THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other licensed securities dealer, bank manager, solicitor, 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 transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular appears for information only and does not constitute an invitation or offer to shareholders or any other persons to acquire, purchase, or subscribe for securities of the Company.

DAISHO MICROLINE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0567)

(1) PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY ONE EXISTING SHARE HELD ON RECORD DATE; (2) CHANGE IN BOARD LOT SIZE; AND (3) NOTICE OF SPECIAL GENERAL MEETING

Underwriter to the Rights Issue

金利豐證券
KINGSTON SECURITIES

Financial adviser to the Company

金利豐財務顧問
KINGSTON CORPORATE FINANCE

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

INCU

INCU Corporate Finance Limited

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

A notice convening the SGM of the Company to be held at Room 203, 2/F, Duke of Windsor Social Service Building, No. 15 Hennessy Road, Wanchai, Hong Kong on Thursday, 11 November 2021 at 11: 00 a.m., at which the above proposal will be considered, is set out in this circular. Whether or not you are able to attend the SGM, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude shareholders from attending and voting in person at the SGM if they so wish, in such event, the form of proxy shall be deemed to be revoked.

Shareholders and potential investors should note that the Rights Issue is conditional upon the fulfillment of the conditions referred to in the paragraph headed "Conditions of the Rights Issue" in the Letter from the Board. Accordingly, the Rights Issue may or may not proceed. Shareholders and potential investors should exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

Shareholders should note that the Shares will be dealt in on an ex-rights basis commencing from Monday, 15 November 2021 and that dealing in the Rights Shares in the nil-paid form will take place from Friday, 26 November 2021 to Friday, 3 December 2021 (both days inclusive). Any Shareholder or other person dealing in Shares up to the date on which all conditions to which the Rights Issue is subject are fulfilled (which is expected to be on Friday, 10 December 2021), will accordingly bear the risk that the Rights Issue cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional adviser.

It should be noted that the Underwriting Agreement contains provisions granting the Underwriter the right to terminate the obligations of the Underwriter thereunder on the occurrence of certain events including force majeure. These certain events are set out in the paragraph headed "Termination of the Underwriting Agreement" in the Letter from the Board. If the Underwriting Agreement is terminated by the Underwriter or does not become unconditional, the Rights Issue will not proceed.

The Rights Issue is fully underwritten by the Underwriter. Details of the underwriting arrangement are set out in the paragraph headed "THE UNDERWRITING AGREEMENT" in the Letter from the Board.

This circular together with the form of proxy are also published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.irasia.com/listco/hk/daisho).

25 October 2021

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Set out below is the expected timetable for the proposed Rights Issue and Change in Board Lot Size which is indicative only and has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled:

Event	**Date and time**
Latest time for lodging transfers of the Shares in order to qualify for attendance and voting at the SGM	4:30 p.m. on Friday, 5 November 2021
Closure of register of members of the Company for determination of the identity of the Shareholders entitled to attend and vote at the SGM (both dates inclusive)	Monday, 8 November 2021 to Thursday, 11 November 2021
Latest time for lodging proxy forms for the SGM	11:00 a.m. on Tuesday, 9 November 2021
Expected time and date of the SGM	11:00 a.m. on Thursday, 11 November 2021
Announcement of poll results of the SGM	Thursday, 11 November 2021

The following events are conditional upon passing the relevant resolutions approving the Rights Issue at the SGM

Last day of dealings in Shares on a cum-rights basis	Friday, 12 November 2021
First day of dealings in Shares on an ex-rights basis	Monday, 15 November 2021
Latest time for lodging transfer of Shares in order to qualify for the Rights Issue	4:30 p.m. on Tuesday, 16 November 2021
Register of members of the Company closes (both days inclusive)	Wednesday, 17 November 2021 to Tuesday, 23 November 2021
Record Date for determining entitlements to the Rights Issue	Tuesday, 23 November 2021

Register of members of the Company re-opens	Wednesday, 24 November 2021
Despatch of Prospectus Documents (in the case of Excluded Shareholders, the Prospectus only)	Wednesday, 24 November 2021
First day of dealing in nil-paid Rights Shares	Friday, 26 November 2021
Latest time for splitting of the PAL	4:30 p.m. on Tuesday, 30 November 2021
Last day of dealing in nil-paid Rights Shares	Friday, 3 December 2021
Latest time for acceptance of and payment for the Rights Shares and application and payment for excess Rights Shares	4:00 p.m. on Wednesday, 8 December 2021
Latest Time for Termination of the Underwriting Agreement and for the Rights Issue to become unconditional (if applicable)	4:00 p.m. on Friday, 10 December 2021
Announcement of allotment results	Wednesday, 15 December 2021
Despatch of certificates for fully-paid Rights Shares and refund cheques, if any, in respect of wholly or partially unsuccessful application for excess Rights Shares	Thursday, 16 December 2021
Effective date of the new board lots size of 20,000 Shares	Friday, 17 December 2021
Expected first day of dealings in fully-paid Rights Shares	Friday, 17 December 2021
Designated broker starts to stand in the market to provide matching services for odd lots of Shares	9:00 a.m. on Friday, 17 December 2021
Designated broker ceases to stand in the market to provide matching services for odd lots of Shares	4:00 p.m. on Friday, 21 January 2022

Dates or deadlines specified in expected timetable above or in other parts of this circular are indicative only and may be varied by agreement between the Company and the Underwriter. Any changes to the expected timetable will be published or notified to the Shareholders and the Stock Exchange as and when appropriate.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES

The latest time for acceptance of and payment for the Rights Shares will not take place if there is a tropical cyclone warning signal no. 8 or above, or a "black" rainstorm warning or "extreme conditions" caused by super typhoons:

(i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Wednesday, 8 December 2021. Instead, the latest time for acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; or

(ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Wednesday, 8 December 2021. Instead, the latest time for acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Shares does not take place on or before 4:00 p.m. on Wednesday, 8 December 2021, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event.

The health of our Shareholders, staff and other participants of the SGM (the "**Stakeholders**") is of paramount importance to us. In view of the ongoing Novel Coronavirus (COVID-19) pandemic, the Company will implement precautionary measures at the SGM to protect the Stakeholders from the risk of infection, which include but not limited to:

- compulsory temperature checks and health declarations for all attendees, including Directors and Shareholders;
- prohibition from attendance at the SGM if the attendee has a fever. Persons exhibiting flu-like symptoms may also be refused admittance to the venue of the SGM;
- compulsory wearing of surgical face masks throughout the SGM;
- maintaining proper distance between seats; and
- no corporate gift and no refreshments will be served at the SGM.

Any person who does not comply with the precautionary measures may be denied entry into the venue of the SGM.

In light of the continuing risks posed by the COVID-19 pandemic, and in the interests of protecting the Stakeholders, the Company is supportive of the precautionary measures being adopted and strongly encourages Shareholders NOT to attend the SGM in person and advises Shareholders to appoint the Chairman of the SGM as their proxies to vote according to their indicated voting instructions as an alternative to attending the SGM in person. Shareholders are advised to read this section carefully and monitor the development of COVID-19. Subject to the development of COVID-19, the Company may implement further changes and precautionary measures and may issue further announcement on such measures as appropriate.

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

"acting in concert"	has the meaning ascribed to it under the Takeovers Code
"Announcement"	the announcement of the Company dated 2 September 2021 in relation to, among others, the Rights Issue and Change in Board Lot Size
"associates"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day"	a day (excluding Saturday and Sunday and public holidays in Hong Kong and any day on which "extreme conditions" caused by super typhoons is announced by the Government of Hong Kong or a tropical cyclone warning signal no. 8 or above is issued or remains issued between 9:00 a.m. and 12:00 noon and is not cancelled at or before 12:00 noon or on which a "black" rainstorm warning is issued or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Change in Board Lot Size"	the change in board lot size of the Shares for trading on the Stock Exchange from 2,000 Shares to 20,000 Shares
"Company"	Daisho Microline Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on Main Board of the Stock Exchange
"connected person"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"EAF(s)"	the form(s) of application for use by the Qualifying Shareholders who wish to apply for excess Rights Shares, being in such form as may be agreed between the Company and the Underwriter

"Excluded Shareholder(s)"	those Overseas Shareholder(s) whom the Directors, based on legal opinions provided by the Company's legal advisers, consider it necessary or expedient not to offer the Rights Shares to such Shareholders on account either of restrictions under the laws of the relevant place or the requirements of a relevant regulatory body or stock exchange in that place
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKSCC"	the Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	the independent board committee, comprising all the independent non-executive Directors, which has been established to make recommendations to the Independent Shareholders in respect of the terms of the Rights Issue, the Underwriting Agreement and the transactions contemplated respectively thereunder
"Independent Financial Adviser"	INCU Corporate Finance Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, and the independent financial adviser appointed by the Board to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Rights Issue, the Underwriting Agreement and the transactions contemplated respectively thereunder
"Independent Shareholders"	Shareholders other than the controlling shareholders and their associates or, where there is no controlling shareholder, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates
"Independent Third Party(ies)"	third party(ies) who, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, are independent of and not acting in concert or connected with the Company and its connected persons or any of their respective associates

"Last Trading Day"	2 September 2021, being the last full trading day of the Shares on the Stock Exchange prior to the release of the Announcement
"Latest Practicable Date"	19 October 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Latest Time for Acceptance"	4:00 p.m. on Wednesday, 8 December 2021 or such later time or date as may be agreed between the Underwriter and the Company, being the latest time for acceptance of, and payment for, the Rights Shares as described in the Prospectus Documents
"Latest Time for Termination"	4:00 p.m. on the second Business Day after the Latest Time for Acceptance or such later time or date as may be agreed between the Underwriter and the Company, being the latest time to terminate the Underwriting Agreement
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Overseas Shareholder(s)"	Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date and whose address(es) as shown on such register is/are in a place(s) outside Hong Kong
"PAL(s)"	the renounceable provisional allotment letter(s) in respect of the Rights Issue proposed to be issued to the Qualifying Shareholders
"Prospectus"	the prospectus to be despatched to the Shareholders by the Company containing details of the proposed Rights Issue
"Prospectus Documents"	the Prospectus, the PAL and the EAF
"Prospectus Posting Date"	Wednesday, 24 November 2021, or such other day as may be agreed between the Company and the Underwriter for the dispatch of the Prospectus Documents

"Qualifying Shareholder(s)"	Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date, other than the Excluded Shareholders
"Record Date"	Tuesday, 23 November 2021 or such other date as may be agreed between the Company and the Underwriter in writing for the determination of the entitlements under the Rights Issue
"Registrar"	the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
"Rights Issue"	the proposed issue by way of rights on the basis of one (1) Rights Share for every one (1) exiting Share held by the Qualifying Shareholders on the Record Date at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents
"Rights Share(s)"	Shares to be allotted and issued under the proposed Rights Issue on the basis of one (1) Rights Share for every one (1) existing Share in issue on the Record Date, being 806,643,785 Rights Shares
"SFO"	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened and held at which resolution(s) will be proposed to consider, and, if thought fit, to approve, among other things, the Rights Issue, the Underwriting Agreement and the transactions contemplated respectively thereunder
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of issued Share(s)

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Price"	HK$0.1 per Rights Share
"substantial shareholder"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	The Hong Kong Code on Takeovers and Mergers (as amended and supplemented from time to time)
"Underwriter"	Kingston Securities Limited, a corporation licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO whose ordinary course of business includes underwriting of securities
"Underwriting Agreement"	the underwriting agreement dated 2 September 2021 (as supplemented on 19 October 2021) entered into between the Company and the Underwriter in relation to the underwriting arrangement in respect of the Rights Issue
"Underwritten Share(s)"	all the Rights Shares which are fully underwritten by the Underwriter pursuant to the terms and conditions set out in the Underwriting Agreement, being 806,643,785 Rights Shares
"%"	percentage

DAISHO MICROLINE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0567)

Executive Directors:
Lee Man Kwong *(Chairman)*
Wong Siu Hung, Patrick
Meng Chuixiang

Non-executive Director:
Yau Pak Yue

Independent non-executive Directors:
Leung King Fai
Chan Yau Ching, Bob
Leung Hoi Ming

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

25 October 2021

To the Qualifying Shareholders and, for information only, the Excluded Shareholders (if any)

Dear Sir or Madam,

(1) PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY ONE EXISTING SHARE HELD ON RECORD DATE; AND (2) CHANGE IN BOARD LOT SIZE

INTRODUCTION

Reference is made to the Announcement of the Company dated 2 September 2021 whereby the Board announced that the Company proposed to conduct the Rights Issue and the Change in Board Lot Size.

The purpose of this circular is to provide you with further details of the Rights Issue, the Change in Board Lot Size and the notice of SGM.

PROPOSED RIGHTS ISSUE

The Company proposes to implement the Rights Issue on the basis of one (1) Rights Share for every one (1) existing Share held on the Record Date at the Subscription Price of HK$0.1 per Rights Share, to raise gross proceeds of approximately HK$81 million by issuing 806,643,785 Rights Shares to the Qualifying Shareholders.

On 2 September 2021 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter in respect of the Rights Issue. Further details of the Rights Issue are set out below:

Issue statistics

Basis of the Rights Issue	:	one (1) Rights Share for every one (1) existing Share held on the Record Date
Subscription Price	:	HK$0.1 per Rights Share
Number of Shares in issue at the Latest Practicable Date	:	806,643,785 Shares
Number of Rights Shares	:	806,643,785 Rights Shares (assuming no change in the share capital of the Company on or before the Record Date)
Aggregate nominal value of the Rights Shares	:	HK$80,664,378.50 (assuming no change in the share capital of the Company on or before the Record Date)
Number of Shares as enlarged by the allotment and issue of the Rights Shares	:	1,613,287,570 Shares (assuming no change in the share capital of the Company on or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued)
Number of Rights Shares underwritten by the Underwriter	:	all the Rights Shares which are fully underwritten by the Underwriter pursuant to the terms and conditions set out in the Underwriting Agreement, being 806,643,785 Rights Shares

As at the Latest Practicable Date, the Group had no outstanding derivatives, options, warrants, convertible or exchangeable securities carrying rights to subscribe for, convert or exchange into Shares.

Assuming no Shares are issued or repurchased on or before the Record Date, 806,643,785 Rights Shares to be issued pursuant to the terms of the proposed Rights Issue represents (i) 100% of the total number of issued Shares as at the Latest Practicable Date; and (ii) 50% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares.

Subscription Price

The Subscription Price is HK$0.1 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

(i) a discount of approximately 36.3% to the closing price of HK$0.157 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a discount of approximately 44.44% to the closing price of HK$0.180 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a discount of 37.5% to the average of the closing prices of HK$0.160 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day;

(iv) a discount of approximately 28.57% to the theoretical ex-rights price of HK$0.140 per Share as adjusted for the effect of the Rights Issue, based on the closing price of HK$0.180 per Share as quoted on the Stock Exchange on the Last Trading Day;

(v) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 22.22%, represented by the theoretical diluted price of approximately HK$0.140 per Share to the benchmarked price of HK$0.180 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) previous consecutive trading days prior to the date of the Announcement); and

(vi) a discount of approximately 15.18% to the net asset value per Share attributable to the Shareholders of approximately HK$0.118 per Share calculated based on the audited consolidated net assets of the Group of approximately HK$95,122,000, which included intangible assets of approximately HK$1,027,000 as at 31 March 2021 and 806,643,785 Shares in issue as at the Latest Practicable Date.

The Subscription Price was determined after arm's length negotiation between the Company and the Underwriter with reference to, among others, (i) the general downward trend of the closing price of the Shares during the two months up to and including the Last Trading Day (from the highest of HK$0.181 per Share to the lowest of HK$0.133 per Share); (ii) the low trading volume of the Shares; (iii) the Company recorded a loss attributable to owners of the Company of approximately HK$87,248,000 and HK$66,976,000 for the year ended 31 March 2020 and 2021, respectively; and (iv) the reasons for and benefits of proposed Rights Issue as discussed in the section headed "REASONS FOR AND BENEFITS OF THE PROPOSED RIGHTS ISSUE AND INTENDED USE OF PROCEEDS" below.

The Directors (including the independent non-executive Directors) consider that, despite any potential dilution impact of the proposed Rights Issue on the shareholding interests of the Shareholders, in view of the prevailing market conditions and factors as described above the terms of the proposed Rights Issue, including the Subscription Price, to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole, after taking into account the following factors: (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the proposed Rights Issue are able to sell the nil-paid rights in the market; (ii) the proposed Rights issue allows the Qualifying Shareholders an opportunity to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company and an opportunity to subscriber for excess Rights Shares subject to the level of acceptance; and (iii) the proceeds from the Rights Issue can fulfil the funding needs of the Group.

Qualifying Shareholders

The Company will send the Prospectus Documents to the Qualifying Shareholders only. For the Excluded Shareholders, the Company will send copies of the Prospectus to them for their information only, but no PAL and EAF will be sent to the Excluded Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company and not be an Excluded Shareholder on the Record Date.

