vessel Name	Pacific Energy 8	Pacific Energy 168	Marine Lion
IMO number	9588689	9647904	566480000
Sale Date	19/10/2020	19/10/2020	7/8/2020
Price (USD)	3.10	3.90	5.60
Year of construction	2009	2012	2012
Flag	Singapore	Singapore	Singapore
Gross tonnage (tons)	2,405	1,999	4,557
Length (m)	82	64.91	100
Breadth (m)	13.66	14.30	18

Adjustments on factors including vessel age, length, breadth, gross tonnage and time etc were made and adjustment ranges between -20% and +10%.

#### 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.

#### **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.

#### 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 Singapore Dollars ("SGD").

#### OPINION OF VALUE

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 Value of the Vessels as at 31 December 2020 is reasonably represented in the amount of SGD8,500,000 (SINGAPORE DOLLARS EIGHT MILLION FIVE HUNDRED THOUSAND ONLY).

<b>Vessel</b>	<b>Market Values as at 31 December 2020</b>
Pacific Energy 28	SGD3,800,000
Pacific Energy 138	SGD4,700,000
	<hr/>
Total	<b>SGD8,500,000</b>
	<hr/> <hr/>

Yours faithfully,  
For and on behalf of  
**Roma Appraisals Limited**

#### **Frank F Wong**

*BA (Business Admin in Acct/Econ) MSc (Real Est)*

*MRICS Registered Valuer MAusIMM ACIPHE*

#### **Director**

*Note: Mr. Frank F. Wong is a Chartered Surveyor, Registered Valuer, Member of the Australasian Institute of Mining & Metallurgy and Associate of Chartered Institute of Plumbing and Heating Engineering with over 22 years of valuation, transaction advisory and project consultancy experience of properties in Hong Kong and 14 years of experience in valuation of plant and machinery in the PRC as well as relevant experience on purpose-built vessels, vehicle carriers, liquefied gas carriers, shipyards and docks in the Asia-Pacific region.*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particular 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 is 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 INTERESTS

### (a) Director's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, save as disclosed below, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required 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 were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were otherwise required to notify the Company and the Stock Exchange pursuant to the Model Code.

#### (a) Long position in the ordinary shares of HK\$0.10 each

Name of Directors	Nature of Interests	Number of issued ordinary shares held (Long Position)	Percentage of the Company's issued share capital (Note 3)
Cheung Lai Ming (Notes 1 and 2)	Trustee	120,068,000	14.88
Lee Man Kwong	Beneficial Owner	10,000	0.01

Notes:

- (1) Ms. Cheung Lai Ming resigned as Director with effective from 16 October 2020.
- (2) Ms. Cheung Lai Ming held 120,068,000 shares of the Company in trust for Mr. Cheung Ling Mun who is a substantial shareholder of the Company and the father of Ms. Cheung Lai Ming.
- (3) The approximate percentages were calculated based on 806,643,785 shares of the Company in issue as at the Latest Practicable Date.

**(b) Long position in the underlying shares-options under share option scheme**

Category of the Grantee	Exercise price per share option HK\$	Date of grant	Exercisable period	Number of share options at 1 April 2020	Number of share options granted during the period	Number of share options lapsed during the period	Number of share options at 30 September 2020
<b>DIRECTORS</b>							
Ms. Cheung Lai Ming (Note 1)	0.222	6 August 2019	6 August 2019 to 1 August 2020	4,800,000	-	4,800,000	-
Mr. Lee Man Kwong	0.222	6 August 2019	6 August 2019 to 1 August 2020	4,800,000	-	4,800,000	-

Note:

- (1) Ms. Cheung Lai Ming resigned as Director on 16 October 2020.

**(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders**

So far as is known to the Directors, as at the Latest Practicable Date, the following person (not being Directors or chief executive of the Company) had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name	Nature of interests	Number of issued ordinary shares held (Long position)	Percentage of the Company's issued share capital (Note 2)
Cheung Ling Mun	Beneficial owner	120,068,000	14.88
Spring Global Enterprises Limited (Note 1)	Beneficial owner	59,576,000	7.39
Ng Man Chan (Note 1)	Interest in controlled corporation	59,576,000	7.39

Notes:

- (1) Spring Global Enterprises Limited is wholly-owned by Ng Man Chan. Ng Man Chan is deemed to be interested in all the shares in which Spring Global Enterprises Limited is interested under Part XV of the SFO. Ng Man Chan is the sole director of Spring Global Enterprises Limited.
- (2) The approximate percentages were calculated based on 806,643,785 shares of the Company in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, there are no other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

None of the Director of the Company is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

### 3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into any service contract or management agreement, proposed or otherwise with any member of the Group (excluding contracts expiring or terminable by the employer within one year without payment of compensation other than statutory compensation).

