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DAISHO MICROLINE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0567)

SUPPLEMENTAL PLACING AGREEMENT

Placing Agent

 **KINGSTON SECURITIES**

Reference is made to (i) the announcement of the Company dated 24 January 2017 in relation to, among others, the proposed placing of convertible bonds of the Company in the principal amount of up to HK\$130 million under the specific mandate pursuant to the 2016 Placing Agreement; and (ii) the announcements of the Company dated 28 February 2017 and 20 March 2017 respectively in relation to, among others, the placing of 96,000,000 new Shares under the general mandate of the Company pursuant to the 2017 Placing Agreement.

In view of the successful placing of 96,000,000 new Shares under the general mandate of the Company on 20 March 2017 pursuant to the 2017 Placing Agreement, the Company has on 26 May 2017 (after trading hours of the Stock Exchange) entered into the Supplemental Placing Agreement with the Placing Agent to amend certain terms of the 2016 Placing Agreement. Pursuant to the Supplemental Placing Agreement, the maximum principal amount of the convertible bonds to be placed, on a best effort basis, by the Placing Agent pursuant to the 2016 Placing Agreement has been revised from HK\$130 million to HK\$80 million, the conversion price of the Convertible Bonds has been revised from HK\$0.65 per Share (subject to adjustment) to HK\$0.360 (subject to adjustment), the interest rate attached to the Convertible Bonds has been revised from 8% per annum to 6% per annum on the principal amount of the Convertible Bonds outstanding from time to time, and the default interest rate has been revised from 5% per annum to 6% per annum. The Long Stop Date has been revised to be on or before (i) the date falling on the 30th day after the date of the SGM or (ii) the date falling 12 months after the date of the 2016 Placing Agreement, whichever is earlier, or such later date as may be agreed between the Placing Agent and the Company.

Save and except for the amendments mentioned above and such other alterations as may be necessary to make the 2016 Placing Agreement consistent with the Supplemental Placing Agreement, all other terms and provisions of the 2016 Placing Agreement remain the same and unchanged and the 2016 Placing Agreement remains in full force and effect.

Assuming the exercise in full of the conversion rights attaching to the Convertible Bonds at the revised conversion price of HK\$0.360 per Share, a maximum of 222,222,222 Conversion Shares will be issued pursuant to such conversion, representing approximately 38.56% of the Company's existing issued share capital of 576,243,785 Shares, and approximately 27.83% of the Company's issued share capital of 798,466,007 Shares as enlarged by the issue and allotment of the Conversion Shares. The allotment and issue of the Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Bonds will be made under the specific mandate to be sought from the Shareholders at the SGM by way of an ordinary resolution.

Assuming the maximum amount of the Convertible Bonds is placed under the Amended 2016 Placing Agreement, the net proceeds from the issue of the Convertible Bonds, after deduction of related expenses, are estimated to be approximately HK\$75.0 million and are intended to be used for the purposes as disclosed in the section headed "The revised use of proceeds" as set out in this announcement.

No listing of the Convertible Bonds will be sought on the Stock Exchange or any other stock exchanges. The Company will apply to the Listing Committee for the listing of, and the permission to deal in, the Conversion Shares.

Under Rule 13.36(1)(a) of the Listing Rules, the consent of Shareholders in general meeting of the Company shall be obtained prior to the Directors allotting and issuing securities of the Company convertible into Shares. The SGM will be convened to propose a resolution to approve the Amended 2016 Placing Agreement and the transactions contemplated thereunder (including the issue of the Convertible Bonds and the grant of the specific mandate for the allotment and issue of the Conversion Shares).

A circular containing, among other things, further details of the Amended 2016 Placing Agreement and the transactions contemplated thereunder (including the issue of the Convertible Bonds and the grant of the specific mandate for the allotment and issue of the Conversion Shares), together with a notice of the SGM and a form of proxy, will be despatched by the Company to the Shareholders as soon as practicable.

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

Reference is made to (i) the announcement of the Company dated 24 January 2017 in relation to, among others, the proposed placing of convertible bonds of the Company in the principal amount of up to HK\$130 million under the specific mandate pursuant to the 2016 Placing Agreement; and (ii) the announcements of the Company dated 28 February 2017 and 20 March 2017 respectively in relation to, among others, the placing of 96,000,000 new Shares under the general mandate of the Company pursuant to the 2017 Placing Agreement.