Shareholders whose Shares are held by nominee companies (or which are deposited in CCASS) should note that the Board will regard a nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Shareholders with their Shares held by nominee companies (or which are deposited in CCASS) are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

In order to be registered as members of the Company on the Record Date, a Shareholder must lodge the relevant transfer documents (with the relevant share certificates) with the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Tuesday, 16 November 2021.

The last day of dealing in the Shares on cum-rights basis is Friday, 12 November 2021. The Shares will be dealt with on an ex-rights basis from Monday, 15 November 2021.

Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Excluded Shareholders should note that their shareholdings in the Company will be diluted.

Rights of Overseas Shareholders

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholder(s) may not be eligible to take part in the Rights Issue as explained below.

In compliance with the necessary requirements of the Listing Rules, the Company will make enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholder(s) (if any). If, based on legal opinions, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholder(s) on account either of the legal restrictions under the laws of the relevant place(s) or the requirements of the relevant regulatory body or stock exchange in that (those) place(s), the Rights Issue will not be extended to such Overseas Shareholder(s).

As at the Latest Practicable Date, the Company has a total of seven (7) Overseas Shareholders holding an aggregate of 60,004 Shares as follows:

Jurisdiction	Number of Overseas Shareholders	Aggregate number of Shares held	Approximate percentage of shareholding
Bermuda	4	4	0.0001%
Canada	2	30,000	0.0037%
Macau	1	30,000	0.0037%

The Board has made enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders. Based on the relevant overseas legal advice as at the Latest Practicable Date, the Board is of the view that the relevant overseas legal restrictions and requirements of the relevant regulatory body or stock exchange do not make it necessary or expedient to exclude the Overseas Shareholders with registered addresses in Bermuda and Macau from the Rights Issue and the Rights Issue will be offered to the Overseas Shareholders in those jurisdictions.

Based on the relevant overseas legal advice from the legal advisers in Canada (the "**Specified Territories**"), the Directors have formed the view that it is necessary or expedient to exclude the Overseas Shareholders with registered addresses in the Specified Territories from the Rights Issue due to (i) the registration of the Rights Issue Documents and/or compliance with the relevant local legal or regulatory requirements in the Specified Territories; and/or (ii) additional steps that the Company and/or Shareholders and/or beneficial owners of the Shares need to take to comply with the local legal requirements in the Specified Territories, such as to comply with the local legal restrictions on transferability and resale of the Rights Shares. Based on the above and taking into account the aggregate shareholding of less than 0.0037% in the Company held by the Overseas Shareholders with registered addresses in the Specified Territories as at the Record Date, the Board considered the time and costs required to extend the Rights Issue to such Overseas Shareholders (i) to be outweighing the potential benefit that would have been made available to the Overseas Shareholders in the Specified Territories if the Rights Issue is extended to them; and (ii) not in the interests of the Company and the Shareholders as a whole.

Accordingly, the Overseas Shareholders having registered addresses in Canada are considered as Excluded Shareholders. The Rights Issue has not been, and will not be, extended to the Excluded Shareholders.

It is the responsibility of the Shareholders (including the Overseas Shareholders) to observe the local legal and regulatory requirements applicable to them for taking up and onward sale (if applicable) of the Rights Shares.

The basis for excluding the Excluded Shareholders(s), if any, from the Rights Issue will be set out in the Prospectus. The Company will send the Prospectus (without the PAL and the EAF) to the Excluded Shareholders for their information only.

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholder(s) to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses and stamp duty, of more than HK$100 will be paid pro rata to the Excluded Shareholder(s). The Company will retain individual amounts of HK$100 or less for the benefit of the Company. Any unsold entitlement of Excluded Shareholder(s) to the Rights Shares and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders will be made available for excess applications by Qualifying Shareholders under the EAF(s).

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue. Accordingly, Overseas Shareholders should exercise caution when dealing in the securities of the Company.

Closure of register of members

The register of members of the Company will be closed from Monday, 8 November 2021 to Thursday, 11 November 2021 (both days inclusive) for determining the Shareholders' entitlements to the voting at the SGM.

The register of members of the Company will be closed from Wednesday, 17 November 2021 to Tuesday, 23 November 2021 (both days inclusive) for determining the Shareholders' entitlements to the Rights Issue.

No transfer of Shares will be registered during the above book closure periods.

Basis of provisional allotment

The basis of the provisional allotment shall be one (1) Rights Share for every one (1) existing Share in issue and held by the Qualifying Shareholders at the close of business on the Record Date at the Subscription Price payable in full on acceptance and otherwise on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by lodging a duly completed PAL and a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

Fractional entitlements to the Rights Shares

On the basis of provisional allotment of one (1) Right Share for every one (1) Share held on the Record Date, no fractional entitlements to the Rights Shares shall be issued to the Shareholders. No entitlements of the Excluded Shareholders to the Rights Shares shall be issued to the Excluded Shareholders.

Status of the Rights Shares

The Rights Shares, when allotted and issued, shall rank pari passu in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares in their fully-paid form.

Share certificates and refund cheques for the Rights Issue

Subject to the fulfillment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post at their own risk on or before Thursday, 16 December 2021. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before Thursday, 16 December 2021 by ordinary post to the applicants at their own risk, to their respective registered addresses.

Application for excess Rights Shares

Under the proposed Rights Issue, Qualifying Shareholders may apply, by way of excess application, for (i) any unsold entitlements of the Excluded Shareholder; and (ii) any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares.

Application for excess Rights Shares can be made by the Qualifying Shareholders only and by duly completing and signing an EAF (in accordance with the instructions printed therein) and lodging the same with a separate remittance for the excess Rights Shares being applied for with the Registrar no later than 4:00 p.m. on Wednesday, 8 December 2021.

The Directors will allocate any excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

(i) any excess Rights Shares will be allocated to Qualifying Shareholders who apply for them on a pro rata basis by reference to the number of the excess Rights Shares applied for under each application;

(ii) no reference will be made to the Rights Shares subscribed through applications by PALs or the existing number of Shares held by Qualifying Shareholders; and

(iii) no preference will be given to applications for topping up odd-lot holdings to whole lot holdings.

Shareholders with their Shares held by a nominee company (or which are deposited in CCASS) should note that the Board will regard such nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to the relevant beneficial owners individually save and except for the beneficial owner(s) which the Company may permit in its absolute discretion. Shareholders with their Shares held by a nominee company (or which are held in CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares under their own names on or prior to the Record Date for the purpose of the Rights Issue. Shareholders who would like to have their names registered on the register of members of the Company on the Record Date, must lodge all necessary documents with the Registrar for registration by no later than 4:30 p.m. on Tuesday, 16 November 2021. Shareholders and investors should consult their professional advisers if they are in doubt as to their status.

Application for listing of the Rights Shares

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares, in both their nil-paid and fully-paid forms.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement dates of the dealings in the Rights Shares in both their nil-paid and fully-paid forms or such other dates as may be determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Dealing in the Rights Shares in both their nil-paid and fully-paid forms which are registered in the register of members of the Company in Hong Kong will be in the board lots of 2,000 Rights Shares and will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the fully-paid Rights Shares and, regarding Excluded Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares on their behalf.

Conditions of the Rights Issue

The Rights Issue is conditional upon the Underwriting Agreement having become unconditional and not being terminated in accordance with the terms thereof.

THE UNDERWRITING AGREEMENT

The Underwriting Agreement

On 2 September 2021 (after trading hours), the Company entered into the Underwriting Agreement as supplemented by a supplemental underwriting agreement on 19 October 2021 with the Underwriter, pursuant to which the Underwriter has conditionally agreed to fully underwrite all Underwritten Shares, subject to the terms and conditions of the Underwriting Agreement.

Date	:	2 September 2021 (after trading hours) (as supplemented on 19 October 2021)
Underwriter	:	Kingston Securities Limited
Number of Rights Shares	:	806,643,785 Rights Shares
Underwriting commitment of the Underwriter	:	All the Rights Shares which are fully underwritten by the Underwriter pursuant to the terms and conditions set out in the Underwriting Agreement, being 806,643,785 Rights Shares
Underwriting Commission	:	2% of the aggregate Subscription Price in respect of the maximum number of Underwritten Shares

The Underwriter is a company incorporated in Hong Kong with limited liability and a corporation licensed to carry on Type 1 (dealing in securities) regulated activities under the SFO whose ordinary course of business includes underwriting of securities. To the best of the Directors' knowledge, information and belief, the Underwriter and its ultimate beneficial owner(s) are Independent Third Parties.

The terms of the Underwriting Agreement, including the Subscription Price and the underwriting commission rate, were determined after arm's length negotiation between the Company and the Underwriter with reference to the existing financial position of the Group, the size of the Rights Issues, and the current and expected market condition. The Subscription Price was determined after arm's length negotiation between the Company and the Underwriter with reference to, among others, the financial position of the Group and the current market condition as mentioned above. In particular, the underwriting commission rate under the Underwriting Agreement was determined after making reference to, and is within the range of, those underwritten rights issue exercises in the past 12 months from the date of the Underwriting Agreement, which were shortlisted as to those conducted by loss making companies listed on the Main Board of the Stock Exchange, having increase outstanding shares by more than 50%

but less than 300% and are fully-underwritten by independent underwriters (the "**Comparables**"). Given that (i) the Company was in loss making position for the years ended 31 March 2020 and 2021; (ii) the Rights Issue is subject to Shareholder's approval which the time required for conducting the Rights Issue would normally be longer than the other rights issue that are not subject to shareholder's approval; (iii) the Company is listed on the Main Board of the Stock Exchange; and (iv) the Rights Issue is fully-underwritten by the Underwriter which is an Independent Third Party, the Company considers the selection criteria is fair and reasonable. It is noted that the underwriting commission charged by the underwriters of the Comparables ranged from 1.5% to 2.5%. Accordingly, the Company considers that the underwriting commission of 2.0% is in line with the market practice.

Therefore, the Directors consider the entering into of the Underwriting Agreement with the Underwriter and the terms of the Underwriting Agreement (including the underwriting commission) to be fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Conditions of the Underwriting Agreement

The Underwriting Agreement is conditional upon the following conditions being fulfilled or waived (as appropriate):

(a) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the approval for the listing of, and permission to deal in, the Rights Shares (in their nil-paid and fully-paid forms) prior to the Latest Time for Termination;

(b) the filing and registration of all the Prospectus Documents (together with any other documents required by applicable law or regulation to be annexed thereto) with the Registrar of Companies in Hong Kong by no later than the Prospectus Posting Date;

(c) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus for information only to the Excluded Shareholders, if any, by no later than the Prospectus Posting Date;

(d) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms thereof on or before the Latest Time for Termination;

(e) there being no breach of the undertakings and obligations of the Company under the terms of the Underwriting Agreement at the Latest Time for Termination;

(f) there being no Specified Event (as defined in the Underwriting Agreement) occurring on or before the Latest Time for Termination; and

(g) the passing of the necessary resolutions at the SGM to approve the Underwriting Agreement, the Rights Issue and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Rights Shares) by the Independent Shareholders.

Save for the conditions (e) and (f) which can be waived by the Underwriter, none of the above conditions can be waived. If any of the conditions referred to above is not fulfilled, or waived (where applicable) by the Latest Time for Termination, the Rights Issue will not proceed.

Termination of the Underwriting Agreement

If, prior to the Latest Time for Termination, one or more of the following events or matters shall occur, arise, exist, or come into effect:

(1) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) after the signing of the Underwriting Agreement;

(2) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring after the signing of the Underwriting Agreement or continuing after the signing of the Underwriting Agreement) of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets;

(3) any material adverse change after the signing of the Underwriting Agreement in the business or in the financial or trading position of any member of the Group;

(4) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out occurring after the signing of the Underwriting Agreement;

(5) after signing of the Underwriting Agreement, there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange whether due to exceptional financial circumstances or otherwise;

(6) there is, after signing of the Underwriting Agreement, any change or any development involving a prospective change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, imposition of economic sanctions, in/on Hong Kong, the People's Republic of China or other jurisdiction relevant to any member of the Group and a change in currency conditions for the purpose of this clause includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs; or

(7) the Prospectus when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company, which event or events is or are in the absolute opinion of the Underwriter:

(a) likely to have a material adverse effect on the business or financial or trading position or prospects of the Group as a whole; or

(b) likely to have a material adverse effect on the success of the Rights Issue or the level of the Rights Shares taken up; or

(c) make it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue,

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

Upon giving of notice pursuant to the Underwriting Agreement, the obligations of the Underwriter and the Company under the Underwriting Agreement shall terminate forthwith provided that the Company shall remain liable to pay to the Underwriter such fees and expenses (other than the underwriting commission) payable by the Company pursuant to the Underwriting Agreement. If the Underwriter exercises such right, the proposed Rights Issue will not proceed.

As at the Latest Practicable Date, the Board has not received any information from any Shareholders of their intention to take up the Rights Shares to be provisionally allotted to them.

CHANGE IN BOARD LOT SIZE

The Board proposes that the board lot size of the Shares for trading on the Stock Exchange will be changed from 2,000 Shares to 20,000 Shares with effect from 9:00 a.m. on Friday, 17 December 2021. Pursuant to the "Guide on Trading Arrangements for Selected Types of Corporate Actions" issued by The Hong Kong Exchange and Clearing Limited on 28 November 2008 and updated on 1 October 2020, the expected value per board lot should be greater than HK$2,000 taking into account the minimum transaction costs for a securities trade. Based on the theoretical ex-rights price of HK$0.140 per Share (calculated based on the closing price of HK$0.180 per Share as quoted on the Stock Exchange on the Last Trading Day) and assuming that the Rights Issue having become effective and the dealings in the Shares on an ex-rights basis having commenced, if the Shares were continued to be trading in board lots of 2,000, the value of each board lot of Shares would be below HK$2,000. The Change in Board Lot Size will not result in any change in the relative rights of the Shareholders. The size of each board lot will increase upon Change in Board Lot Size which will lower the transaction cost of each new board lot. Accordingly, the Board is of the opinion that the Change in Board Lot Size is in the interests of the Company and its Shareholders as a whole.

Shareholders should take note that Shareholders' approval is not required for the Change in Board Lot Size and the Change in Board Lot Size is not conditional upon the passing of relevant resolution(s) in relation to the Rights Issue at the SGM. Therefore, the Company will proceed with the Change in Board Lot Size even if the Rights Issue is not approved by the Independent Shareholders at the SGM.

Based on the theoretical ex-rights price of HK$0.140 per Share (calculated based on the closing price of HK$0.180 per Share as quoted on the Stock Exchange on the Last Trading Day), the market value of each existing board lot is HK$280 and the estimated market value of each proposed new board lot is HK$2,800. To alleviate the difficulties in trading odd lots of the Shares arising from the change in board lot size of the Shares, the Company has appointed Kingston Securities Limited as an agent to provide matching services to the Shareholders who wish to top up or sell their holdings of odd lots of the Shares during the period from 9:00 a.m. on Friday, 17 December 2021 to 4:10 p.m. on Friday, 21 January 2022 (both dates inclusive). Further details of the odd lots matching arrangements will be disclosed in the Prospectus of the Company in relation to the Rights Issue. Holders of the Shares in odd lots should note that successful matching of the sale and purchase of odd lots of the Shares is not guaranteed. The Shareholders are recommended to consult their professional advisers if they are in doubt about the above arrangement.

All existing share certificates in board lot of 2,000 Shares will remain good evidence of the legal title to the Shares and continue to be valid for delivery, transfer, trading and settlement purposes. No new share certificates for existing Shareholders will be issued as a result of the change in the board lot size, and therefore no arrangement for free exchange of existing share certificates in board lot size of 2,000 Shares to new share certificate in board lot size of 20,000 Shares is necessary.

REASONS FOR AND BENEFITS OF THE PROPOSED RIGHTS ISSUE AND INTENDED USE OF PROCEEDS

The principal activity of the Company is investment holding. The activities of its principal subsidiaries consist of investment holding, manufacturing and trading of printed circuit boards, trading of petroleum and energy products and related business, and manufacturing and trading of printing and packaging products.

The Group has considered the pros and cons of alternative fund-raising methods, including but not limited to debt financing and equity financing such as the placing of new Shares and open offer, before resolving to the Rights Issue.

In respect of debt financing, the Company has approached three commercial banks for exploring possibility of new borrowings but understand that they are unwilling to grant the new borrowings as the Group does not have any other significant assets which is satisfactory to the banks that can serve as collaterals and there is ongoing litigation between the Group and Societe Generale, Singapore Branch. It is contemplated that even if such new borrowings would be available, the finance costs would be relatively high. Furthermore, additional borrowings will deteriorate the gearing position of the Group. As at 31 March 2021, the gearing ratio of the Group was 95%. The gearing ratio decreases to 52% after taking into account the disposal of two vessels and the repayment of Shareholder's loan in May 2021. It is estimated that the gearing position of Group would deteriorate with the gearing ratio goes up to 95% if there are additional borrowings.

