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DAISHO MICROLINE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0567)

FORMATION OF JOINT VENTURE AND DISCLOSEABLE TRANSACTION IN RELATION TO THE PROVISION OF FINANCIAL ASSISTANCE TO JOINT VENTURE

The Board is pleased to announce that, on 13 July 2022, after trading hours, Digital Mind entered into the JV Agreement with LBG, in relation to, among other matters, (i) the subscription of the JV Shares and (ii) the possible provision of shareholder's loan to the JV. Upon completion of the subscription of JV Shares, the JV will be owned as to 60% by LBG and 40% by Digital Mind, and the financial results of the JV will not be consolidated into the financial statements of the Group.

Pursuant to the JV Agreement, for the purpose of subscribing the SP Fund by the JV, each of LBG and Digital Mind shall provide to the JV financing in proportion to their respective shareholding in the JV, either by way of shareholder's loan funded with internal resources or to procure third parties to provide financing. The shareholder's loan committed by Digital Mind, if materialised, shall be in the principal amount of HK\$19,844,000.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratios (as defined under the Listing Rules) in respect of the provision of shareholder's loan by Digital Mind to the JV exceeds 5% but is less than 25%, the provision of shareholder's loan, if materialised, will constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

Reference is made to the announcement of the Company dated 8 June 2022 regarding the entering into of the Memorandum of Understanding by Digital Mind and LBG in relation to, among other matters, (i) the proposed establishment of the SP Fund; (ii) the proposed subscription of the SP Fund by Digital Mind and LBG; and (iii) the proposed formation of the general partnership of the SP Fund.

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THE JV AGREEMENT

A summary of the principal terms of the JV Agreement is set out below:-

Date 13 July 2022

- Parties**
- (1) LBG;
 - (2) Digital Mind; and
 - (3) the JV.

As at the date of this announcement and to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, LBG and the JV, and their respective ultimate beneficial owners, are independent of and not connected with the Company and its connected persons.

Name of the JV Noricap Fund G. P. Ltd.

Place of incorporation of the JV The Cayman Islands

Purpose and business of the JV To act as the general partner of the SP Fund

Proposed share capital of JV USD50,000 divided into 50,000 JV Shares

- Capital contributions**
- USD30,000 to be contributed by LBG by way of subscription of 30,000 JV Shares, representing 60% of the total issued share capital of the JV

- USD20,000 to be contributed by Digital Mind by way of subscription of 20,000 JV Shares, representing 40% of the total issued share capital of the JV

The JV shall allot and issue the JV Shares, and each of LBG and Digital Mind shall subscribe for their respective proportion of the JV Shares with payment in full within 3 months from the date of the JV Agreement.

Shareholder’s loan/third party financing

For the purpose of subscribing the SP Fund by the JV, each of LBG and Digital Mind shall provide to the JV financing in proportion to their respective shareholding in the JV, i.e. in the principal amount of HK\$29,766,000 and HK\$19,844,000 respectively, either by way of shareholder’s loan funded with internal resources or to procure third parties to provide financing.

The terms of any third party financing shall be approved by the management committee of the JV, whereas the shareholder’s loan shall contain the following principal terms:-

Principal amount	LBG: HK\$29,766,000 Digital Mind: HK\$19,844,000
Security	Unsecured
Repayment date	The date falling on the last day of the third full financial year commencing after the date of the provision of the shareholder’s loan
Interest rate and payment	1% per annum, payable on each financial year end date

JV board composition

The board of directors of the JV shall consist of two directors, one of which shall be nominated by LBG and the other shall be nominated by Digital Mind.

JV shareholders voting arrangements

Each JV Share shall confer upon the holder one vote at a meeting of the JV shareholders or to vote on a resolution (including written resolutions) of the JV shareholders, and resolutions of the JV shareholders shall be passed by a simple majority save for certain resolutions which require the unanimous consent of all shareholders, including but not limited to, (i) issuing or agree to issue any new JV Shares, preferential shares, warrants, options, convertible securities, or granting any right to call for the issue of any share of the JV, (ii) passing of any resolution to enter liquidation, to wind up or entering into receivership, (iii) determining the dividend and distribution policy of the JV, (iv) transferring of any shareholding or equity interest in the JV by any shareholder, (v) amending the rights attached to any class of shares of the JV or the consolidation, subdivision or conversion of the shares of the JV, or (vi) the granting of loans, debt financing, issuance of bonds or any convertible securities, or the creation of any encumbrances on the assets of the JV.

Management of the JV

The daily operation of the JV is delegated by the board of directors of the JV to the management committee which shall consist of three members, of which LBG and Digital Mind shall each nominate one member and the remaining committee member shall be jointly nominated by LBG and Digital Mind.

Restrictions on transfer of JV Shares and shareholders' loan

None of the shareholders of the JV, except with the prior written consent of the other shareholder and subject to the incoming shareholder executing a deed undertaking to comply with all applicable terms and conditions of the JV Agreement, shall sell, transfer or otherwise dispose of or create any pledge or lien over any JV Shares or the shareholders' respective shareholder's loan (if any).

