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DAISHO MICROLINE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0567)

SUPPLEMENTAL INFORMATION IN RELATION TO ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2018

Reference is made to the annual report of Daisho Microline Holdings Limited (the “**Company**”) for the year ended 31 March 2018 (the “**2018 Annual Report**”) published by the Company on 11 July 2018. Under otherwise expressly indicated, capitalised terms used herein shall have the same meanings as those defined in the 2018 Annual Report.

In addition to the information provided in the 2018 Annual Report, the Company would like to provide supplemental information under the paragraphs headed “Use of proceeds from the placing of Convertible Bonds under specific mandate” in the section headed “Management Discussion and Analysis” and “Significant Related Party Transaction” in the section headed “Notes to the Consolidated Financial Statements” of the 2018 Annual Report.

USE OF PROCEEDS FROM THE PLACING OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

Pursuant to the Supplemental Placing Agreement date 26 May 2017, Convertible Bonds with an aggregate principal amount of HK\$80,000,000 had been placed to not less than six Places and the placing was completed on 22 September 2017.

Based on the initial Conversion Price of HK\$0.36 per Conversion Share, 222,222,222 Conversion Shares would be allotted and issued by the Company upon exercise in full of the conversion rights attaching to the Convertible Bonds successfully placed, representing approximately 27.83% of the total issued share capital of the Company as enlarged by the issue of such Conversion Shares. Convertible bonds with coupon interest rate of 6% per annum payable quarterly in arrears in the principal of HK\$80,000,000 will mature on the third anniversary of the issue date. The Company has the right to redeem the Convertible Bonds in whole or in part at any time before the maturity date at its face value. The holders of Convertible Bonds had not exercised the conversion rights and the Company had not redeemed any amounts of the Convertible Bonds during the year ended 31 March, 2018. The net proceeds from the issue of the Convertible Bonds were approximately HK\$77.2 million. Approximately HK\$61.06 million had been utilized for the year ended 31 March 2018 and the remaining balance of approximately HK\$16.14 million had been utilized during the six month ended 30 September 2019.

Set out below is a breakdown of the actual use of the net proceeds of approximately HK\$16.14 million during the six months ended 30 September 2018:

	Utilization during 6 months ended 30 September 2018 <i>(HK\$ million)</i>
(1) Deposit for purchase of vessels	4.6
(2) Purchase of petroleum related products	–
(3) Purchase of new machineries of existing PCB business	0.01
(4) Marketing development	0.13
(5) Working capital for petroleum trading business	11.4
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	16.14
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MAJOR AND CONTINUING CONNECTED TRANSACTION AND SIGNIFICANT PARTY TRANSACTIONS

On 29 September 2017, the Company (the “**Purchaser**”) and Inter-Pacific Group Pte. Limited (the “**Vendor**”), entered into (i) the Sale and Purchase Agreement, pursuant to which, the Purchaser conditionally agreed to acquire, and the Vendor, as beneficial owner of the Vessels, conditionally agreed to dispose, the Vessels at an aggregate consideration of HK\$196,480,000; and (ii) the Master Lease Agreement, pursuant to which, the Company would lease the Vessels to the Vendor and would take effect from the first completion until 31 March 2020. Details of the transactions are set out in the Company’s circular dated 27 December 2017. The transactions were approved by the Company’s shareholders at the special general meeting on 16 January 2018.

As disclosed in the Company’s circular, the Vendor was principally engaged in oil trading business and then owned as to 50% by Ms. Cheung Lai Na, a substantial shareholder and an executive director of the Company and 50% by Individual Third Parties. On this basis, the Vendor was a connected person to the Company.

On 27 March 2018, one of the four Vessels (namely Pacific Energy 28) was delivered to the Group and the promissory note in the principal amount of HK\$33,310,000 was issued to the Vendor upon fulfillment of the conditions set out in the Sale and Purchase agreement. The remaining three Vessels which had not been delivered to the Group as at 31 March 2018 were estimated to deliver to the Group during the coming financial year and the Company would further require to issue two promissory notes in aggregate principal amount of HK\$113,170,000 to the Vendor.

The Master Lease Agreement only sets out the principal terms in relation to the leasing of the Vessels. The more specific and detailed operating terms are governed by the charter agreements between the Company and the charterers regarding the leasing of the individual Vessels.

Pursuant to the charter agreement dated 31 March 2018 (“**Charter Agreement**”) entered into between the Company and the Vendor, Pacific Energy 28 was only delivered to the subsidiary of the Vendor (the “**Charterers**”) on 1 April 2018 and therefore no chartering income had been recognized for the year ended 31 March 2018.

For the year ended 31 March 2018, the Company had following transactions with related parties in addition to the details already disclosed in the annual report for the year:

RELATED PARTY TRANSACTION

Settlement of the Consideration for the Acquisition of Pacific Energy 28 by the Company from the Vendor, an associate of a substantial shareholder of the Company:

	2018 <i>HK\$'000</i>
15% upon signing of the Sale and Purchase Agreement in cash	6,702
85% upon Completion of the acquisition of one of the four Vessels (Pacific Energy 28) during the year by way of	
(i) Cash	4,668
(ii) Promissory Note (principal amount of HK\$33,310,000)	28,272
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Total consideration for Pacific Energy 28	<u>39,642</u>

In addition to the completion of the acquisition of one of the Vessels, refundable deposits of HK\$22,770,000 in relation to the remaining three Vessels which were paid on 29 September 2017 by the Company in accordance with the Sale and Purchase Agreement were recognised as deposits paid for acquisition of property, plant and equipment as at 31 March 2018.

The above additional information does not affect other information contained in the 2018 Annual Report and save as disclosed above, all other information in the 2018 Annual Report remains unchanged.

By Order of the Board
Cheung Lai Ming
Chairman

Hong Kong, 1 November 2019

As at the date of this announcement, the Board comprises the following members:

Executive directors:

CHEUNG Lai Ming (*Chairman*)
LEE Man Kwong
LAW Ping Wah

Independent non-executive directors:

CHOU Yuk Yan
LEUNG King Fai
Dr. CHAN Yau Ching, Bob