In respect of equity financing, the Board considers that placing of new Shares would be less favourable as it will lead to an immediate dilution in shareholding interest of the existing Shareholders without offering them opportunities to participate in the enlargement of the capital base of the Company. The Board has also considered conducting pro rata fundraising by way of open offer, which is of similar nature as the Rights Issue. The Qualifying Shareholders who do not wish to take up their provisional entitlements under the proposed Rights Issue are able to sell the nil-paid rights in the market. However, an open offer does not allow the trading of rights entitlements. Therefore, the Board considers that the Rights Issue would be more preferrable to an open offer as it offers the Qualifying Shareholders an option to sell their entitlement rights. Accordingly, the Directors consider that fund-raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole.

The net proceeds from the Rights Issue (after deducting the estimated expenses) are estimated to be approximately HK$77.8 million. The estimated net subscription price per Rights Share after deducting the related expenses of the Rights Issue is expected to be approximately HK$0.097. The Company intends to apply the net proceeds from the proposed Rights Issue as follows:

(i) approximately 48.84% of the net proceeds, or approximately HK$38 million, for repayment of bank loan of the Group in the principal amount of HK$37,026,000 with floating interest rate at 1-month Hong Kong Interbank Offered Rate plus 3.5% per annum which will be matured on 30 October 2021 and subsequently renewed until it is settled by the proceeds from the Rights Issue;

(ii) approximately 25.45% of the net proceeds, or approximately HK$19.8 million, for general working capital of the Group, including general administrative and operating expenses; and

(iii) approximately 25.71% of the net proceeds, or approximately HK$20 million, for investments in appropriate opportunities in the energy and resources, printing, high technology and healthcare industries.

The principal business of the Company are sale and production of printed circuit board products, printing and trading of energy products. The Board believes that the prospects of the Company lie in (a) growing our printing business; (b) re-activating trading of energy products business; (c) penetrating into high technology industry; and (d) investing into the healthcare industry:

– Growing our printing business: The Company's printing business mainly involves manufacturing and trading of printing and packaging products, with particular focus on sales of high-quality printing and packaging products. In order to stay competitive and maintain good profit margin, the Company has stringent cost control measures in place and is constantly upgrading its manufacturing facilities by investing in new and advanced printing and packaging equipment.

– Re-activating trading of energy products business: The market environment for small and medium-sized oil trader has not improved. The Company is facing extreme difficulties in resuming the Company's oil trading business. Since the demand for energy commodities in China has been strong, the Company will continue to explore trading opportunities with reliable trading partners of major energy products, including but not limited to petroleum and coal. As such, the Company would need to replenish its capital base in order to re-start the business when opportunity arises.

– Penetrating into high technology industry: The key product of the Company's printed circuit boards business is printed circuit boards that are mainly used in automobiles and artificial intelligent building equipment. This business segment is supported by an experienced technical team and quality control team which have over 20 years of experience in the electronic components industry. While the Group will continue to focus on the automotive electronics markets and proposes to expand into the consumer electronics market, it intends to leverage its technical expertise into developing high technology business. As at the Latest Practicable Date, the Group has not identified any products and/or specific areas to pursue.

– Investing into the healthcare industry: In light of the increasing life expectancy of the general population, the Board considers that there will be a growing demand for elderly care services in Hong Kong and the PRC. Combined with the favourable government policies and initiatives (such as provision of subsidies and launch of schemes in support of care services for the elderly), the Directors believe that healthcare industry will be one of the important economy drivers in both Hong Kong and the PRC in the coming decade.

  In addition, the Board anticipates that the COVID-19 pandemic will reshape the healthcare system and speed up the healthcare reform with Internet healthcare playing an increasingly important role in the future. As such, the Directors believe that there would be good investment opportunities in this sector going forward.

The Company has invested in the healthcare industry by acquiring 198,600,000 shares of Pine Care Group Limited (松齡護老集團有限公司) on 24 September 2020, a healthcare company whose shares are listed on the Main Board of the Stock Exchange (stock code: 1989), at a total consideration of HK$29,909,520. For further details of the said acquisition, please refer to the announcement of the Company dated 24 September 2020. The Company is also exploring appropriate opportunities in the healthcare, energy and resources, printing and high technology industries. As at the Latest Practicable Date, the Group has not identified any acquisition target.

It is estimated that, save for unforeseeable circumstances and investment opportunities, the proceeds from the Rights Issue can satisfy the Company's expected funding needs and loans/liabilities for the next 12 months. As such, as at the Latest Practicable Date, the Company does not have any fund-raising plan for the next 12 months.

The Board considers that the Rights Issue will increase the capital base of the Company and give the Qualifying Shareholders equal opportunity to maintain their respective pro-rata shareholding interests in the Company. Hence, the Board considers that fund raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole. **However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Excluded Shareholders should note that their shareholdings will be diluted.**

CHANGE IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE RIGHTS ISSUE

For illustration purposes only, set out below is the shareholding structure of the Company as at the Latest Practicable Date, and the effect on the shareholding structure of the Company upon completion of the Rights Issue in the manner contemplated under the Underwriting Agreement, is as follow:

Shareholders	(i) As at the Latest Practicable Date		(ii) Immediately upon completion of the Rights Issue assuming full acceptance by all Qualifying Shareholders under the Rights Issue		(ii) Immediately upon completion of the Rights Issue assuming no acceptance by all Qualifying Shareholders under the Rights Issue	
	No. of Shares	*Approximate % of total no. of Shares in issue*	*No. of Shares*	*Approximate % of total no. of Shares in issue*	*No. of Shares*	*Approximate % of total no. of Shares in issue*
Cheung Ling Mun	120,068,000	14.88	240,136,000	14.88	120,068,000	7.44
Apact Consultancy (Hong Kong) Company Limited	51,000,000	6.32	102,000,000	6.32	51,000,000	3.16
Lee Man Kwong *(Note 2)*	10,000	0.001	20,000	0.001	10,000	0.001
Underwriter *(Note 3)*	–	–	–	–	457,643,785	28.37
VMS Securities Limited *(Note 3)*	–	–	–	–	140,000,000	8.68
Get Nice Securities Limited *(Note 3)*	–	–	–	–	209,000,000	12.95
Public shareholders	635,565,785	78.80	1,271,131,570	78.80	635,565,785	39.40
Total	806,643,785	100	1,613,287,570	100	1,613,287,570	100

Notes:

1. Certain percentage figures included in the above table have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

2. The 10,000 Shares are held by Lee Man Kwong, an executive Director.

3. These scenarios are for illustrative purpose only. Under the Underwriting Agreement, the Underwriter has undertaken that it shall use its reasonable endeavours to ensure that (i) sub-underwriter(s), if any, are Independent Third Party(ies); (ii) the public float requirements under the Listing Rules be fulfilled by the Company upon completion of the Rights Issue; (iii) it shall not, together with party(ies) acting in concert with it, hold 30% or more of the voting rights of the Company upon completion of the Rights Issue; (iv) sub-underwriters and placees procured by them, together with parties acting in concert with each of them, will not hold 20% or more of the voting rights of the Company upon completion of the Rights Issue; and (v) it and parties acting in concert (within the meaning of the Takeovers Code) with it will not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of it in respect of performing its obligation hereunder.

   On 13 September 2021, the Underwriter entered into sub-underwriting agreements (the "**Sub-underwriting Agreements**"), which is subject to the terms and conditions of the Underwriting Agreement, with two sub-underwriters (the "**Sub-underwriters**"), namely VMS Securities Limited and Get Nice Securities Limited, for sub-underwriting 140,000,000 and 209,000,000 Rights Shares at the Subscription Price, respectively. As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, each of the Sub-underwriters is not a shareholder of the Company and they are independent of each other.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

Save for the fund raising activity set out below, the Company has not conducted any other equity fund raising activities in the twelve (12) months immediately preceding from the date of the Announcement.

Date of initial announcement	Event	Net proceeds (approximate)	Intended use of proceeds as announced	Actual use of proceeds
19 February 2021	Placing of new shares under general mandate	HK$12.7 million	The general working capital of the Group, including the repayment of debts of the Group when they fall due.	All net proceeds have been used for the intended purpose
18 August 2020	Placing of new shares under general mandate	HK$17.6 million	The general working capital of the Group, including the repayment of debts of the Group when they fall due.	All net proceeds have been used for the intended purpose

LISTING RULES IMPLICATIONS

As the Rights Issue will increase the issued share capital of the Company by more than 50%, under Rule 7.19A and 7.27A of the Listing Rules, the Rights Issue is subject to approval of the Independent Shareholders at the SGM by a resolution on which any controlling Shareholders and their respective associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue. Since there is no controlling Shareholder as at the Latest Practicable Date, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue in accordance with Rule 7.27A of the Listing Rules.

As at the Latest Practicable Date, save for 10,000 Shares held by Lee Man Kwong (representing approximately 0.001% of the issued share capital of the Company), an executive Director, no other Directors and/or and the chief executive of the Company, and their respective associates held any Shares.

GENERAL

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to provide recommendation to the Independent Shareholders in connection with the Rights Issue. An independent financial adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue.

The SGM will be convened and held to consider, and, if thought fit, to approve, among other matters, the Rights Issue, the Underwriting Agreement and the transactions contemplated respectively thereunder.

Subject to the fulfillment of certain conditions of the Rights Issue, the Company will despatch the Prospectus Documents containing, among other matters, details of the proposed Rights Issue, to the Qualifying Shareholders. The Company will despatch the Prospectus to the Excluded Shareholders for their information only, but the Company will not send the PAL and EAF to the Excluded Shareholders.

In light of the continuing risks posed by the novel coronavirus, the Company strongly advises Shareholders NOT to attend the SGM in person, and recommends Shareholders to appoint the chairman of the SGM as his/her/its proxy to vote according to his/her/its indicated voting instructions as an alternative to attending the SGM in person.

WARNING OF THE RISKS OF DEALINGS IN THE SHARES AND THE NIL-PAID RIGHTS

Shareholders and potential investors of the Company should note that the proposed Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the paragraph headed "Termination of the Underwriting Agreement" under the section headed "The Underwriting Agreement" above). Accordingly, the proposed Rights Issue may or may not proceed.

The Shares are expected to be dealt in on an ex-rights basis from Monday, 15 November 2021. Dealings in the Rights Shares in nil-paid form are expected to take place from Friday, 26 November 2021 to Friday, 3 December 2021 (both days inclusive). Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares.

Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s). Any Shareholder or other person dealing in the Shares or in the nil-paid Rights Shares up to the date on which all the conditions to which the proposed Rights Issue is subject are fulfilled (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the proposed Rights Issue may not become unconditional or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

RECOMMENDATION

The Directors consider that the terms of the Rights Issue are fair and reasonable and are in the interests of the Company and the Shareholders as a whole, therefore, the Directors recommend the Independent Shareholders to vote in favour of the proposed resolution approving the Rights Issue at the SGM.

ADDITIONAL INFORMATION

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

Yours faithfully
For and on behalf of the Board
Lee Man Kwong
Chairman

DAISHO MICROLINE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0567)

25 October 2021

To the Qualifying Shareholders and, for information only, the Excluded Shareholders (if any)

Dear Sir or Madam,

**(1) PROPOSED RIGHTS ISSUE
ON THE BASIS OF ONE RIGHTS SHARE
FOR EVERY ONE EXISTING SHARE HELD ON RECORD DATE; AND
(2) CHANGE IN BOARD LOT SIZE**

We have been appointed to form an independent board committee to consider and advise you on the terms of the Rights Issue and the voting recommendation on the relevant resolution, details of which are set out in the circular issued by the Company to the Shareholders dated 25 October 2021 (the "**Circular**"), of which this letter forms part. Terms defined in the Circular will have the same meanings when used herein unless the context otherwise requires.

We wish to draw your attention to the letter from the Board and the letter of advice from the Independent Financial Adviser set out on page 25 and pages 26 to 52 of the Circular, respectively, and the additional information set out in the appendices to the Circular.

Having taken into account the background of and reasons for the Rights Issue and having taken into consideration of the advice of the Independent Financial Adviser, in relation thereto as set out on pages 26 to 52 of the Circular, we concur with the view of the Independent Financial Adviser and consider that the terms of the Rights Issue (including the Subscription Price and the subscription ratio) are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution.

Yours faithfully,
For and on behalf of the Independent Board Committee of
Daisho Microline Holdings Limited

Leung King Fai **Chan Yau Ching, Bob** **Leung Hoi Ming**
Independent non-executive Directors

The following is the text of a letter of advice from INCU Corporate Finance Limited, which has been prepared for the purpose of incorporation into this circular, setting out its opinion to the Independent Board Committee and the Independent Shareholders in connection with the Rights Issue.

INCU Corporate Finance Limited
Unit D, 6/F,
Bank of China Building,
2A Des Voeux Road Central,
Central, Hong Kong

25 October 2021

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

Dear Sirs or Madams,

**PROPOSED RIGHTS ISSUE
ON THE BASIS OF ONE RIGHTS SHARE
FOR EVERY ONE EXISTING SHARE HELD ON RECORD DATE**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue. Details of the Rights Issue are set out in the "Letter from the Board" (the "**Letter from the Board**") contained in the circular of the Company dated 25 October 2021, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in this circular unless the context requires otherwise.

Reference is made to the Announcement dated 2 September 2021. The Company proposes to implement the Rights Issue on the basis of one (1) Rights Share for every one (1) existing Share held on the Record Date at the Subscription Price of HK$0.1 per Rights Share, to raise gross proceeds of approximately HK$81 million by issuing 806,643,785 Rights Shares to the Qualifying Shareholders.

As the Rights Issue will increase the issued share capital of the Company by more than 50%, under Rule 7.19A and 7.27A of the Listing Rules, the Rights Issue is subject to approval of the Independent Shareholders at the SGM by a resolution on which any controlling Shareholders and their respective associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue. Since there is no controlling Shareholder as at the Latest Practicable Date, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue in accordance with Rule 7.27A of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE

An Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Leung King Fai, Dr. Chan Yau Ching, Bob and Dr. Leung Hoi Ming, has been formed to advise the Independent Shareholders as to whether the Rights Issue is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, taking into account our recommendations.

As the Independent Financial Adviser, our role is to give independent opinions to the Independent Board Committee and the Independent Shareholders as to whether the Rights Issue is on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

During the last two years, we have been appointed as the independent financial adviser to the Company regarding a major and connected transaction in relation to the acquisition of sale shares in the target company, of which the circular was dated 21 July 2020 (the "**Prior Appointment**"). The professional fees in connection with the Prior Appointment has been fully settled and we are not aware of or change in any circumstance that would affect our independence. As at the Latest Practicable Date, we were not aware of any relationships or interests between us and the Company or any other parties that could reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue. We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties to the Rights Issue, and accordingly, are eligible to give independent advice and recommendations on the Rights Issue. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties to the Rights Issue.

BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have relied on the statements, information, opinions and representations relating to the operations, financial condition and prospects of the Group contained or referred to in this circular and/or provided to us by the Company and the management of the Group. We have assumed that such information and any representation made to us were true, accurate and complete in all material respects as at the Latest Practicable Date and considered that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed by them in this circular have been arrived at after due and careful consideration and there are no other material facts not contained in this circular, the omission of which would make any such statement made by them that contained in this circular misleading in all material respects. We have no reason to doubt the truth or accuracy of the information provided to us, or to believe that any material information has been omitted or withheld.

Our review and analyses were based upon, among others, the information provided by the Group including this circular, the Underwriting Agreement and certain published information from the public domain, including but not limited to, the annual report of the Company for the year ended 31 March 2020 (the "**2019/20 Annual Report**"), and the annual report of the Company for the year ended 31 March 2021 (the "**2020/21 Annual Report**"). We have also discussed with the Directors and the management of the Group with respect to the reasons for the Rights Issue, the terms of the Underwriting Agreement, the businesses and outlook of the Group. We have not, however, for the purpose of this exercise, conducted any in-depth independent investigation into the businesses or affairs and future prospects of the Group nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinions and recommendations in respect of the Rights Issue, we have taken into consideration of the following principal factors and reasons:

1. Background and financial information of the Group

Background of the Group

The principal activity of the Company is investment holding. The activities of its principal subsidiaries consist of investment holding, manufacturing and trading of printed circuit boards (the "**Printed Circuit Boards Business**"), trading of petroleum and energy products and related business (the "**Petroleum and Energy Business**"), and manufacturing and trading of printing and packaging products (the "**Printing Business**").