Dividend and distribution policy

The financial year end date of the JV is 31 December. Upon unanimous consent of the JV shareholders, all profits available for distribution shall be distributed to the shareholders of the JV by way of dividends in proportion to their respective shareholding in the JV.

INFORMATION OF THE PARTIES TO THE JV AGREEMENT

The Group is principally engaged in 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.

Digital Mind is a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of the Company. Digital Mind is principally engaged in investment holding.

LBG is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding. It is a wholly-owned subsidiary of 勞埃德私募基金管理有限公司 (transliterated in English as LIOYDS PRIVATE EQUITY FUND MANAGEMENT LIMITED) (“LIOYDS”), a company established in the PRC with limited liability and is principally engaged in private equity investment funds management, venture capital funds management, risk investment funds management and funds of funds (FOF) management. LIOYDS is a registered private equity funds management entity under the Asset Management Association of China and is a Qualified Foreign Limited Partnership (QFLP) recognised by the People’s Bank of China and 青島市地方金融管理局 (transliterated in English as Qingdao Local Financial Administration). The ultimate beneficial owner of LBG is a leading retail and commercial financial services provider in the United Kingdom.

The JV is a company incorporated in the Cayman Islands with limited liability. Upon completion of the subscription of JV Shares, the JV will be owned as to 60% by LBG and 40% by Digital Mind, hence, the JV will not become a subsidiary of the Company and the financial results of the JV will not be consolidated into the financial statements of the Group. The JV will act as the general partner of the SP Fund.

REASONS FOR AND BENEFITS OF THE FORMATION OF JV AND PROVISION OF SHAREHOLDER’S LOAN

The Board is of the view that the formation of JV by way of subscription of the JV Shares, and the possible provision of the shareholder’s loan for the purpose of the subsequent subscription of the SP Fund, will present an investment opportunity to maximise return on the Group’s funds by making investments in emerging sectors such as energy and technology. The investment in the JV and the subsequent investment in the SP Fund, will allow the Group to diversify its business and sources of revenue which in turn will bring positive impact to the Group’s financial position in terms of cash flow and gearing ratio.

Having considered the experience, reputation and expertise of LBG and its shareholder, the proposed manager and other advisory bodies to the JV and the SP Fund, the Board considers that the formation of the JV and the possible provision of shareholder’s loan enable the Company to bring in new strategic partners to leverage on their respective strengths, reputation and expertise for the further development and expansion of the existing businesses and new potential projects of the Group. Hence, in view of the above, the Board considers that the terms of the JV Agreement, including the subscription of the JV Shares and the possible provision of shareholder’s loan, is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

As the highest applicable percentage ratios (as defined under the Listing Rules) in respect of the provision of shareholder’s loan by Digital Mind to the JV exceeds 5% but is less than 25%, the provision of shareholder’s loan, if materialised, will constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

DEFINITIONS

Unless otherwise stated or the context requires otherwise, the terms in this announcement have the following meanings:

“Board”	the board of the Directors
“Company”	Daisho Microline Holdings Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 567)
“connected person(s)”	has the meaning ascribed to it in the Listing Rules and “connected” shall be construed accordingly
“Digital Mind”	Digital Mind Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JV”	the subject joint venture company under the JV Agreement, namely Noricap Fund G. P. Ltd. which is a company incorporated in the Cayman Islands with limited liability to be owned as to 40% by Digital Mind and 60% by LBG and to act as the general partner of the SP Fund
“JV Agreement”	the joint venture agreement dated 13 July 2022 entered into between Digital Mind and LBG in relation to, among other matters, (i) the subscription of the JV Shares and (ii) the possible provision of shareholder’s loan to the JV
“JV Shares”	the ordinary shares of USD1.00 each in the share capital of the JV
“LBG”	LBG Equity Investments (HK) Co., Limited, formerly known as Communication Control (Hong Kong) Holding Limited, a company incorporated in Hong Kong with limited liability

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Memorandum of Understanding”	the memorandum of understanding dated 8 June 2022 entered into between Digital Mind and LBG in relation to, among other matters, (i) the proposed establishment and management of the SP Fund; (ii) the proposed subscription of the SP Fund by Digital Mind and LBG; and (iii) the proposed formation of the JV
“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Share(s)”	share(s) of the Company
“Shareholder(s)”	holder(s) of the Shares
“SP Fund”	an exempted company to be incorporated in the Cayman Islands and registered as a segregated portfolio company, the management shares of which are entirely owned by the JV
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“USD”	United States dollars, the lawful currency of the United States of America
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 13 July 2022

As at the date of this announcement, the Board comprises two executive Directors, namely, LEE Man Kwong and WONG Siu Hung, Patrick, one non-executive Director, namely, YAU Pak Yue and three independent non-executive Directors, namely, LEUNG King Fai, CHAN Yau Ching, Bob and LEUNG Hoi Ming.