### 4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or substantial Shareholder or any of their respective associates has any interest in business which competes with or may compete with the business of the Group or has any other conflict of interests which any person has or may have with the Group.

### 5. LITIGATION

#### (a) Litigation with Mr. Harry Chan

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

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

On 24 May 2017, the Company and Huafeng Microline (Huizhou) Circuits Limited (“**Huafeng**”) as first and second plaintiffs filed a statement of claim to the High Court in High Court Action No. 818/2018 against Mr. Harry Chan for his breaches (i) under the terms of his service agreement; and/or (ii) of his fiduciary and statutory duties to both the Company and Huafeng as an executive director (the “**2nd Action**”). The ultimate liability or amount is to be assessed. Pursuant to the order made by the High Court on 20 June 2017, the 1st Action was consolidated with the 2nd Action.

The Directors are of the opinion, with reference to the opinion of the Group’s lawyer, any damages (or part thereof) may set off against any amounts which may be awarded in Mr. Harry Chan’s favour (if any) in the 1st Action.

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

**(b) Litigation with Societe Generale**

On 17 September 2019, the Group received an amended writ of summons (the “**Writ**”) issued by Societe Generale, Singapore Branch (the “**Plaintiff**”) in which, among others, Pacific Dragon (Hong Kong) Energy Limited (“**Pacific Dragon**”) and Daisho Microline Limited (“**DML**”), two wholly-owned subsidiaries of the Company, have been joined as additional defendants to the proceedings of the High Court (case number HCA 1617/2019) (the “**Proceedings**”) which were originally issued against, among others, (1) Ms. Cheung Lai Na (“**Ms. Cheung**”), an ex-director of the Company who resigned on 4 September 2019 and an ex-shareholder of the Company holding approximately 20.84% interest in the Company on trust for her family until she ceased to hold any of the interest on trust for her family on 14 August 2019, and (2) Inter-Pacific Petroleum Pte Ltd (“**Inter-Pacific Petroleum**”), a wholly owned subsidiary of Inter-Pacific Group Pte Ltd (“**Inter-Pacific Group**”), a company incorporated in Singapore with limited liability which is principally engaged in trading of petrochemical products and owned as to 85% by Ms. Cheung, and 15% by an independent third party. Pursuant to the Writ, the Plaintiff claims, among other things, against Inter-Pacific Petroleum for payment for breach of certain trade finance facilities granted to Inter-Pacific Petroleum in the outstanding sum as at 28 August 2019 of approximately US\$89,849,000.

In connection with the Writ, the Plaintiff obtained an injunction order against, among others, Pacific Dragon and DML, pursuant to which (1) Pacific Dragon is restricted from disposing of or dealing with the sum of approximately US\$24,963,000 paid into its bank account during the period from 1 June 2019 to 31 August 2019 and any of its assets whether within or outside Hong Kong up to the same value; and (2) DML is restricted from disposing of or dealing with the sum of approximately US\$6,653,000 paid into its bank account during the period from 1 June 2019 to 31 August 2019 and any of its assets whether within or outside Hong Kong up to the same value. The injunction order was continued on the return hearing held on 20 September 2019. The hearing has been adjourned to be heard on 5 February 2020.

The above details have been disclosed in the Company's announcements dated 18 September 2019 and 29 October 2019 respectively. As at 31 March 2020, the bank balances of DML and Pacific Dragon subject to the above litigation amounted to approximately HK\$12,019,000. Given the general adjourned period started on 29 January 2020 and ended on 3 May 2020, the hearing has been rescheduled to 22 June 2020. On 22 June 2020, the hearing was held and the judgement handed down on 10 July 2020. According to the decision of High Court of Hong Kong dated 10 July 2020, the aggregate amount injuncted against Pacific Dragon and DML should be reduced to approximately HK\$10,229,000 and the injunction is permitted to be discharged if the same amount injuncted is paid into the Court. Pacific Dragon and DML were also awarded costs to be paid by the Plaintiff. DML made the payment of HK\$6,783,017.52 into court on 24th November 2020 and the injunction order on DML has been lifted. Injunction order in respect of Pacific Dragon continues pending payment of HK\$3,445,888.78 into court for it to be lifted.