THE SUPPLEMENTAL PLACING AGREEMENT

In view of the successful placing of 96,000,000 new Shares under the general mandate of the Company on 20 March 2017 pursuant to the 2017 Placing Agreement, the Company has on 26 May 2017 (after trading hours of the Stock Exchange) entered into the Supplemental Placing Agreement with the Placing Agent to amend certain terms of the 2016 Placing Agreement. Pursuant to the Supplemental Placing Agreement, the maximum principal amount of the convertible bonds to be placed, on a best effort basis, by the Placing Agent pursuant to the 2016 Placing Agreement has been revised from HK\$130 million to HK\$80 million, the conversion price of the Convertible Bonds has been revised from HK\$0.65 per Share (subject to adjustment) to HK\$0.360 (subject to adjustment), the interest rate attached to the Convertible Bonds has been revised from 8% per annum to 6% per annum on the principal amount of the Convertible Bonds outstanding from time to time, and the default interest rate has been revised from 5% per annum to 6% per annum. The long stop date for fulfilling the Conditions Precedent (the “**Long Stop Date**”) has been revised to be on or before (i) the date falling on the 30th day after the date of the SGM or (ii) the date falling 12 months after the date of the 2016 Placing Agreement, whichever is earlier, or such later date as may be agreed between the Placing Agent and the Company.

Save and except for the amendments mentioned above and such other alterations as may be necessary to make the 2016 Placing Agreement consistent with the Supplemental Placing Agreement, all other terms and provision of the 2016 Placing Agreement remain the same and unchanged and the 2016 Placing Agreement remains in full force and effect.

The revised terms of the 2016 Placing Agreement (i.e. the revised maximum principal amount of the Convertible Bonds, the revised conversion price and the revised interest rate attached to the Convertible Bonds) as provided in the Supplemental Placing Agreement were arrived at after arm’s length negotiations between the Company and the Placing Agent with reference to the recent market prices of the Shares and the current market condition.

The revised conversion price of HK\$0.360 per Share represents the closing price of HK\$0.360 per Share quoted on the Stock Exchange on 26 May 2017, being the date of the Supplemental Placing Agreement, and a discount of approximately 2.17% to the average closing price of HK\$0.368 per Share quoted on the Stock Exchange for the five consecutive trading days up to and including 26 May 2017, being the date of the Supplemental Placing Agreement.

Assuming the exercise in full of the conversion rights attaching to the Convertible Bonds at the revised conversion price of HK\$0.360 per Share, a maximum of 222,222,222 Conversion Shares will be issued pursuant to such conversion, representing approximately 38.56% of the Company's existing issued share capital of 576,243,785 Shares, and approximately 27.83% of the Company's issued share capital of 798,466,007 Shares as enlarged by the issue and allotment of the Conversion Shares. The allotment and issue of the Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Bonds will be made under the specific mandate to be sought from the Shareholders at the SGM by way of an ordinary resolution.

No listing of the Convertible Bonds will be sought on the Stock Exchange or any other stock exchanges. The Company will apply to the Listing Committee for the listing of, and the permission to deal in, the Conversion Shares.

CONDITIONS PRECEDENT

Completion is conditional upon the fulfillment of the following conditions precedent:

- (a) the Listing Committee of the Stock Exchange having granted (either unconditionally or subject only to conditions to which neither the Company nor the Placing Agent shall reasonably object) and not having withdrawn or revoked the approval of the listing of, and the permission to deal in, the Conversion Shares;
- (b) the Shareholders having approved at the SGM the Amended 2016 Placing Agreement and the transactions contemplated thereunder (including the issue of the Convertible Bonds and the specific mandate for the allotment and issue of the Conversion Shares upon exercise of the conversion rights attaching to the Convertible Bonds); and
- (c) other necessary approvals, consents or authorization for the entering into of the Amended 2016 Placing Agreement and the transactions contemplated thereunder (if any) having been obtained.

Pursuant to the Amended 2016 Placing Agreement, if the Conditions Precedent are not fulfilled on or before the Long Stop Date, the Amended 2016 Placing Agreement will lapse.

THE REVISED USE OF PROCEEDS

Assuming the maximum amount of the Convertible Bonds is placed under the Amended 2016 Placing Agreement, the net proceeds from the issue of such Convertible Bonds, after deduction of related expenses in connection with the Placing (including placing commission and professional advisors fees, costs and expenses), are estimated to be approximately HK\$75 million, and assuming the exercise in full of the conversion rights attaching to the Convertible Bonds at the revised conversion price of HK\$0.360, the net price of each Conversion Share is therefore approximately HK\$0.338.

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

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

The Group has also undertaken the business of indent trading of petrochemical products as well as petroleum and energy products since mid 2016 with a view to facilitate business diversification, create a new income stream to the Group in the long run and improve the overall performance of the Group. Under the indent trading business, the Company will serve as an agent and source petroleum related products from a variety of suppliers for buyers or vice versa as per the specific requirements of the suppliers or the buyers (as the case may be) on a case-by-case basis. It is also intended that approximately HK\$68 million out of the net proceeds from the Placing will be used to develop the business of indent trading of petroleum related products, a breakdown of which is set out below:

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

LISTING RULES IMPLICATIONS

Under Rule 13.36(1)(a) of the Listing Rules, the consent of Shareholders in general meeting of the Company shall be obtained prior to the Directors allotting and issuing securities of the Company convertible into Shares. The SGM will be convened to propose a resolution to approve the Amended 2016 Placing Agreement and the transactions contemplated thereunder (including the issue of the Convertible Bonds and the grant of the specific mandate for the allotment and issue of the Conversion Shares).