Historical financial information of the Group

Set out below is the financial information of the Group for each of the three financial years ended 31 March 2019, 2020 and 2021 ("**FY2019**", "**FY2020**" and "**FY2021**" respectively) as extracted from 2019/20 Annual Report and 2020/21 Annual Report:

Consolidated financial performance of the Company

	FY2019	FY2020	FY2021
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Audited)
	(Note 1)	*(Restated)*	
Continuing operation			
Revenue			
Printed Circuit Boards Business	136,060	37,009	31,817
Petroleum and Energy Business	1,369,848	1,148,398	–
Vessel Chartering Business *(Note 2)*	10,915	–	–
Printing Business	–	–	36,069
Sub-total of revenue	1,516,823	1,185,407	67,886
Profit/(loss) from continuing operation	100,466	(90,307)	(37,496)
Discontinued operation			
Revenue	–	20,403	21,219
Profit/(loss) from discontinued operation	–	3,059	(29,480)
Profit/(loss) attributable to equity holders of the Company from			
Continuing operation	–	(90,307)	(37,496)
Discontinued operation	–	3,059	(29,480)
	–	(87,248)	(66,976)

Note 1: Key financial figures for FY2019 are shown in the table above for comparative purpose.

*Note 2: During FY2021, the Group entered into conditional memorandum of agreements with two respective buyers to dispose of two vessels (the "**Disposals**"). The vessel chartering business will be ceased to carry on upon the completion of the Disposals. The Disposals were completed on 24 May 2021. Performance arising from the vessel chartering business for FY2019 was classified as the continuing operation while that for FY2020 was restated as discontinued operation in the 2020/21 Annual Report which conform with the presentation of the consolidated financial statements.*

FY2021 vs FY2020

As set out in the table above, the revenue arising from continuing operation of the Group in FY2021 decreased by approximately HK$1,117.52 million or 94.27% to approximately HK$67.89 million, as compared with approximately HK$1,185.41 million in FY2020. Such decrease in revenue was mainly attributable to the combined effects of (i) no revenue was generated from Petroleum and Energy Business in FY2021 as a result of temporarily suspension of trading of petroleum products business due to injunction order obtained by Societe Generale, Singapore Branch; (ii) the decrease in revenue generated from Printed Circuit Boards Business from approximately HK$37.01 million to in FY2020 to approximately HK$31.82

million in FY2021 due to global economic slowdown caused by the protracted trade dispute between the U.S. and China and the coronavirus pandemic; and (iii) revenue generated from Printing Business which was newly acquired in FY2021 of approximately 36.1 million.

The Group recorded a consolidated net loss arising from continuing operation of the Group of approximately HK$37.50 million and HK$90.31 million in FY2021 and FY2020 respectively. Such decrease of approximately HK$52.81 million or 58.48% was mainly attributable to the combined effects of (i) segment loss recorded from Printed Circuit Boards Business and Petroleum and Energy Business of approximately HK$12.5 million and HK$0.9 million respectively; (ii) profit contributed by the newly acquired Printing Business in FY2021 of approximately HK$4.9 million; (iii) one off impairment loss on deposits paid for acquisition property, plant and equipment provided in FY2020 of approximately HK$14.57 million; (iv) decrease in impairment loss on trade receivables of approximately HK$19.65 million; and (v) decrease in finance cost of approximately HK$10.2 million.

FY2020 vs FY2019

As set out in the table above, the revenue of the Group in FY2020 decreased by approximately HK$311.01 million or 20.5% to approximately HK$1,205.81 million, as compared with approximately HK$1,516.82 million in FY2019. Such decrease in revenue was mainly attributable to the combined effects of (i) the significant drop in revenue generated from the Printed Circuit Boards Business from approximately HK$136.06 million in FY2019 to approximately HK$37.01 million in FY2020; (ii) the decrease in revenue generated from the Petroleum and Energy Business from approximately HK$1,369.85 million in FY2019 to approximately HK$1,148,40 million in FY2020; and (iii) the increase in revenue generated from the vessel chartering business (i.e. classified as discontinued operation in 2020/21 Annual Report) from approximately HK$10.92 million in FY2019 to approximately HK$20.40 million in FY2020, due to the lease of an extra vessel.

The Group recorded a consolidated net loss of approximately HK$87.25 million in FY2020 and a consolidated net profit of approximately HK$100.47 million in FY2019. As disclosed in the 2019/20 Annual Report, such change from net profit to net loss was mainly due to (i) the absence of gain on disposal of a subsidiary of approximately HK$170.29 million; (ii) the impairment loss on trade receivables, property, plant and equipment and deposits paid for acquisition of vessels of approximately HK$39.46 million in total recorded in FY2020; and (iii) the decrease in the fair value gain on derivative financial instruments from approximately HK$25.74 million in FY2019 to approximately HK$1.54 million in FY2020.

Consolidated financial position of the Company

	As at 31 March 2020 HK$'000 (Audited)	As at 31 March 2021 HK$'000 (Audited)
Non-current assets	125,672	78,851
Current assets	131,944	151,311
Total assets	257,616	230,162
Current liabilities	122,532	125,988
Non-current liabilities	1,998	9,052
Total liabilities	124,530	135,040
Net assets	133,086	95,122
Gearing ratio	61.51%	94.79%

Non-current assets of the Group as at 31 March 2020 and as at 31 March 2021 mainly comprised, among other things, (i) property, plant and equipment, (ii) intangible assets, and (iii) other long-term investments, and (iv) refundable deposits paid for acquisition of subsidiaries. Balance of total non-current assets decreased from approximately HK$125.67 million as at 31 March 2020 to approximately HK$78.85 million as at 31 March 2021, representing a decrease of approximately HK$46.82 million or 37.26%. Such decrease was mainly attributable to the combined effects of (a) property, plant and equipment arising from vessel chartering business of approximately HK$50.74 million classified as assets held for sale in current asset; (b) intangible assets arising from the Printing Business acquired in FY2021; and (c) investment in Pine Care Group Limited (stock code: 1989), newly acquired in FY2021 as disclosed in the announcement of the Company dated 24 September 2020.

Current assets of the Group as at 31 March 2020 and 31 March 2021 mainly comprised, among other things, (i) inventories, (ii) trade and bill receivables, (iii) other receivables, deposits and prepayments, (iv) cash and cash equivalents and (v) assets classified as held for sale. Balance of total current assets increased from approximately HK$131.94 million as at 31 March 2020 to approximately HK$151.31 million as at 31 March 2021, representing an increase of approximately HK$19.37 million or 14.68%. Such increase was mainly attributable to the combined effects of (a) property, plant and equipment arising from vessel chartering business of approximately HK$50.74 million classified as assets held for sale in current asset; (b) increase in inventories from the Printing Business of approximately HK$11.76 million; (c) decrease in trade receivables of approximately HK$62.37 million; (d) guaranteed profit compensation receivable arising from the Printing Business in FY2021 of approximately HK$4.3 million; and (e) security deposit paid of approximately HK$6.8 million in FY2021 in respect of an injunction order arising from the Petroleum and Energy Business.

Current liabilities of the Group as at 31 March 2020 and 31 March 2021 mainly comprised, among other things, (i) trade payables, (ii) other payables and accruals (iii) interest-bearing borrowings. Balance of total current liabilities increased from approximately HK$122.53 million as at 31 March 2020 to approximately HK$125.99 million as at 31 March 2021, representing a slight increase of approximately HK$3.46 million or 2.82%. Such increase was mainly attributable to the combined effects of (a) an increase in trade payables by approximately HK$11.88 million; (b) new interest-bearing borrowings raised from bank and shareholder; (c) a drop of other payables and accruals due to repayment of payables for additions to property, plant and equipment and amount due to a related company; and (d) the absence of convertible bonds which were redeemed in FY2021.

Non-current liabilities of the Group increased from HK$2.00 million as at 31 March 2020 to approximately HK$9.05 million as at 31 March 2021. Such increase was mainly attributable to new interest-bearing borrowings raised from bank and shareholder.

The gearing ratio of the Group, which was measured by debt (i.e. interest-bearing borrowings and lease liabilities) over the total equity, increased from approximately 61.51% as at 31 March 2020 to approximately 94.79% as at 31 March 2021. Taking into account the Disposals and the shareholder's loan of HK$40 million was settled in May 2021, the gearing ratio of the Group is approximately 51.80%.

Based on the total number of issued Shares of 806,643,785 as at 31 March 2021, the net asset value per Share as at 31 March 2021 amounted to approximately HK$0.1179.

Analysis

According to the 2019/20 Annual Report and 2020/21 Annual Report, the Printed Circuit Boards Business was adversely impacted by the global economic slowdown caused by the protracted trade dispute between the U.S. and China and the coronavirus pandemic. As mentioned in the historical financial performance of the Group above, the revenue generated by the Printed Circuit Boards Business recorded a significant drop from approximately HK$136.06 million in FY2019 to approximately HK$37.01 million in FY2020. The downward trend persisted in FY2021 which further dropped to approximately HK$31.82 million.

Other than the Printed Circuit Boards Business, we note that the Petroleum and Energy Business is facing challenges. As disclosed in the 2020/21 Annual Report, such business was temporarily suspended due to the injunction order taken out by Societe Generale, Singapore Branch in August 2019. No revenue was recorded during FY2021 as the two subsidiaries of the Company would not be able to obtain bank financing and/or to place purchase orders to suppliers or take new orders from customers due to the injunction order. The injunction order was lifted against these two subsidiaries after deposits were placed with the Court on 14 December 2020 and 18 May 2021 respectively. Details of litigation are set out in the paragraph headed "6. Litigation-(b) Litigation with Societe Generale" in Appendix III to this circular. As disclosed in the Letter from the Board, the market environment for small and medium-sized oil trader has not improved. The Company is facing extreme difficulties in resuming the Company's oil trading business. Since the demand for energy commodities in China has been strong, the Company will continue to explore trading opportunities with reliable trading partners of major energy products, including but not limited to petroleum and coal. As such, the Company would need to replenish its capital base in order to re-start the business when opportunity arises.

Moreover, we note that the Group had disposed of the vessel chartering business. As disclosed in the 2020/21 Annual Report, the demand for transportation fuel depressed due to the outbreaks of the coronavirus pandemic. It also has a negative impact on demand of vessels for refilling business. As such, in order to limit the downside risk on the asset value of vessel chartering business, the Group had ceased the operation of the vessel chartering business and disposed of two vessels to two respective buyers on 24 May 2021.

As disclosed above, the Group recorded revenue of approximately HK$67.89 million in FY2021 from the Printing Circuit Boards Business and Printing Business only and recorded net loss in FY2020 and FY2021. Having considered the above factors, we note that the Group is currently facing difficulties (i) from the business environment in performing the Printed Circuit Boards Business and (ii) from the litigation issue with the bank which brought uncertainty to the Petroleum and Energy Business, despite the Printing Business acquired in FY2021 enhanced the financial performance of the Group, and we concur with the Board's view that Rights Issue represents an opportunity to raise additional funding to strengthen the Group's financial position and investment in appropriate opportunities as mentioned below.

2. Reason for and benefits of the Rights Issue and use of proceeds

As disclosed in the Letter from the Board, the net proceeds from the Rights Issue (after deducting the estimated expenses) are estimated to be approximately HK$77.8 million. The estimated net subscription price per Rights Share after deducting the related expenses of the Rights Issue is expected to be approximately HK$0.097. The Company intends to apply the net proceeds from the proposed Rights Issue as follows:

(i) approximately 48.84% of the net proceeds, or approximately HK$38 million, for repayment of bank loan of the Group in the principal amount of HK$37,026,000 with floating interest rate at 1-month Hong Kong Interbank Offered Rate plus 3.5% per annum which will be matured on 30 October 2021 and subsequently renewed until it is settled by the proceeds from the Rights Issue;

(ii) approximately 25.45% of the net proceeds, or approximately HK$19.8 million, for general working capital of the Group, including general administrative and operating expenses; and

(iii) approximately 25.71% of the net proceeds, or approximately HK$20 million, for investments in appropriate opportunities in the energy and resources, printing, high technology and healthcare industries.

The Board considers that the Rights Issue will increase the capital base of the Company and give the Qualifying Shareholders equal opportunity to maintain their respective pro-rata shareholding interests in the Company. Hence, the Board considers that fund raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole. However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Excluded Shareholders should note that their shareholdings will be diluted.

As discussed in section headed "1. Background and financial information of the Group" above, the revenue of the Group decreased by approximately 94.27% in FY2021 and the principal businesses of the Group is expected to remain challenging in the coming years. The Company would explore other business opportunities and expand the business portfolio of the Group when opportunity arises. As mentioned above, the Company has invested into the healthcare industry and keeps exploring appropriate opportunities. Further details of the expansion plan of each segment of the Company, please refer to the section headed "Reasons for and benefits of the proposed rights issue and intended use of proceeds" as disclosed in the Letter from the Board. Therefore, we concur with the Board that the Rights Issue will increase the capital base of the Group and provide resources for the Group to invest in appropriate business opportunities once identified.

As disclosed in the 2020/21 Annual Report, (i) the cash and cash equivalents of the Group as at 31 March 2021 was approximately HK$30.33 million in comparison to the trade and other payables and accruals of approximately HK$41.96 million under current liabilities; and (ii) the gearing ratio of the Group as at 31 March 2021 was approximately 94.79%. We note that subsequent to FY2021, the Group had completed the Disposals with net proceeds of approximately HK$50.51 million in cash and settled the shareholder's loan of approximately HK$40.00 million by such proceeds. As such, taking into account the Disposals subsequent to FY2021, the total assets, cash and cash equivalents and interest-bearing borrowings are adjusted to approximately HK$189.93 million, HK$40.84 million and HK$50.17 million respectively and the respective adjusted gearing ratio is approximately 51.80%. We consider that the Company's financial position consist of a low cash position (i.e. approximately 21.50% of the adjusted total assets) to settle its debts and daily operating expenses. Assuming (i) the completion of the Rights Issue had taken place as at 31 March 2021 (assuming no new Shares having been allotted and issued from the exercise of the outstanding Share Options on or before the Record Date) and (ii) the bank borrowings of approximately HK$38 million have been repaid using the proceeds from the Rights Issue, the gearing ratio is expected to be reduced to approximately 6.96%. Assuming the allocated net proceeds from the Rights Issues of approximately HK$20 million to the general working capital had taken place as at 31 March 2021 (assuming no outstanding Share Options have been exercised on or before the Record Date), the cash and cash equivalents of the Company will increase approximately 48.97% to approximately HK$60.84 million, which provide additional funds for the Company's general administrative and operating expenses. The Rights Issue will provide additional capital to improve the cash and liquidity position and the gearing ratio of the Group. In light of the above, we consider it is acceptable that the Group intends to apply part of the net proceeds from the Rights Issue to replenish the general working capital of the Group.

Alternative sources of financing

As disclosed in the Letter from the Board, the Company had conducted the placing of new Shares under general mandate in August 2020 to raise net proceeds of approximately HK$17.60 million for repayment of convertible bonds of approximately HK$17.60 million and working capital use. However, such proceeds are not able to fulfil the repayment of the outstanding balance of convertible bonds amounted to approximately HK$78.36 million as at 31 March 2020 which due on 21 September 2020. As such, the Group has obtained a shareholder's loan and other borrowing in FY2021 in order to redeem such convertible bonds and for working capital use. Other than the placing of new Shares in August 2020, the Company had conducted another placing of new Shares under general mandate in February 2021 to raise net proceeds of approximately HK$12.7 million for working capital use.

The Group has considered the pros and cons of alternative fund-raising methods, including but not limited to debt financing and equity financing such as the placing of new Shares and open offer, before resolving to the Rights Issue.

In respect of debt financing, the Company has approached three commercial banks for exploring possibility of new borrowings but understand that they are unwilling to grant the new borrowings as the Group does not have any other significant assets which is satisfactory to the banks that can serve as collaterals and there is ongoing litigation between the Group and Societe Generale, Singapore Branch. It is contemplated that even if such new borrowings would be available, the finance costs would be relatively high. Furthermore, additional borrowings will further deteriorate the gearing position of the Group. As at 31 March 2021, the gearing ratio of the Group was 95%. The gearing ratio decreases to approximately 52% after taking into account the disposal of two vessels and the repayment of Shareholder's loan in May 2021. It is estimated that the gearing position of the Group would deteriorate with the gearing ratio goes up to approximately 95% if there are additional borrowings. As advised by the Directors, the Company has approached three banks in the past six months but no offer is received; given the Group's loss-making position, high gearing, on-going litigation and lack of significant assets as collateral, the Company needs to take longer time to identify the other financial institutions who is willing to grant a new loan at favourable terms, and, the interest rate offered will be generally higher if loan financing is taken up from the other financial institutions.

In respect of equity financing, the Board considers that placing of new Shares would be less favourable as it will lead to an immediate dilution in shareholding interest of the existing Shareholders without offering them opportunities to participate in the enlargement of the capital base of the Company. The Board has also considered conducting pro rata fundraising by way of open offer, which is of similar nature as the Rights Issue. The Qualifying Shareholders who do not wish to take up their provisional entitlements under the proposed Rights Issue are able to sell the nil-paid rights in the market. However, an open offer does not allow the trading of rights entitlements. Therefore, the Board considers that the Rights Issue would be more preferrable to an open offer as it offers the Qualifying Shareholders an option to sell their entitlement rights. Accordingly, the Directors consider that fund-raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole.