Save as disclosed above, there is no further update for the above litigation up to the Latest Practicable Date.

With reference to the opinion of the Group's lawyer, the Directors are of view that Pacific Dragon and DML have a reasonable ground of defense. Having considered the significant legal and professional fees incurred and/or to be incurred for the case, the directors of the Company are considering all possible alternative solutions.

#### (c) Litigation with Inter-Pacific Group

In November 2019, the Group instructed its lawyer to issue a legal letter to Inter-Pacific Group, demanding Inter-Pacific Group to return the deposit of HK\$14,574,000 to the Group which had paid to Inter-Pacific Group for the acquisition of the two of the four vessels, namely Pacific Energy 8 and Pacific Energy 168, pursuant to the sale and purchase agreement dated 29 September 2017 (the "SPA").

Pursuant to the SPA, the third consideration would be satisfied by the Group in the following manner: (i) on the date the SPA, a cash payment of HK\$14,574,000 (the "Third Deposit"); (ii) at third completion, a cash payment of HK\$10,151,000 and the balance of the remaining third consideration, equivalent to HK\$72,435,000, will be settled by the Group issuing to Inter-Pacific Group (or its designated nominee) the promissory note in the principal amount of HK\$72,435,000. In the event that the conditions specified in the SPA are not fulfilled or waived on or before 30 September 2019, the Third Deposit shall be returned by Inter-Pacific Group to the Group (or such persons as it may direct), without interest, in immediately available funds within five business days from the 30 September 2019. As the conditions precedent of the SPA with respect to the acquisition of Pacific Energy 8 and Pacific Energy 168 have not been fulfilled, in particular, Mortgage 8 and Mortgage 168 (as defined in the Company's circular dated 27 December 2017) have not been discharged in full by 30 September 2019 and the SPA had been terminated accordingly. Inter-Pacific Group had to fulfill its obligation to return the Third Deposit to the Group by the prescribed deadline.

Therefore, the Group issued a legal letter to demand Inter-Pacific Group to make an immediately repayment of the Third Deposit in the sum of HK\$14,574,000 to the Group.



Inter-Pacific Group was placed under liquidation by the Singapore Court on 27 March 2020 pursuant to the Order of Court HC/ORC 2247/2020. In June 2020, the Company has filed the proof of debt to the liquidators.

In view of the fact that Inter-Pacific Group was known to have financial difficulties, an impairment loss on the refundable deposits of approximately HK\$14,574,000 was charged to profit or loss during the year ended 31 March 2020.

Up to the Latest Practicable Date, there is no further update for the above litigation.

As at the Latest Practicable Date, save as disclosed above, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

## **6. INTERESTS IN CONTRACTS AND ASSETS**

As at the Latest Practicable Date, no contract or arrangement of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any of the Directors had a material interest, whether directly or indirectly, subsisted as at the Latest Practicable Date.

None of the Directors has any direct or indirect interests in any assets which had 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 during the period since 31 March 2020, the date to which the latest published audited financial statements of the Group were made up, up to and including the Latest Practicable Date.

## **7. MATERIAL CONTRACTS**

The following contract(s) (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date which are or may be material:

- (i) the placing agreement dated 18 August 2020 and entered into between the Company and Kingston Securities Limited as the placing agent in relation to the placing of up to 115,200,000 new Shares at the placing price of HK\$0.158 per placing Share;

- (ii) the sale and purchase agreement dated 23 March 2020 (as supplemented by the first supplemental agreement dated 27 May 2020, the second supplemental agreement dated 24 June 2020 and the third supplemental agreement dated 16 July 2020) entered into among Perfect Design Limited, a wholly owned subsidiary of the Company as purchaser, Sky Will Printing & Packing (Holdings) Limited as the vendor and Mr. Ng Man Chan as guarantor in relation to the acquisition of 100% issued share capital of Sky Will Printing & Packaging Limited for a total consideration of HK\$30 million;
- (iii) the MOAs; and
- (iv) the placing agreement dated 19 February 2021 and entered into between the Company and Kingston Securities Limited as the placing agent in relation to the placing of up to 115,200,000 new Shares at the placing price of HK\$0.114 per placing Share.

#### 8. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Ng Yu Ho, who was graduated from the Hong Kong Polytechnic University with a bachelor's degree in accountancy and is a member of the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda.
- (c) The principal place of business in Hong Kong is at Unit A, 10/F, Fook Hing Industrial Building, 33 Lee Chung Street, Chai Wan, Hong Kong.
- (d) The Hong Kong branch share registrar and transfer office of the Company is Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

## 9. QUALIFICATIONS AND CONSENTS OF EXPERT

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

<b>Name</b>	<b>Qualifications</b>
Roma Appraisals Limited	Independent Valuer

The above expert has given and confirmed that it has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, report, advice, opinion and/or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, the above expert did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group.