A circular containing, among other things, further details of the Amended 2016 Placing Agreement and the transactions contemplated thereunder (including the issue of the Convertible Bonds and the grant of the specific mandate for the allotment and issue of the Conversion Shares), together with a notice of the SGM and a form of proxy, will be despatched by the Company to the Shareholders as soon as practicable.

CHANGE IN SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming the exercise in full of the conversion rights attaching to the Convertible Bonds at the revised conversion price of HK\$0.360 per Share, a maximum of 222,222,222 Conversion Shares will be issued, representing approximately 38.56% of the Company's existing issued share capital of 576,243,785 Shares, and approximately 27.83% of the Company's issued share capital of 798,466,007 Shares as enlarged by the issue and allotment of the Conversion Shares.

EFFECT OF FULL CONVERSION OF THE CONVERTIBLE BONDS

Assuming the maximum amount of the Convertible Bonds is placed under the Placing, the following table illustrates the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after allotment and issue of the Conversion Shares upon full conversion of the Convertible Bonds (for illustration purpose only):

Shareholders	As at the date of this announcement		Immediately after allotment and issue of the Conversion Shares upon full conversion of the Convertible Bonds	
	Number of Shares held	Percentage of shareholding (approx.) (%)	Number of Shares held	Percentage of shareholding (approx.) (%)
Bondholders	–	–	222,222,222	27.83
Cheung Ling Mun (<i>Note</i>)	120,068,000	20.84	120,068,000	15.04
Daisho Denshi Co., Ltd.	50,000,000	8.68	50,000,000	6.26
Other public Shareholders	406,175,785	70.48	406,175,785	50.87
Total	576,243,785	100.00	798,466,007	100.00

Note:

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

GENERAL

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

DEFINITIONS

In this announcement, the following expressions have the following meanings unless otherwise requires.

“2016 Placing Agreement”	the conditional placing agreement dated 28 November 2016 entered into between the Company and the Placing Agent in relation to the placing of the convertible bonds of the Company in the principal amount of up to HK\$130 million on a best effort basis
“2017 Placing Agreement”	the placing agreement dated 28 February 2017 entered into between the Company and the Placing Agent in respect of the placing of 96,000,000 new Shares at a placing price of HK\$0.50 per Share
“Amended 2016 Placing Agreement”	the 2016 Placing Agreement as amended and supplemented by the Supplemental Placing Agreement
“Board”	the board of Directors
“Bondholder(s)”	the person(s) who is/are for the time being the holder(s) of the Convertible Bonds
“Company”	Daisho Microline Holdings Limited, a company incorporated in Bermuda, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Placing
“Conditions Precedent”	the conditions precedent set out under the section headed “Conditions Precedent” of this announcement
“Conversion Share(s)”	new Share(s) to be allotted and issued to the Bondholder(s) upon exercise of the conversion rights attached to the Convertible Bonds
“Convertible Bonds”	the convertible bonds in the principal amount of up to HK\$80 million proposed to be issued by the Company pursuant to the Amended 2016 Placing Agreement
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	has the meaning ascribed to it under the section headed “The Supplemental Placing Agreement” in this announcement
“PCB”	printed circuit boards
“Placing”	the placing of the Convertible Bonds pursuant to the Amended 2016 Placing Agreement
“PRC”	the People’s Republic of China, which for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“SGM”	the special general meeting of the Company to be convened for considering and, if thought fit, to approve the Amended 2016 Placing Agreement and the transactions contemplated thereunder and to grant the specific mandate for the issue and allotment of the Conversion Shares
“Share(s)”	the share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	the holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Placing Agreement”	the supplemental placing agreement entered into between the Company and the Placing Agent dated 26 May 2017 in relation to the 2016 Placing Agreement pursuant to which certain terms of the 2016 Placing Agreement have been amended
“%”	per cent.

By order of the Board
Cheung Lai Na
Interim Chairman

Hong Kong, 26 May 2017

As at the date of this announcement, the Board consists of two executive Directors, namely, CHEUNG Lai Na and CHEUNG Lai Ming, one non-executive Director, namely, LEE Man Kwong, and three independent non-executive Directors, namely, YEUNG Chi Shing Bret, LEUNG King Fai and CHOU Yuk Yan.