In light of the above, in particular that (i) the net proceeds from the Rights Issue will be applied for (a) the repayment of banking borrowings; (b) general working capital of the Group; and (c) investments in appropriate opportunities; and (ii) the Rights Issue is an equitable means to raise funding for the Group by allowing pro-rata participation of the Qualifying Shareholders after considering other financing alternatives by the Directors, especially (a) debt financing may be subject to lengthy due diligence and negotiations and incur higher interest burden to the Group or tightened collateral requirements and adversely affect the gearing of the Group as discussed above; (b) the placing will dilute the interests of existing Shareholders without offering them the opportunity to take part in the exercise; (c) the open offer does not offer flexibility to the existing Shareholders in dealing with the nil-paid rights attaching to the Rights Shares while the Rights Issue offers flexibility to the Qualifying Shareholders to dispose of their entitled nil-paid rights in the open market if they do not wish to take up the entitlements. We consider that the Rights Issue represents an opportunity to raise additional funding to strengthen the Group's financial position by relieving the financial burden from existing borrowings in the current market sentiment and provide working capital to the Group to meet its general administrative and operating expenses and it is in the interests of the Company and the Shareholders as a whole to proceed with the Rights Issue.

3. Principal terms of the Rights Issue

Terms of the Rights Issue

Set out below is summary of the principal terms of the Rights Issue, further details of which are set out in the Letter from the Board:

Issue statistics

Basis of the Rights Issue	:	one (1) Rights Share for every one (1) existing Share held on the Record Date
Subscription Price	:	HK$0.1 per Rights Share
Number of Shares in issue at the Latest Practicable Date	:	806,643,785 Shares
Number of Rights Shares:	:	806,643,785 Rights Shares (assuming no change in the share capital of the Company on or before the Record Date)
Aggregate nominal value of the Rights Shares	:	HK$80,664,378.50 (assuming no change in the share capital of the Company on or before the Record Date)
Number of Shares as enlarged by the allotment and issue of the Rights Shares	:	1,613,287,570 Shares (assuming no change in the share capital of the Company on or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued)
Number of Rights Shares underwritten by the Underwriter	:	all the Rights Shares which are fully underwritten by the Underwriter pursuant to the terms and conditions set out in the Underwriting Agreement, being 806,643,785 Rights Shares

As at the Latest Practicable Date, the Group had no outstanding derivatives, options, warrants, convertible or exchangeable securities carrying rights to subscribe for, convert or exchange into Shares.

Assuming no Shares are issued or repurchased on or before the Record Date, 806,643,785 Rights Shares to be issued pursuant to the terms of the proposed Rights Issue represents (i) 100% of the total number of issued Shares as at the Latest Practicable Date; and (ii) 50% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares.

Analysis on the Subscription Price

The Subscription Price is HK$0.1 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

(i) a discount of approximately 36.3% to the closing price of HK$0.157 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a discount of approximately 44.44% to the closing price of HK$0.180 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a discount of 37.5% to the average of the closing prices of HK$0.160 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day;

(iv) a discount of approximately 28.57% to the theoretical ex-rights price of HK$0.140 per Share as adjusted for the effect of the Rights Issue, based on the closing price of HK$0.180 per Share as quoted on the Stock Exchange on the Last Trading Day;

(v) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 22.22%, represented by the theoretical diluted price of approximately HK$0.140 per Share to the benchmarked price of HK$0.180 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) previous consecutive trading days prior to the date of the announcement); and

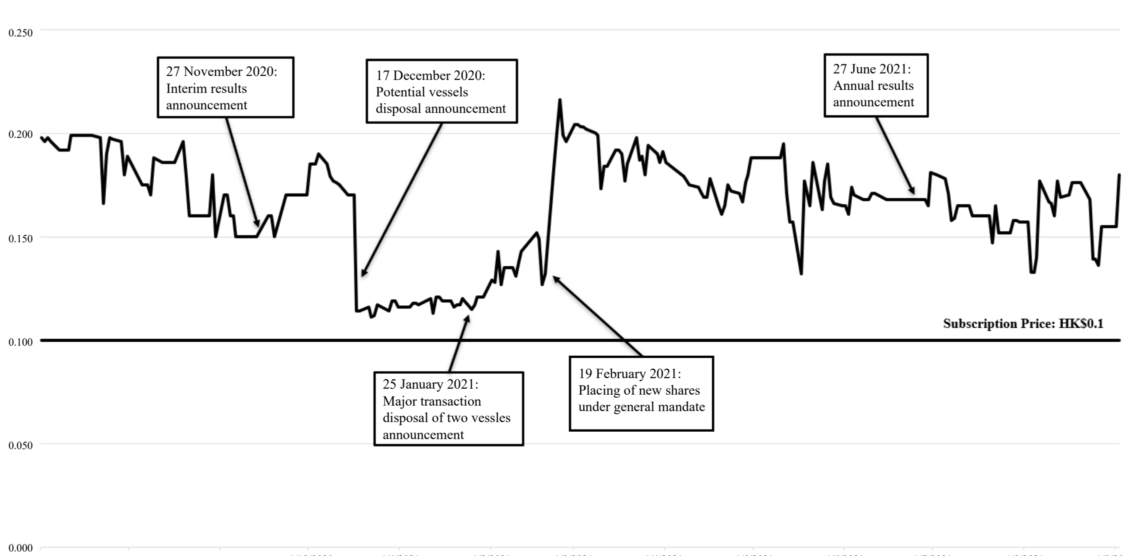
(vi) a discount of approximately 15.18% to the net asset value per Share attributable to the Shareholders of approximately HK$0.118 per Share calculated based on the audited consolidated net assets of the Group of approximately HK$95,122,000, which included intangible assets of approximately HK$1,027,000 as at 31 March 2021 and 806,643,785 Shares in issue as at the Latest Practicable Date.

As disclosed in the Letter from the Board, the Subscription Price was determined after arm's length negotiation between the Company and the Underwriter with reference to, among others, (i) the general downward trend of the closing price of the Shares during the two months up to and including the Last Trading Day (from the highest of HK$0.181 per Share to the lowest of HK$0.133 per Share); (ii) the low trading volume of the Shares; (iii) the Company recorded a loss attributable to owners of the Company of approximately HK$87,248,000 and HK$66,976,000 for the years ended 31 March 2020 and 2021, respectively; and (iv) the reasons for and benefits of proposed Rights Issue as discussed in the Letter from the Board.

Comparison with historical closing prices of the Shares

In order to assess the fairness and reasonableness of the Subscription Price, we have performed a review on the daily closing prices and trading volume of the Shares from 1 September 2020 to the Last Trading Day (the "**Share Price Review Period**") (being a period of approximately 12 months prior to and including the Last Trading Day) and compared with the Subscription Price. We consider the Share Price Review Period is a reasonably long period covering the annual operating cycle of the Company for analysis purpose, to illustrate the general trend and level of movement of the daily closing price and trading volume of the Shares and the Share Price Review Period is fair and representative to reflect the market assessment on the financial performance of the Group and the general market sentiment.

Chart 1: Historical closing prices of the Shares



Source: website of the Stock Exchange

As shown in the chart above, during the Share Price Review Period, the average closing price was approximately HK$0.165 per Share (the "**Average Closing Price**"). The daily closing price ranged from HK$0.111 per Share recorded on 22 December 2020 (the "**Lowest Closing Price**") to HK$0.216 recorded on 24 February 2021 (the "**Highest Closing Price**"). As shown in the Chart 1, we note that the Shares were traded above the Subscription Price throughout the Share Price Review Period. The Subscription Price of HK$0.1 represents (i) a discount of approximately 9.91% to the Lowest Closing Price of HK$0.111 per Share; (ii) a discount of approximately 53.70% to the Highest Closing Price of HK$0.216 per Share; and (iii) a discount of approximately 39.39% to the Average Closing Price of HK$0.165 per Share. Moreover, we note that the closing price per Share had been demonstrating a downward trend during the Share Price Review Period. The closing Share price gradually decreased from the Highest Closing Price to HK$0.133 on 4 August 2021. We have discussed with the management of the Company regarding the downward trend of the closing price of the Share and were advised that, save for the estimated annual results announcement of the Company published on 11 June 2021 and the annual results announcement of the Company published on 27 June 2021, they are not aware of any particular reason that led to the downward trend of the closing price of the Share.

Therefore, we concur with the Directors that there was a general downward trend of the closing price of the Shares during the two months up to and including the Last Trading Day. As discussed in the section headed "Comparison with recent rights issue exercises" below, we note that it is a common market practice (15 out of 16 Comparables) to set the subscription price at a discount to the prevailing market prices of the relevant shares in order to increase the attractiveness and encouraging shareholders to participate in the rights issue as to meet the companies' need for additional funding.

Historical trading liquidity of the Shares

Month	**Number of trading days**	**Monthly turnover**	**Average daily turnover**	**Number of days with no turnover**	**% of average daily turnover over total number of Shares in issue** *(Note 1)*	**% of average daily turnover over total number of Shares held by public Shareholders** *(Note 2)*
2020						
September	22	1,612,000	73,273	11	0.011%	0.013%
October	18	772,000	42,889	10	0.007%	0.008%
November	19	328,000	17,263	12	0.003%	0.004%
December	22	112,226,000	5,101,182	9	0.738%	0.893%
2021						
January	20	11,720,000	586,000	3	0.085%	0.103%
February	18	51,400,000	2,855,556	0	0.413%	0.500%
March	23	21,586,000	938,522	3	0.117%	0.137%
April	19	46,578,000	2,451,474	0	0.304%	0.358%
May	20	1,278,000	63,900	5	0.008%	0.010%
June	21	520,000	24,762	15	0.004%	0.004%
July	21	9,328,000	444,190	10	0.056%	0.065%
August	22	708,000	32,182	10	0.004%	0.005%
September *(Note 3)*	2	46,000	23,000	1	0.003%	0.004%
Total	247	258,102,000	1,044,947	89		

Source: website of the Stock Exchange

Note 1: Calculated based on the total number of the Shares at the end of each month.

Note 2: Calculated based on the total number of the Shares in public hands at the end of each month according to the public information on the Stock Exchange.

Note 3: Up to the Last Trading Date.

As demonstrated in the table above, no trading of the Shares was recorded on 89 trading days on the Stock Exchange during the Share Price Review Period. The average daily trading volume of the Shares by month were in the range of approximately 0.003% to 0.738% as to the total number of issued Shares with an average of 0.135%. The average daily trading volume of the Shares by month were in the range of approximately 0.004% to 0.893% as to the total number of Shares held by public Shareholders with an average of 0.162%. Upon our review of the "HKEx Monthly Market Highlights" for the period from September 2020 to August 2021 (the "**Relevant Period**") available on the website of the Stock Exchange (https://www.hkex.com.hk/Market-Data/Statistics/Consolidated-Reports/HKEX-Monthly-Market-Highlights?sc_lang=en), we note that the average daily trading turnover to total market capitalisation of listed securities (including Main Board and GEM listed issuers) (the "**Market Trading Turnover Ratio**") during such period ranged from approximately 0.272% to approximately 0.485% with the average of approximately 0.343%. We consider the Market Trading Turnover Ratio, as extracted from "HKEx Monthly Market Highlights", is a representative indicator for overall trading volume of the securities listed on the Stock Exchange. In view of this, we consider the trading liquidity of the Shares of the Company as a listed issuer of the Stock Exchange are generally thin during the Share Price Review Period, given that the average daily trading volume of the Shares by month as to the total number of issued Shares during the Share Price Review Period (i.e. 9 out of 12) is generally below the low end (i.e. 0.272%) of the Market Trading Turnover Ratio during the Relevant Period. We note that the average daily trading turnover liquidity in December 2020, February 2021 and April 2021 was higher than average daily trading volume of Share throughout the Share Price Review Period. We have discussed with the management of the Company, save for (i) the unusual price and trading volume movements announcement in relation to Disposals published on 17 December 2020, (ii) placing of new shares under general mandate announcement published on 19 February 2021 and (iii) Disposals circular despatched on 31 March 2021, they were not aware of any particular reason that led to an increase in trading volume of the Share. Given that the average daily trading volume the Shares was approximately 1,000,000 Shares during the Share Price Review Period, representing approximately 0.124% of the total issued Shares as at the Latest Practicable Date, it would be difficult for the Shareholders to acquire or dispose of a substantial block of the Shares in the open market, without exerting impact on the Share price. In light of the relatively thin trading liquidity of the Shares, we consider that it is reasonable for the Subscription Price to be set at a discount to the prevailing adjusted closing prices of the Shares in order to attract the Qualifying Shareholders to participate in the Rights Issue and to maintain their respective shareholding interest in the Company.

Comparison with recent rights issue exercises

In order to further assess the fairness and reasonableness of the terms of the Rights Issue, we have identified an exhaustive list of 16 fully-underwritten rights issue transactions (the "**Comparables**") announced by other companies listed on the Stock Exchange for the period from six months immediately prior to the Last Trading Day (the "**Comparable Review Period**"). Although the Comparables include rights issue in different basis, engaged in different business or have different financial performance and funding needs from the Company, having considered that (i) all of the Comparables and the Company are listed on the Stock Exchange; (ii) our analysis is mainly concerned with the principal terms of the rights issue and we are not aware of any established evidence showing any correlation between the entitlement basis of the rights issue and its underlying principal terms; (iii) including transactions conducted by the Comparables with different funding needs and business represent a more comprehensive overall market sentiment in our comparable analysis; (iv) a six months period for the selection of the Comparables has generated a reasonable samples size to reflect the market practice regarding rights issue in the recent period; and (v) the Comparables were included without any artificial selection or filtering on our part so the Comparables represent a true and fair view of the recent market trends for similar fully-underwritten rights issue transactions conducted by other issuers listed on the Stock Exchange, we consider the Comparables are fair and representative samples. In addition, we consider that the Comparable Review Period is adequate and fair and representative given that (i) such period would provide us with the recent and relevant information in relation to the rights issue to demonstrate the prevailing market practices prior to the Last Trading Day under the prevailing market conditions; and (ii) we are able to identify an exhaustive list of 16 representative Comparables meeting the aforesaid criteria for comparison analysis in such period.

Date of announcement	Stock code	Company name	Basis of entitlement	Premium/ discount of the subscription price over/to the closing price on the last trading date prior to/on the date of the relevant announcement	Premium/ discount of the subscription price over/to the theoretical ex-right price base on the last trading day prior to/on the date of the relevant announcement	Premium/ discount of the subscription price over/to the consolidated net asset value per share *(Note 1)*	Maximum dilution on shareholding *(Note 2)*	Underwriting commission	Excess application Yes/No
2021									
17 March	499	Qingdao Holdings International Limited	1 for 1	–18.80%	–10.30%	–24.40%	50.00%	4.50%	Yes
26 March	1638	Kaisa Group Holdings Ltd.	1 for 7	–25.30%	–22.70%	–52.56%	12.50%	2.50%	Yes
29 March	8120	China Demeter Financial Investments Limited	3 for 1	–17.36%	–6.02%	–86.11%	75.00%	NA	No
8 April	918	State Energy Group International Assets Holdings Limited	3 for 1	–22.20%	–7.40%	77.70%	75.00%	1.00%	No
9 April	3919	Golden Power Group Holdings Limited	1 for 2	–21.40%	–15.40%	–70.89%	33.33%	7.07%	Yes
12 April	8163	Merdeka Financial Group Limited	5 for 2	–21.50%	–6.83%	N/A *(Note 3)*	71.43%	2.00%	Yes
4 May	2369	Coolpad Group Limited	1 for 2	–41.10%	–31.70%	52.90%	33.33%	2.50%	Yes
18 May	92	Champion Technology Holdings Limited	3 for 1	8.70%	2.04%	42.86%	75.00%	2.50%	Yes
20 May	810	China Internet Investment Finance Holdings Limited	1 for 2	–51.22%	–41.18%	–75.61%	33.33%	2.50%	Yes

Date of announcement	Stock code	Company name	Basis of entitlement	Premium/ discount of the subscription price over/to the closing price on the last trading date prior to/on the date of the relevant announcement	Premium/ discount of the subscription price over/to the theoretical ex-right price base on the last trading day prior to/on the date of the relevant announcement	Premium/ discount of the subscription price over/to the consolidated net asset value per share *(Note 1)*	Maximum dilution on shareholding *(Note 2)*	Underwriting commission	Excess application Yes/No
7 June	8360	AL Group Limited	3 for 1	–27.30%	–8.47%	N/A *(Note 3)*	75.00%	1.50%	Yes
11 June	8491	Cool Link (Holdings) Limited	1 for 2	–39.30%	–30.90%	–61.80%	33.33%	2.50%	Yes
11 June	191	Lai Sun Garment (International) Limited	1 for 2	–65.00%	–55.40%	–95.90%	33.33%	1.00%	Yes
16 July	8331	P.B. Group Limited	1 for 1	–36.40%	–22.20%	–70.80%	50.00%	NA	No
19 July	698	Tongda Group Holdings Limited	1 for 2	–49.01%	–40.51%	–77.28%	33.33%	3.00%	Yes
6 August	1867	LKS Holdings Group Limited	1 for 5	–9.84%	–8.33%	109.32%	16.67%	1.50%	Yes
12 August	488	Lai Sun Development Company Limited	1 for 2	–50.00%	–38.90%	–93.99%	33.33%	2.00%	Yes
			Maximum	8.70%	2.04%	109.32%	75.00%	7.07%	
			Minimum	–65.00%	–55.40%	–95.90%	12.50%	1.00%	
			Average	–30.44%	–21.51%	–30.47%	45.87%	2.58%	
			Median	–26.30%	–18.80%	–66.30%	33.33%	2.50%	
		The Company	1 for 1	–44.44%	–28.57%	–15.18%	33.33%	2.00%	Yes

Source: website of the Stock Exchange

Note 1: The net asset value per share was extracted from the relevant announcement or circular of the Comparables, where such information is not available from the above published sources, computed based on the reported net asset value as shown in the relevant interim results or annual results of the Comparables and the number of issued shares as at the date of the relevant announcement of the Comparables.