As at the Latest Practicable Date, the above expert did not have any interest, either directly or indirectly, in any assets which have been since 31 March 2020 (being the date to which the latest published audited consolidated financial statements of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

## 10. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at Unit A, 10/F, Fook Hing Industrial Building, 33 Lee Chung Street, Chai Wan, Hong Kong during normal business hours on any business day from the date of this circular up to and including the date of SGM:

- (a) the memorandum and bye-laws of the Company;
- (b) the annual reports of the Company for each of the three financial years ended 31 March 2018, 2019 and 2020 and the interim report of the Company for the six months ended 30 September 2020;
- (c) the valuation reports on the Vessels as set out in Appendix I of this circular;
- (d) the written consent of the expert as referred to in the section headed "Qualifications and consents of expert" in this appendix;
- (e) the material contracts referred to under the paragraph "Material contracts" in this appendix; and
- (f) 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 (the “SGM”) of the shareholders (the “Shareholders”) of Daisho Microline Holdings Limited (the “Company”) will be held at 10:00 a.m. on Friday, 23 April 2021 at PH3, 3/F, 186-190 Queen’s Road East, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions as ordinary resolutions of the Company:

1. “THAT:

- (a) the conditional memorandum of agreement dated 25 January 2021 (as supplemented by the addendum dated 12 March 2021) (the “MOA I”) entered into between PE28 Pte. Limited, a wholly owned subsidiary of the Company as seller (the “Seller I”) and Angel Tankers Pte. Ltd. as buyer (the “Buyer I”) in relation to, among others, the sale and purchase of vessel named as Pacific Energy 28 (the “Vessel I”) and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified; and
- (b) any one or more director(s) of the Company (the “Director(s)”) be and are hereby authorised to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things, as the case may be, as they may in their discretion consider necessary, desirable or expedient to carry out and implement the MOA I and the transactions contemplated thereunder and to agree to such variation, amendment or waiver as are in the reasonable opinion of the Directors in the interests of the Company and its shareholders as a whole provided that such variation, amendment or waiver shall not be fundamentally different from the terms as provided in the MOA I.”

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## NOTICE OF SGM

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2. "THAT:

- (a) the conditional memorandum of agreement dated 25 January 2021 (as supplemented by the addendum dated 12 March 2021) (the "MOA II") entered into between PE138 Pte. Limited, a wholly owned subsidiary of the Company as seller (the "Seller II") and Bella Tankers Pte. Ltd. as buyer (the "Buyer II") in relation to, among others, the sale and purchase of vessel named as Pacific Energy 138 (the "Vessel II") and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified; and
- (b) any one or more Director(s) be and are hereby authorised to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things, as the case may be, as they may in their discretion consider necessary, desirable or expedient to carry out and implement the MOA II and the transactions contemplated thereunder and to agree to such variation, amendment or waiver as are in the reasonable opinion of the Directors in the interests of the Company and its shareholders as a whole provided that such variation, amendment or waiver shall not be fundamentally different from the terms as provided in the MOA II."

By order of the Board  
**Daisho Microline Holdings Limited**  
**LEE Man Kwong**  
*Chairman*

Hong Kong, 31 March 2021

*Registered Office:*  
Victoria Place, 5th Floor  
31 Victoria Street  
Hamilton HM10  
Bermuda

*Head Office and Principal Place of  
Business:*  
Unit A, 10/F.  
Fook Hing Industrial Building  
33 Lee Chung Street  
Chai Wan, Hong Kong

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## NOTICE OF SGM

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*Notes:*

1. A member entitled to attend and vote at the SGM is entitled to appoint one or more proxy to attend and, subject to the provisions of the bye-laws of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the SGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. A form of proxy for use at the SGM is enclosed. Whether or not you intend to attend the SGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the SGM or any adjournment thereof, should he so wish.
3. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof.
4. In the case of joint holders of shares, any one of such holders may vote at the SGM, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holder are present at the SGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.
5. The register of members of the Company will be closed from Tuesday, 20 April 2021 to Friday, 23 April 2021 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the SGM, all transfers of shares accompanied by the relevant share certificates must be lodged at the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 19 April 2021.
6. The voting on all resolutions at the SGM will be conducted by way of poll.