Note 2: Maximum dilution effect of each of the Comparables is calculated as: (number of new shares to be issued under the basis of entitlement)/(number of existing shares held for the entitlement for the new shares under the basis of entitlement + number of new shares to be issued under the basis of entitlement) x 100%.

Note 3: Data is not applicable since the Comparables recorded net liabilities position in the relevant public financial results.

As illustrated from the above table, it is a common market practice (15 out of 16 Comparables) that the pricing of a rights issue represents a discount to both the closing share prices on the last trading day and to the theoretical ex-entitlement prices of the shares. There are 10 out of 16 Comparable that the pricing of a right issue represents a discount to the consolidated net asset value per share. The subscription prices of the Comparables:

(i) ranged from a discount of approximately 65.00% to a premium of approximately 8.70% (the "**Last Trading Date Range**"), with a median of a discount of approximately 26.30% (the "**Last Trading Date Median Discount**") and an average of a discount of approximately 30.44% (the "**Last Trading Date Average Discount**") for their respective closing prices per share on the last trading day prior to/on the dates of the relevant announcements of the Comparables;

(ii) ranged from a discount of approximately 55.40% to a premium of approximately 2.04% (the "**Theoretical Ex-Right Price Range**"), with a median of a discount of approximately 18.80% (the "**Theoretical Ex-Right Price Median Discount**") and an average of a discount of approximately 21.51% (the "**Theoretical Ex-Right Price Average Discount**") for their respective average theoretical ex-rights prices per share based on the closing prices on the last trading day prior to/on the dates of the relevant announcements of the Comparables; and

(iii) ranged from a discount of approximately 95.90% to a premium of approximately 109.32% (the "**NAV Range**"), with a median of a discount of approximately 66.30% and an average of a discount of approximately 30.47% for their respective subscription price to the net asset value per share of the Comparables.

The Subscription Price of HK$0.1 per Rights Share represents (i) a discount of approximately 44.44% to the closing price per Share on the Last Trading Day (the "**Last Trading Date Discount**"); (ii) a discount of approximately 28.57% to the theoretical ex-rights price per Share (the "**Theoretical Ex-Right Price Discount**"); and (iii) a discount of approximately 15.18% to the net asset value per Share (the "**NAV Discount**"). We note that each of the Last Trading Date Discount, Theoretical Ex-Right Price Discount and the NAV Discount is within the Last Trading Date Range, Theoretical Ex-Right Price Range and NAV Range, respectively. Although the Last Trading Date Discount is below the Last Trading Date Median Discount and Last Trading Date Average Discount and the

Theoretical Ex-Right Price Discount is below the Theoretical Ex-Right Price Median Discount and Theoretical Ex-Right Price Average Discount, it is a common market practice that the pricing of a rights issue represents a discount to both the closing share prices on the last trading day, to the theoretical ex-entitlement prices of the shares and to the net assets value per share in order to enhance the attractiveness of the Rights Issue for encouraging Qualifying Shareholders to participate in the Rights Issue. Having considered (i) the trading volume of the Shares was thin during the Share Price Review Period as discussed under the sub-section headed "historical trading liquidity of the Shares" above; (ii) the general downward trend of the closing price of the Shares as discussed under the sub-section headed "Comparison with historical closing prices of the Shares" above; (iii) the Company is short of funds to reduce its debt level, replenish its working capital and expand the business portfolio of the Group; (iv) the interest of the Qualifying Shareholders will not be prejudiced by the discount of the Subscription Price as long as they are offered with an equal opportunity to participate in the Rights Issue and subscribe for the Rights Shares; (v) those Qualifying Shareholders who do not wish to subscribe for their pro-rata entitlement of the Rights Shares can receive economic benefits from selling their nil-paid Rights Shares in the market; and (vi) the Last Trading Date Discount and the Theoretical Ex-Right Price Discount are still within the Last Trading Date Range and the Theoretical Ex-Right Price Range, respectively, we are of the view that the Subscription Price is justifiable so far as the Independent Shareholders are concerned.

Application for excess Rights Shares

Qualifying Shareholders may apply, by way of excess application, for (i) any unsold entitlements of the Excluded Shareholders; and (ii) any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares.

The Directors will allocate any excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

(i) any excess Rights Shares will be allocated to Qualifying Shareholders who apply for them on a pro rata basis by reference to the number of the excess Rights Shares applied for under each application;

(ii) no reference will be made to the Rights Shares subscribed through applications by PALs or the existing number of Shares held by Qualifying Shareholders; and

(iii) no preference will be given to applications for topping up odd-lot holdings to whole lot holdings.

As set out in table under the sub-section headed "Comparison with recent rights issue exercises" above, 13 out of 16 of the Comparables have the arrangement for excess application for the qualifying shareholders. With the arrangement of application for excess Rights Shares, the Qualifying Shareholders shall be given a pre-emption right to subscribe for excess Rights Shares if they wish to do so. Moreover, the allocation basis adopted by the Company is in line with the normal market practice of other rights issue with arrangement of application for excess rights shares and the shareholding of each Qualifying Shareholder, except those who do not take up their full entitlements or those who apply for excess Rights Shares, will be largely maintained after the completion of the Rights Issue. Based on the above, we consider that the arrangement of application for excess Rights Shares for the Qualifying Shareholders and the allocation method for the excess Rights Shares are fair and reasonable so far as the Independent Shareholders are concerned.

Underwriting commission

With reference to the Letter from the Board, the terms of the Underwriting Agreement, including the Subscription Price and the underwriting commission rate, were determined after arm's length negotiation between the Company and the Underwriter with reference to the existing financial position of the Group, the size of the Rights Issues, and the current and expected market condition. The Subscription Price was determined after arm's length negotiation between the Company and the Underwriter with reference to, among others, the financial position of the Group and the current market condition as mentioned above. In particular, the underwriting commission rate under the Underwriting Agreement was determined after making reference to, and is within the range of, those underwritten rights issue exercises in the past 12 months from the date of the Underwriting Agreement, which were shortlisted as to those conducted by loss making companies listed on the Main Board of the Stock Exchange, having increased outstanding shares by more than 50% but less than 300% and are fully-underwritten by independent underwriters (the "**Underwriting Comparables**"). Given that (i) the Company was in loss making position for the years ended 31 March 2020 and 2021; (ii) the Rights Issue is subject to Shareholder's approval which the time required for conducting the Rights Issue would normally be longer than the other rights issue that are not subject to shareholder's approval; (iii) the Company is listed on the Main Board of the Stock Exchange; and (iv) the Rights Issue is fully-underwritten by the Underwriter which is an Independent Third Party, the Company considers the selection criteria is fair and reasonable. It is noted that the underwriting commission charged by the underwriters of the Underwriting Comparables ranged from 1.5% to 2.5%. Accordingly, the Company considers that the underwriting commission of 2.0% is in line with the market practice.

From the comparison with recent rights issue exercises, where the selection criteria were set as the same under the comparable analysis under the sub-section headed "Comparison with recent rights issue exercises" above, we note that the commission rate of 2% under the Rights Issue falls within the range of commission rate of 1.00% to 7.07% received by underwriters of the Comparables. Accordingly, we consider that the underwriting commission rate is in line with market practice.

In addition, we also reviewed the Underwriter's background and note that, the Underwriter is a licensed corporation under SFO and has extensive experience in acting as bookrunners, lead managers, underwriter for the fundraising activities of companies listed on the Stock Exchange.

Taking into account the above principal terms of the Rights Issue, the Underwriting Agreement and the competency of the Underwriter, we consider that the terms of the Rights Issue and the Underwriting Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

4. Dilution effect of the Rights Issue on the shareholding of the Company

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon completion of the Rights Issue, assuming full acceptance by all Qualifying Shareholders under the Rights Issue; and (iii) immediately upon completion of the Rights Issue assuming no acceptance by all Qualifying Shareholders under the Rights Issue:

	(i) As at the Latest Practicable Date		(ii) Immediately upon completion of the Rights Issue assuming full acceptance by all Qualifying Shareholders under Rights Issue		(iii) Immediately upon completion of the Rights Issue assuming no acceptance by all Qualifying Shareholders under the Rights Issue	
	No. of Shares	*Approximate % of total no. of Shares in issue*	*No. of Shares*	*Approximate % of total no. of Shares in issue*	*No. of Shares*	*Approximate % of total no. of Shares in issue*
Cheung Ling Mun	120,068,000	14.88	240,136,000	14.88	120,068,000	7.44
Apact Consultancy (Hong Kong) Company Limited	51,000,000	6.32	102,000,000	6.32	51,000,000	3.16
Lee Man Kwong *(Note 2)*	10,000	0.001	20,000	0.001	10,000	0.001
Underwriter *(Note 3 and 4)*	–	–	–	–	457,643,785	28.37
VMS Securities Limited *(Note 3)*	–	–	–	–	140,000,000	8.68
Get Nice Securities Limited *(Note 3)*	–	–	–	–	209,000,000	12.95
Public shareholders	635,565,785	78.80	1,271,131,570	78.80	635,565,785	39.40
Total	806,643,785	100.00	1,613,287,570	100.00	1,613,287,570	100.00

Note 1: *Certain percentage figures included in the above table have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.*

Note 2: *The 10,000 Shares are held by Lee Man Kwong, an executive Director.*

Note 3: *These scenarios are for illustrative purpose only. Under the Underwriting Agreement, the Underwriter has undertaken that it shall use its reasonable endeavours to ensure that (i) sub-underwriter(s), if any, are Independent Third Party(ies); (ii) the public float requirements under the Listing Rules be fulfilled by the Company upon completion of the Rights Issue; (iii) it shall not, together with party(ies) acting in concert with it, hold 30% or more of the voting rights of the Company upon completion of the Rights Issue; (iv) sub-underwriters and placees procured by them, together with parties acting in concert with each of them, will not hold 20% or more of the voting rights of the Company upon completion of the Rights Issue; and (v) it and parties acting in concert (within the meaning of the Takeovers Code) with it will not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of it in respect of performing its obligation hereunder.*

*On 13 September 2021, the Underwriter entered into sub-underwriting agreements (the "**Sub-underwriting Agreements**"), which is subject to the terms and conditions of the Underwriting Agreement, with two sub-underwriters (the "**Sub-underwriters**"), namely VMS Securities Limited and Get Nice Securities Limited, for sub-underwriting 140,000,000 and 209,000,000 Rights Shares at the Subscription Price, respectively. As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, each of the Sub-underwriters is not a shareholder of the Company and they are independent of each other.*

All Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their provisional allotments in full under the Rights Issue, their shareholding interests in the Company will remain unchanged upon completion of the Rights Issue (assuming full acceptance of the Rights Issue). Qualifying Shareholders who do not accept the Rights Issue entitlements can, subject to the then prevailing market conditions, consider selling their nil-paid Rights Shares in the market. However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and the Excluded Shareholders should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue and their aggregate shareholding interests in the Company may be reduced by a maximum of 50.0%.

Having considered that (i) the Rights Issue offers the Qualifying Shareholders an opportunity to subscribe for the Rights Shares for maintaining their respective existing shareholding interests in the Company; (ii) the Qualifying Shareholders have the opportunity to sell their nil-paid Rights Shares in the market if they do not wish to take up the Rights Issue entitlements; (iii) the reasons for and benefits of the Rights Issue as stated in the section headed "2. Reason for and benefits of the Rights Issue and use of proceeds" above; and (iv) the positive impact on the financial performance and position of the Group as stated in the section headed "5. Possible financial effects of the Rights Issue" below, we are of the view that the potential dilution effect on the shareholding interest of the Shareholders (who decide not to take up their assured entitlements in full) as a result of the Rights Shares is acceptable.

5. Possible Financial effects of the Rights Issue

Working capital

As part of the net proceeds of approximately HK$20 million from the Rights Issue will be applied as working capital of the Group, the working capital position of the Group would be improved upon completion of the Rights Issue.

Net assets

The audited consolidated net tangible assets of the Group attributable to owners of the Company was approximately HK$94.10 million and HK$0.12 per Share as at 31 March 2021. According to the "Unaudited pro forma financial information of the Group set out in Appendix II to the Circular, upon completion of the Rights Issue, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company would increase to approximately HK$171.85 million and HK$0.107 per Share. As such, the Rights Issue is expected to have a positive impact on the financial position of the Group.

Gearing ratio

The gearing ratio (measured by debts over equity attributable to owners of the Company) of the Group as at 31 March 2021 was approximately 94.79%. Taking into account the shareholder's loan of HK$40 million was settled in May 2021 and part of the net proceeds of approximately HK$38 million from the Rights Issue will be applied to repay the indebtedness of the Group, the total debt of the Group would be reduced whilst the capital base of the Group would be enlarged accordingly. As such, the Group's gearing ratio would decrease to approximately 6.96% immediately after the Rights Issue.

After taking into consideration of the above, particularly, the improvement in liquidity position, the reduction in gearing ratio of the Group, and positive impact on the earnings of the Group, we are of the view that the Rights Issue is in the interest of the Company and the Shareholders as a whole.

RECOMMENDATION

Having taken into account the above principal factors and reasons discussed above, we are of the opinion that the Rights Issue and the Underwriting Agreement and the transactions contemplated thereunder are on normal commercial terms, and fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

Accordingly, we would recommend the Independent Shareholders and the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the upcoming SGM to approve the Rights Issue and the Underwriting Agreement.

Yours faithfully,
For and on behalf of
INCU Corporate Finance Limited
Gina Leung
Managing Director

Ms. Gina Leung is a licensed person registered with the SFC and a responsible officer of INCU Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. She has over 20 years of experience in the corporate finance industry and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.

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 2019, 2020 and 2021 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):

– 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

– Annual report for the year ended 31 March 2021 (pages 73 to 158): https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0723/2021072300526.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**"), and trading of petroleum and energy products and related business (the "**Petroleum and Energy Business**").

Printed Circuit Boards Segment

The key product of the Company's Printed Circuit Boards Business is printed circuit boards that are mainly used in automobiles and artificial intelligent building equipment. This business segment is supported by an experienced technical team and quality control team which have over 20 years of experience in the electronic components industry. While the Group will continue to focus on the automotive electronics markets and proposes to expand into the consumer electronics market, it intends to leverage its technical expertise into developing high technology business.

The Group's Printed Circuit Board 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, together with the Group's strategy and cost control measures, we hope business would improve in the near future.

Printing Business Segment

The Company's Printing Business mainly involves manufacturing and trading of printing and packaging products, with particular focus on sales of high-quality printing and packaging products. In order to stay competitive and maintain good profit margin, the Company has stringent cost control measures in place and is constantly upgrading its manufacturing facilities by investing in new and advanced printing and packaging equipment.

The Group completed acquisition of Sky Will 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 at the Latest Practicable Date, the Company has not identified any acquisition target. As mentioned in the previous business segment, we hope, with the recent positive development in the vaccine, the operating environment will be improved.

Petroleum and Energy Business Segment

The market environment for small and medium-sized oil trader has not improved. The Company is facing extreme difficulties in resuming the Company's Petroleum and Energy Business. Since the demand for energy commodities in China has been strong, the Company intends to expand the Petroleum and Energy Business segment and will continue to explore trading opportunities with reliable trading partners of major energy products, including but not limited to petroleum and coal, and reactivate this business segment.

The legal proceedings against the two subsidiaries of the Company initiated by Societe Generale, Singapore Branch, in August 2019 has 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 totaling HK$10.2 million and discharge of the injunction would be permitted if such amount is paid into the Court.

In November 2020, one of these two subsidiaries paid the amount of approximately HK$6.8 million into the Court. The injunction order was discharged against this subsidiary by order of the Court dated 14 December 2020 and therefore the bank balances held by this subsidiary were released from restriction of use.

At 31 March 2021, the other subsidiary had the bank balances of approximately HK$2.7 million which were restricted to use. In April 2021, this subsidiary paid the amount of approximately HK$3.4 million into the Court. The injunction order was discharged against this subsidiary by order of the Court dated 18 May 2021 and therefore the bank balances held by this subsidiary were released from restriction of use.

Details of the legal proceedings are set out in Note 37(b) to the consolidated financial statements in the Company' annual report for the year ended 31 March 2021.

As far as market condition goes, demand is yet to fully recover 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 is 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 market environment for small medium sized oil trader has not improved. The resumption of the Company's oil trading business is under extreme difficulty. However, the commodity demand from China has been strong.

The Group will explore the trading opportunities with reliable trading partners in other types of energy products.

3. INDEBTEDNESS

Borrowings

At the close of business on 31 August 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$45,683,000.

	As at 31 August 2021 *HK$'000* (Unaudited)
Secured and guaranteed	
Bank revolving loan *(Note a)*	37,026
Secured and unguaranteed	
Other borrowings *(Note b)*	8,657
	45,683

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.

Lease liabilities

As at 31 August 2021, the Group had outstanding lease liabilities (including both current and non-current portions) of approximately HK$3,997,000.

	As at 31 August 2021 HK$'000 (Unaudited)
Amounts payable	4,133
Less: future finance charges	(136)
	3,997

As at 31 August 2021, the weighted average incremental borrowing rate for lease liabilities of the Group was 4.74% per annum.

Included in the lease liabilities of approximately HK$2,965,000 as at 31 August 2021 was related to an existing litigation with the landlord as set out in Note (d) in the section headed "6. LITIGATION" in Appendix III to this Circular.

Contingent liabilities

At the close of business on 31 August 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 "6. 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 August 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

On 25 January 2021, the Group entered into conditional memorandum of agreements (as supplemented by the addendums dated 12 March 2021) (the "**MOAs**") with two respective buyers, pursuant to which, among others, the Group agreed to sell the vessel named Pacific Energy 28 (the "**Vessel I**") and Pacific Energy 138 (the "**Vessel II**") and each buyer agreed to acquire the Vessel I and the Vessel II for cash consideration of SGD4,020,000 (equivalent to approximately HK$23,232,000) and SGD4,760,000 (equivalent to approximately HK$27,508,000), respectively (the "**Disposals**") and the respective balance of security deposits held by the Group under the existing charterparty in respect of the Vessel I and the Vessel II would be transferred from the Group to the respective buyers.

The Disposals were approved by the Shareholders on 23 April 2021 and completed on 24 May 2021.

Save as disclosed, as at the Latest Practicable Date, so far as was known to the Directors, there are no material adverse change in the financial or trading position of the Group since 31 March 2021, the date to which the latest published audited financial statements of the Group were made up.

Note: The relevant amounts in SGD are translated into HK$ at an exchange rate of SGD1: HK$5.7791. No representation has been made by the Company that any amounts have been, could have been or could be converted at such rate or at any other rates or at all.

For illustrative purposes, the financial information prepared in accordance with paragraph 4.29 of the Listing Rules is set out here to provide prospective investors with further information about how the financial information of the Group might be affected by completion of the Rights Issue as if the Rights Issue had been completed on 31 March 2021. The statement has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of the Group's financial condition on the completion of the Rights Issue.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company prepared by the Directors in accordance with paragraph 4.29 of the Listing Rules is set out to illustrate the effect of the Rights Issue on the audited consolidated net tangible assets of the Group as if the Rights Issue had been completed on 31 March 2021.

The unaudited pro forma statement of adjusted consolidated net tangible assets is prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group as at the date to which it is made up or at any future date.

The unaudited pro forma statement of adjusted consolidated net tangible assets is prepared based on the audited consolidated statement of financial position of the Group as at 31 March 2021, as extracted from the published annual report of the Company for the year ended 31 March 2021, with adjustments described below.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2021	**Estimated net proceeds from the Rights Issue**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after completion of the Rights Issue**	**Audited consolidated net tangible assets of the Group per Share attributable to owners of the Company as at 31 March 2021**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group per Share attributable to owners of the Company immediately after completion of the Rights Issue**
	HK$'000	*HK$'000*	*HK$'000*	*HK$*	*HK$*
	(Note i)	*(Note ii)*		*(Note iii)*	*(Note iv)*
Rights Issue of 806,643,785 Rights Shares	94,095	77,751	171,846	0.117	0.107

Notes:

(i) The audited consolidated net tangible assets of the Group attributable to owners of the Company of approximately HK$94,095,000 as at 31 March 2021 is based on the consolidated net assets of the Group attributable to owners of the Company as at 31 March 2021 of approximately HK$95,122,000 after deducting intangible assets of approximately HK$1,027,000 of the Group as at 31 March 2021, as extracted from the published annual report of the Company for the year ended 31 March 2021.

(ii) The estimated net proceeds from the Rights Issue of approximately HK$77,751,000 is calculated based on 806,643,785 Rights Shares to be issued (in the proportion of one (1) Rights Share for every one (1) existing share held as at the Record Date) at the subscription price of HK$0.1 per Rights Share, after deduction of the estimated related expenses of approximately HK$2,913,000 assuming that the Rights Issue had been completed on 31 March 2021.

(iii) The audited consolidated net tangible assets of the Group per Share attributable to owners of the Company as at 31 March 2021 is calculated based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2021 of approximately HK$94,095,000 divided by 806,643,785 Shares in issue as at 31 March 2021.

(iv) The unaudited pro forma adjusted consolidated net tangible assets of the Group per Share attributable to owners of the Company immediately after completion of the Rights Issue is calculated based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after completion of the Rights Issue of approximately HK$171,846,000 divided by 1,613,287,570 Shares, which represent the sum of 806,643,785 Shares in issue as at 31 March 2021 and the Record Date given that there has been no further issue of new Shares or repurchase of Shares from the date of Announcement to the Record Date and 806,643,785 Rights Shares to be issued, pursuant to the Rights Issue (in the proportion of one (1) Rights Share for every one (1) existing share held as at the Rights Issue record date), are in issue assuming that the Rights Issue had been completed on 31 March 2021.

(v) No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2021.

The following is the text of a report received from Mazars CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

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

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MAZARS CPA LIMITED
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25 October 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,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Daisho Microline Holdings Limited (the "Company) and its subsidiaries (collectively referred to as the "Group") prepared by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2021 and related notes as set out on pages II-1 to II-2 of the circular dated 25 October 2021 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on page II-1 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed rights issue of 806,643,785 rights shares at HK$0.1 per rights shares (the "Rights Shares") on the basis of one Rights Share for every one existing share of the Company held on the rights issue record date (the "Rights Issue") on the Group's audited consolidated net tangible assets attributable to owners of the Company as at 31 March 2021 as if the Rights Issue had taken place on 31 March 2021. As part of this process, information about the Group's audited consolidated financial position has been extracted by the Directors from the published annual report of the Company for the year ended 31 March 2021.

Directors' responsibility for the unaudited pro forma financial information

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

Reporting accountants' independence and quality control

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

Our firm applies Hong Kong Standard on Quality Control 1 (Clarified) "*Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*" issued by the HKICPA and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

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

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

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

The purpose of the unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at 31 March 2021 would have been as presented.

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

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

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

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

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

Opinion

In our opinion:

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

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

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

Yours faithfully,

Mazars CPA Limited
Certified Public Accountants
Hong Kong

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. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately after completion of the Rights Issue (assuming no other change in the number of issued Shares and full acceptance of Rights Shares by all Qualifying Shareholders) are set out as follows:

(i) As at the Latest Practicable Date

Authorised:		*HK$*
2,000,000,000	Shares of HK$0.10 each	200,000,000.00
Issued and fully paid:		*HK$*
806,643,785	Shares of HK$0.10 each	80,664,378.50

(ii) Immediately after Completion (assuming no change in the number of issue Shares and full acceptance of Rights Shares by all Qualifying Shareholders or through the Underwriter)

Authorised:		*HK$*
2,000,000,000	Shares of HK$0.10 each	200,000,000.00
Issued and fully paid:		*HK$*
806,643,785	Rights Shares to be allotted and issued under the Rights Issue	80,664,378.50
1,613,287,570	Shares of HK$0.10 each in issue immediately upon Completion	161,328,757.00

All the existing Shares in issue are fully-paid and rank *pari passu* in all respects including all rights as to dividends, voting and return of capital. The Rights Shares (when allotted, fully paid or credited as fully paid) will rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the Rights Shares in their fully paid form will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Rights Shares.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, the Company did not have any outstanding warrants, options or securities convertible into Shares.

As at the Latest Practicable Date, there was no arrangement under which future dividends are waived or agreed to be waived.

3. 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:

Name of Directors	Nature of Interests	Number of issued ordinary shares held (Long Position)	Percentage of the Company's issued share capital *(Note 3)*
Lee Man Kwong	Beneficial Owner	10,000	0.01%

Note:

The approximate percentages were calculated based on 806,643,785 shares of the Company in issue as at the Latest Practicable Date.

(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	**Capacity and nature of interest**	**Number of issued ordinary shares held (long position)**	**Percentage of the Company's issued share capital** *(Note)*
Cheung Ling Mun	Beneficial owner	120,068,000	14.88%
Ample Cheer Limited *(Note 1)*	Interest in controlled corporation	120,068,000	14.88%
Best Forth Limited *(Note 1)*	Interest in controlled corporation	120,068,000	14.88%
Kingston Finance Limited *(Note 1)*	Person having a security interest in shares	120,068,000	14.88%
Active Dynamic Limited *(Note 2)*	Interest in controlled corporation	806,643,785	50%
Kingston Finance Group Limited *(Note 2)*	Interest in controlled corporation	806,643,785	50%
Kingston Capital Asia Limited *(Note 2)*	Interest in controlled corporation	806,643,785	50%
Galaxy Sky Investments Limited *(Note 2)*	Interest in controlled corporation	806,643,785	50%
The Underwriter *(Note 2)*	Beneficial owner	806,643,785	50%
Chu Yuet Wah ("**Mrs. Chu**") *(Notes 1 and 2)*	Interest in controlled corporation	926,711,785	57.44%
Apact Consultancy (Hong Kong) Company Limited	Investment manager	51,000,000	6.32%

Notes:

1. Kingston Finance Limited ("**KFL**") is wholly-owned by Ample Cheer Limited ("**ACL**"). Best Forth Limited ("**BFL**") and Insight Glory Limited ("**IGL**") is holding 80% and 20% of the shares of ACL respectively. BFL and IGL are wholly-owned by Mrs. Chu. Accordingly, ACL and Mrs. Chu are deemed to be interested in all the Shares that KFL is interested in under Part XV of the SFO.

2. The 806,643,785 Shares represent the maximum number of Underwritten Shares agreed to be underwritten by the Underwriter pursuant to the Underwriting Agreement. The Underwriter is wholly-owned by Galaxy Sky Investments Limited ("**GSIL**") which in turn is owned by Kingston Capital Asia Limited ("**KCAL**"), a wholly-owned subsidiary of Kingston Finance Group Limited ("**KFGL**") which in turn is owned by Active Dynamic Limited ("**ADL**"). ADL is wholly-owned by Mrs. Chu. Accordingly, GSIL, KCAL, KFGL, ADL and Mrs. Chu are deemed to be interested in all the shares that the Underwriter is interested in under Part XV of the SFO.

   The approximate percentage reflects the issued share capital as enlarged by the allotment and issue of Rights Shares on a fully diluted basis.

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.

4. 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).

5. 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.

6. 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 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.

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 the Court 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.

In November 2020, DML has paid the amount of approximately HK$6,783,000 into the Court. The injunction order was discharged against DML by order of the Court dated 14 December 2020 and therefore the bank balances held by DML were released from restriction of use.

As at 31 March 2021, Pacific Dragon has the bank balances of approximately HK$2,684,000 which are restricted to use.

In April 2021, Pacific Dragon has paid the amount of approximately HK$3,446,000 into the Court. The injunction order was discharged against Pacific Dragon by order of the Court dated 18 May 2021 and therefore the bank balances held by Pacific Dragon were released from restriction of use.

The above details have been disclosed in the Company's announcements dated 18 September 2019 and 29 October 2019 and the Company's annual report for the year ended 31 March 2021.

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 InterPacific 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.

(d) Litigation with the Landlord

On 9 June 2021, the landlord (the "**Landlord**") lodged a statement of claim to the District Court against DML claiming an amount of approximately HK$1,585,000 together with interest on the outstanding rent, service charges and rates for the period from 1 April 2020 to 15 July 2020 and the loss and damages suffered by the Landlord arising as a result of DML's breaching of the lease agreement entered into between DML and the Landlord on 23 April 2019 on the Said Premises (the "**Said Lease**").

On 31 March 2021, lease liabilities of approximately HK$2,904,000 for the remaining lease term of the Said Lease were included and recognised in the Group's consolidated statement of financial position. With reference to the opinion of the Group's lawyer, the directors of the Company are of view that no further provision is needed.

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.

7. 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 2021, the date to which the latest published audited financial statements of the Group were made up, up to and including the Latest Practicable Date.

8. 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 memorandum of agreement dated 25 January 2021 (as supplemented by the addendum dated 12 March 2021) entered into between the PE28 Pte. Limited, a wholly owned indirect subsidiary of the Company as seller, and Angel Tankers Pte. Ltd. as buyer in relation to the disposal of the vessel named as Pacific Energy 28 for a consideration of SGD4,020,000 (equivalent to approximately HK$23,232,000);

(iv) the memorandum of agreement dated 25 January 2021 (as supplemented by the addendum dated 12 March 2021) entered into between PE138 Pte. Limited, a wholly owned indirect subsidiary of the Company as vendor, and Bella Tankers Pte. Ltd. as buyer in relation to the disposal of the vessel named as Pacific Energy 138 for a consideration of SGD4,760,000 (equivalent to approximately HK$27,508,000);

(v) 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; and

(vi) the Underwriting Agreement (as supplemented by the supplemental underwriting agreement dated 19 October 2021).

9. EXPERTS AND CONSENTS

The following is the qualification of the experts who have been named in this circular or has given opinions, letter or advice contained in this circular:

Name	Qualification
INCU Corporate Finance Limited	A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Mazars CPA Limited	Certified Public Accountants

As at the Latest Practicable Date, the above experts had no shareholding, directly or indirectly, in the Company or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company.

As at the Latest Practicable Date, the above experts had no interest, direct or indirect, in the promotion of, or in any assets which since 31 March 2021, the date to which the latest published audited financial statements of the Company were made up, have been acquired or disposed of by or leased to, the Company, or are proposed to be acquired or disposed of by or leased to the Company.

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of the references to its name and/or its opinion or report in the form and context in which they are included.

10. PARTIES INVOLVED IN THE RIGHTS ISSUE AND CORPORATE INFORMATION

Board of Directors	Lee Man Kwong *(Chairman)* Wong Siu Hung, Patrick Meng Chuixiang Yau Pak Yue Leung King Fai Chan Yau Ching, Bob Leung Hoi Ming
Head office and principal place of business	Unit A, 10/F Fook Hing Industrial Building 33 Lee Chung Street Chai Wan, Hong Kong
Registered office	Victoria Place 5th Floor, 31 Victoria Street Hamilton HM 10, Bermuda
Legal advisers to the Company as to Hong Kong laws	**Michael Li & Co.** 19/F, Prosperity Tower No. 39 Queen's Road Central Central, Hong Kong
Auditors	**Mazars CPA Limited** *Certified Public Accountants* 42nd Floor, Central Plaza 18 Harbour Road Wanchai, Hong Kong

Principal bankers	**Bank of China Limited** 7/F., Bank of China Tower 1 Garden Road Central, Hong Kong
	Bank of Communications Co., Ltd. 20 Pedder Street Central, Hong Kong
	China CITIC Bank International Limited 61-65 Des Voeux Road Central, Hong Kong
	China Merchants Bank Co., Ltd. 31/F, Three Exchange Square 8 Connaught Place Central, Hong Kong
	Chiyu Bank Corporation Limited No. 78 Des Voeux Road Central, Hong Kong
Hong Kong branch share registrar and transfer office	**Tricor Tengis Limited** Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Authorised representatives	**Wong Siu Hung, Patrick** No. 11 Bauhinia Road North Fairview Park, Yuen Long New Territories, Hong Kong
	Yau Pak Yue Flat B, 39/F., The Forest Hills 99 Po Kong Village Road Kowloon, Hong Kong
	Ng Yu Ho Flat A, 21/F., Block 1 Aqua Marine, 8 Sham Shing Road Cheung Sha Wan Kowloon, Hong Kong
Company secretary	**Ng Yu Ho** *Certified Public Accountants*

Particulars of the Directors

(a) Name and address of the Directors

Executive Directors

Lee Man Kwong	23/F, Flat 1 Block D, Beverly Hill 6 Broadwood Road Hong Kong
Wong Siu Hung, Patrick	No. 11 Bauhinia Road North Fairview Park, Yuen Long New Territories, Hong Kong
Meng Chuixiang	Room 1201 No. 49, Lane 395 Shuangyag North Road Yangpu District Shanghai, China

Non-executive Director

Yau Pak Yue	Flat B, 39/F, The Forest Hills 99 Po Kong Village Road Kowloon, Hong Kong

Independent non-executive Directors

Leung King Fai	Flat A, 20/F Yun Kai Building 466-472 Nathan Road Kowloon, Hong Kong
Chan Yau Ching, Bob	Unit B, 25/F, Tower 7 Bellagio, 33 Castle Peak Road Kowloon, Hong Kong
Leung Hoi Ming	Flat 9, 11/F, Block A Pearl City Mansion 22-36 Patterson Street Causeway Bay, Hong Kong

(b) Profiles of Directors

Executive Directors

Lee Man Kwong ("**Mr. Lee**"), aged 66, has been appointed as the Chairman of the Board since 16 October 2020. He has been redesignated as an executive Director since 1 June 2018. He was appointed as an independent non-executive Director on 14 December 2016 and re-designated as a non-executive Director on 1 March 2017. Mr. Lee has been appointed as a member of the remuneration committee of the Company (the "**Remuneration Committee**") and the chairman of the nomination committee of the Company (the "**Nomination Committee**") since 16 October 2020. Mr. Lee is also a director of various subsidiaries of the Company. He was admitted as a solicitor in Hong Kong in 1983, and is also a solicitor qualified in England and Wales and Singapore. Mr. Lee is the senior partner of Messrs. Chan, Lau & Wai, Solicitors, a Hong Kong law firm established in 1980. Mr. Lee was an executive director of CCT Fortis Holdings Limited (stock code: 138) from 1996 to 1997, an independent non-executive director of Mei Ah Entertainment Group Limited (stock code: 391) from 1993 to 2003, an independent non-executive director of Uni-Bio Science Group Limited (stock code: 690) from 2001 to 2005, an independent non-executive director of Asia Standard Hotel Group Limited (stock code: 292) from 2000 to 2003, the chairman and executive director of Neo Telemedia Limited (stock code: 8167) from 2004 to 2007, and an executive director of Sau San Tong Holdings Limited (stock code: 8200) from 2006 to 2008.

Wong Siu Hung, Patrick ("**Mr. Wong**"), aged 66, has been appointed as an executive Director since 3 September 2020. He is the chief operating officer of the Company since October 2019. He is in charge of the overall development of business of the group and in particular the trading of petroleum products business and vessel chartering business. Mr. Wong has over 40 years of working experience in banking, finance, commodity trading and project development.

Mr. Wong is currently a non-executive director and authorised representative of Huscoke Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 704), an independent non-executive director of Crown International Corporation Limited, a company listed on the Main Board of the Stock Exchange (stock code: 727), an executive director of FDG Kinetic Limited, a company listed on the Main Board of the Stock Exchange (stock code: 378). He was an executive director of Huscoke Holdings Limited between 2016 and 2018. Mr. Wong was an executive director of Winto Group (Holdings) Limited, a company listed on the GEM of the Stock Exchange (stock code: 8238) between April 2019 and November 2019 and Titan Petrochemicals Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1192) between 2008 and 2015.

Mr. Wong was the senior vice president of Commodity and Trade Finance at Societe Generale Singapore and the chief executive officer in the China Division of Louis Dreyfus Group, a global commodity trading firm.

Mr. Wong is an associate member of The Chartered Institute of Bankers, United Kingdom (now renamed to London Institute of Banking & Finance), fellow member of the Hong Kong Institute of Directors since 1 April 2017 and member of The Institute of Management Consultants Hong Kong since 1 August of the same year and qualified as Certified Management Consultant. Mr. Wong holds a Master's degree in Applied Finance from Macquarie University, Australia and completed the Executive Diploma in Management Consulting from The Hong Kong Polytechnic University on 12 October 2017.

Meng Chuixiang ("**Mr. Meng**"), aged 67, obtained a Bachelor's degree in public health from Shanghai Medical University (now known as Shanghai Medical College of Fudan University) and an Executive Master of Health Administration degree from China Europe International Business School. He has been the vice president of 上海市萬眾醫療投資股份有限公司* (Shanghai Wanzhong Medical Investment Co., Ltd.) between March 2016 to December 2017. During the period from January 2018 to July 2019, Mr. Meng acted as the dean of 常州江南醫院* (Changzhou Jiangnan Hospital). Since April 2020, he has been the dean consultant of Shanghai Gongqing Nursing Hospital (上海共清護理醫院顧問院長) and has been the vice president of Easunfor International Health City (杭州禦湘湖國際健康城) since December 2020. Mr. Meng has extensive experience in the areas of medical, public health and administration.

Non-executive Director

Yau Pak Yue ("**Mr. Yau**"), aged 52, has been appointed as a non-executive Director since 3 September 2020. He obtained his Bachelor of Commerce (majoring in Accountancy) from the University of Wollongong in Australia. He was the chief knowledge officer of Guangzhou Chengfa Capital Company Limited, a state-owned fund management company, from May 2015 to January 2017. Prior to that, he was the chief executive officer of Taiyang International Cold Chain (Group) Limited from March 2014 to July 2014, and a partner at one of the big four international accounting firms from 2005 to 2012. He has over 25 years of experience in mergers and acquisitions transaction supports and financial due diligence. Mr. Yau is currently the director of Ewin Advisory Company Limited.

Mr. Yau is also a certified public accountant in Hong Kong and a certified practising accountant in Australia. Mr. Yau currently serves as an executive director of Freeman FinTech Corporation Limited, a company listed on the Main Board of the Stock Exchange (stock code: 279), a non-executive director of Peking University Resources (Holdings) Co. Limited, a company listed on the Main Board of the Stock Exchange (stock code: 618), an independent non-executive director of Fullsun International Holdings Croup Co., Limited, a company listed on the Main Board of the Stock Exchange (stock code: 627), an independent non-executive director of Hifood Group Holdings Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 442) and an independent non-executive director of Xinhua News Media Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 309). Mr. Yau was an independent non-executive director of KEE Holdings Company Limited (currently renamed as China Apex Group Limited), a company listed on the Main Board of the Stock Exchange (stock code: 2011) from 2017 to 2019 and Ascent International Holdings Limited (currently renamed as China International Development Corporation Limited), a company listed on the Main Board of the Stock Exchange (stock code: 264) from 2017 to 2018.

Independent non-executive Directors

Leung King Fai ("**Mr. Leung**"), aged 49, has been an independent non-executive director, a member of the audit committee of the Company (the "**Audit Committee**"), the Remuneration Committee and the Nomination Committee since 9 June 2015. He has been appointed as the chairman of the Audit Committee with effect from 2 April 2016 and the chairman of the Remuneration Committee with effect from 12 December 2016. Mr. Leung graduated from the Deakin University with a Bachelor degree in Commerce in 1996. He is a member of the Hong Kong Institute of Certified Public Accountants, CPA Australia and Chartered Institute of Management Accountants. He has over 21 years of experience in accounting, audit and finance.

He is also an independent director of Planet Green Holdings Corp. (stock code: PLAG), a company listed on New York Stock Exchange (**NYSE**) since 1 July 2019. Mr. Leung was an executive director of Chineseinvestors.com Inc. ("**Chineseinvestors.com Inc.**") (stock code: CIIX), a company listed on the OTCQB of United States from 1 March 2019 to 3 December 2020. He was an independent director of Chineseinvestors.com Inc. from November 2017 to February 2019. Mr. Leung was an executive director of Kirin Group Holdings Limited (stock code: 8109), a company listed on GEM of the Stock Exchange, from February 2015 to February 2019.

Chan Yau Ching, Bob ("**Dr. Chan**"), aged 58, has been an independent non-executive director, a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company since 3 September 2018. He is a holder of a Doctorate degree in Finance. Dr. Chan graduated from the Chinese University of Hong Kong and obtained a Bachelor's degree in Business Administration in 1984. He further obtained a Master degree in Business Administration from the University of Wisconsin-Madison, the United States of America ("**US**") in 1986, and a Doctorate degree in Finance from Purdue University, US in 1994. Dr. Chan is a member of the Chartered Financial Analyst Institution and the Hong Kong Society of Financial Analysts.

Since April 2009, Dr. Chan has been a licenced representative/responsible officer engaging in Type 4 (advising of securities) and Type 9 (asset management) regulated activities under the SFO.

Dr. Chan was appointed as an executive director and the chief strategic officer of Celestial Asia Securities Holdings Limited (stock code: 1049) from August 2002 to February 2005, and later as the investment director from November 2005 to July 2010, where he was mainly responsible for strategic investment projects and asset management.

Dr. Chan was appointed as a managing director of Pricerite Group Limited (stock code: 996, currently known as Carnival Group International Holdings Limited) from November 2003 to November 2004, which primarily engaged in the retail of furniture and household products. During 2005 to 2007, Dr. Chan was appointed as the chief financial officer of Moli Group Limited (摩力集團有限公司), Shanghai, the People's Republic of China (a wholly-owned subsidiary of Celestial Asia Securities Holdings Limited), which was a developer, operator and distributor of online games, where he was mainly responsible for building accounting, finance and control procedures and policies and in charge of the human resources. Dr. Chan was later appointed as the chief executive officer of Moli Group Limited from July 2010 to October 2012, where he was mainly responsible for the re-focusing of the company's business covering online and mobile entertainment.

Dr. Chan was appointed as the deputy chief executive officer and an executive director of Celestial Asia Securities Holdings Limited from November 2012 to July 2013, and later as the director of investments and corporate development from August to November 2013, where he was mainly responsible for the overall business development and the design and development of algorithm trading strategies respectively.

Since January 2002, Dr. Chan has been appointed as an independent non-executive director of Lee's Pharmaceutical Holdings Limited (stock code: 950), which principally engaged in the research, development, manufacturing and distribution of biopharmaceutical drugs in China.

Since March 2014, Dr. Chan has been appointed as a managing director of KBR Capital Limited, where he is mainly responsible for asset management, advising on capital market transactions and investment management. Dr. Chan is currently a managing director and a responsible officer of KBR Fund Management Limited, which is a licenced corporation carrying out Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO.

Since December 2016, Dr. Chan has been appointed as an independent non-executive director of China High Speed Transmission Equipment Group Company Limited (stock code: 658), which principally engaged in the design, manufacturing and distribution of transmission systems for wind powered generators with customers globally.

Dr. Chan has been appointed as an independent director of Hangzhou Huaxing Chuangye Communication Technology Co., Ltd. (杭州華星創業通信技術股份有限公司) (stock code: 300025) from December 2018 to December 2020, the shares of which are listed on ChiNext of the Shenzhen Stock Exchange.

Leung Hoi Ming ("**Dr. Leung**"), aged 53, has been appointed as an independent non-executive Director, a member of the Audit Committee, the Remuneration Committee and the Nomination Committee since 30 April 2021. He has extensive knowledge and experience in risk management of financial instruments, treasury business and financial derivative products. He has served DBS Bank Ltd for eight years and was Senior Vice President in the Treasury and Markets Division upon his departure from the bank on 22 May 2009. Dr. Leung started his career in the finance industry in 1996 with Citibank as quantitative analyst in the Equity Derivatives Asia Department. He had served a few other financial institutes before joining DBS Bank Ltd as a financial product specialist as well and had held various roles in business development, trading and risk management.

Dr. Leung holds a Bachelor (First Class Honours) degree of Science from the Chinese University of Hong Kong in 1990. Also, he holds a Master degree of Science in Mathematics in 1993 and a Doctor degree of Philosophy in Mathematics in 1996 both from the California Institute of Technology, and a Master degree of Science in Investment Management from the Hong Kong University of Science and Technology in 1999.

He is currently an independent non-executive director of Yuan Heng Gas Holdings Limited (stock code: 332) and Fresh Express Delivery Holdings Group Co., Limited (stock code: 1175) since 19 January 2010 and 8 July 2013 respectively.

11. EXPENSES

The expenses in connection with the Rights Issue, including professional fees payable to lawyers, reporting accountants and financial printer, etc., are estimated to be approximately HK$3 million and will be payable by the Company.

12. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.irasia.com/listco/hk/daisho) for 14 days from the date of this circular:

(a) the material contracts referred to in the paragraph headed "8. MATERIAL CONTRACTS" in this appendix;

(b) the letter issued by the reporting accountants regarding the unaudited pro forma financial information as set out in appendix II to this circular;

(c) the written consents referred to in the paragraph headed "9. EXPERTS AND CONSENTS" in this appendix;

(d) the letter from the Board, the text of which is set out on pages 6 to 24 of this circular;

(e) the letter from the Independent Board Committee, the text of which is set out on page 25 of this circular; and

(f) the letter from the Independent Financial Adviser, the text of which is set out on pages 26 to 52 of this circular.

DAISHO MICROLINE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0567)

NOTICE IS HEREBY GIVEN that a special general meeting ("**SGM**") of Daisho Microline Holdings Limited (the "**Company**") will be held at Room 203, 2/F, Duke of Windsor Social Service Building, No. 15 Hennessy Road, Wanchai, Hong Kong at 11:00 a.m. on Thursday, 11 November 2021 for the purpose of considering and, if thought fit, passing the following resolution with or without amendments as ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT** subject to the satisfaction of the conditions set out in the letter from the board under the heading "Conditions of the Rights Issue" in the circular of the Company dated 25 October 2021 (the "**Circular**"):

(a) the issue by way of rights shares (the "**Rights Issue**") of up to 806,643,785 Shares (the "**Rights Shares**" and each a "**Rights Share**") at a subscription price of HK$0.1 per Rights Share to the qualifying shareholders (the "**Qualifying Shareholders**") of the Company whose names appear on the register of members of the Company on Tuesday, 23 November 2021 or such other date as may be determined by the Company for the determination of the entitlements under the Rights Issue (the "**Record Date**") (other than those shareholders (the "**Excluded Shareholders**") with registered addresses outside Hong Kong whom the Directors of the Company, after making relevant enquiry, consider their exclusion from the Rights Issue to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place) on the basis of one (1) Rights Share for every one share of the Company then held on the Record Date and pursuant to the terms and conditions as set out in the circular issued by the Company dated 25 October 2021 of which this notice convening the SGM forms part, be and is hereby approved;

(b) the underwriting agreement (the "**Underwriting Agreement**") dated 2 September 2021 (as supplemented by the supplemental underwriting agreement dated 19 October 2021) and entered into among the Company and Kingston Securities Limited (a copy of which has been produced to the SGM marked "A" and signed by the chairman of the SGM for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(c) any one of the Directors be and is hereby authorised to allot and issue the Rights Shares (in their nil-paid form and fully-paid form) pursuant to and in connection with the Rights Issue notwithstanding the Rights Shares may be offered, allotted or issued otherwise than *pro rata* to the Qualifying Shareholders and, in particular, any Director be and is hereby authorised to make such exclusions or other arrangements in relation to fractional entitlements and/or the Excluded Shareholder s as he deems necessary, desirable or expedient having regard to any restrictions or obligations under the articles of association of the Company or the laws of, or the rules and regulations of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong; and

(d) any one of the Directors be and is hereby authorised to do all such acts and things, as he may in his discretion consider necessary, desirable or expedient, for the purposes of or in connection with the implementation of the Rights Issue and the Underwriting Agreement and the transactions contemplated thereunder, including but not limited to the execution of all such documents under seal where applicable, as he considers necessary or expedient in his opinion to implement and/or give effect to the Rights Issue and the Underwriting Agreement and the implementation of all transactions contemplated thereunder, including but not limited to the issue and allotment of Rights Shares and to agree with such variation, amendment or waiver as, in his opinion, appropriate and in the interests of the Company and its shareholders as a whole."

Yours faithfully
For and on behalf of the Board
Lee Man Kwong
Chairman

Hong Kong, 25 October 2021

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

Principal place of business:
Unit A, 10/F.
Fook Hing Industrial Building
33 Lee Chung Street
Chai Wan, Hong Kong

Notes:

1. All resolutions at the meeting will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The results of the poll will be published on the websites of The Stock Exchange of Hong Kong Limited and the Company in accordance with the Listing Rules.

2. Any shareholder of the Company entitled to attend and vote at the meeting is entitled to appoint more than one proxy to attend and on a poll, vote instead of him. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy. Every shareholder present in person or by proxy shall be entitled to one vote for each share held by him.

3. In light of the pandemic situation of Novel Coronavirus (COVID-19), member may consider appointing the chairman of the special general meeting ("**SGM**") as his/her proxy to vote on the resolutions instead of attending SGM in person. There will be no corporate gift or refreshment in the SGM in order to reduce person-to-person contact. Shareholders attending the SGM in person are required to wear surgical face mask at any time within the venue and to undertake a body temperature check before they enter the SGM venue. Any person who does not comply with the precautionary measures to be taken at the SGM will be denied entry into the SGM venue. For the details of precautionary measures for the SGM, please refer to the circular of the Company dated 25 October 2021. Attendees are requested to observe and practise good personal hygiene at all times at the SGM venue.

4. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof, 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 the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the SGM and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

5. The register of members of the Company will be closed from Monday, 8 November 2021 to Thursday, 11 November 2021 (both dates inclusive), during which no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the meeting, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar 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 Friday, 5 November 2021.