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DAISHO MICROLINE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0567)

UPDATE ON MAJOR AND CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION AND INSIDE INFORMATION

This announcement is made by Daisho Microline Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to the announcements of the Company dated 29 September 2017, 16 January 2018, 16 March 2018, 14 June 2018, 2 April 2019 and 19 August 2019 (the “**Announcements**”) and the circular of the Company dated 27 December 2017 (the “**Circular**”) in relation to, among other things, the acquisition of the four vessels, namely Pacific Energy 28, Pacific Energy 138, Pacific Energy 8 and Pacific Energy 168 (the “**Vessels**”), by the Company from Inter-Pacific Group Pte. Limited (the “**Vendor**”), and the leasing of the Vessels by the Company (as lessor) to the Vendor (as lessee) under the Master Lease Agreement (the “**Transactions**”). Unless otherwise stated, capitalized terms used herein shall have the same meanings as those defined in the Circular.

UPDATE ON THE MAJOR AND CONNECTED TRANSACTION

As set out in the Announcements, the acquisitions of Pacific Energy 28 and Pacific Energy 138 were completed on 27 March 2018 and 31 January 2019 respectively. As at the date of this announcement, the acquisition of Pacific Energy 8 and Pacific Energy 168 has not been completed. Under the Sale and Purchase Agreement, the Company had paid the Third Deposit in the amount of HK\$14,574,000 with respect to the acquisition of Pacific Energy 8 and Pacific Energy 168.

As further set out in the Announcements, in the event that the conditions precedent of the Sale and Purchase Agreement have not been satisfied or waived by the Company on or before the Long-Stop Date, being 30 September 2019, the Sale and Purchase Agreement shall automatically be terminated, and the relevant deposit paid shall be returned by the Vendor to the Company without interest in immediately available funds within five business days from the Long-Stop Date pursuant to the terms of the Sale and Purchase Agreement. As at the date of this announcement, the conditions precedent of the Sale and Purchase Agreement with respect to the acquisition of Pacific Energy 8 and Pacific Energy 168 have not been fulfilled, in particular, Mortgage 8 and Mortgage 168 have not been discharged in full.

The Board would like to provide an update that on 30 August 2019, the Board was informed by the Vendor that the Vendor is experiencing some financial difficulties. It is expected that the conditions precedent of the Sale and Purchase Agreement will not be satisfied on or before the Long-Stop Date. In the event that the Sale and Purchase Agreement is terminated as mentioned in the preceding paragraph, the Vendor may not be able to fulfill its obligation to return the Third Deposit to the Company by the prescribed deadline.

The Board (other than Ms. Cheung Lai Na who was regarded as having a material interest in the Transactions by virtue of her being a shareholder and director of the Vendor) considers that the possible termination of the Sale and Purchase Agreement with respect to the acquisition of Pacific Energy 8 and Pacific Energy 168 will not cause any material adverse impact on the business, operation or financial condition of the Group. In the event that such termination materializes, the Company will take such action as may be necessary to procure the return of the Third Deposit.

UPDATE ON THE CONTINUING CONNECTED TRANSACTION

As also set out in the Announcements, the Master Lease Agreement, under which the Company was leasing Pacific Energy 28 and Pacific Energy 138 to the Vendor, will be terminated with effect from 30 November 2019. The Board was informed by the Vendor that due to its financial difficulties, it would not be able to make further payments to the Group for the lease of Pacific Energy 28 and Pacific Energy 138 for the three months ending on 30 November 2019. To mitigate the impact of such incident on the Group, by 31 August 2019, the Company, through its wholly owned subsidiaries (the “**Owners**”), entered into two lease contracts to lease Pacific Energy 28 and Pacific Energy 138 to an independent third party (the “**Charterer**”) for a period of six months from the date of the lease contracts, with an option to extend another six months subject to mutually agreed terms and conditions not later than 30 days before the expiry of the lease contracts. Under the terms of the lease contracts, the Charterer shall pay to the Owners monthly chartering fees of SG\$135,000 and SG\$160,000 for Pacific Energy 28 and Pacific Energy 138 respectively, which are higher than the original monthly chartering income for each of Pacific Energy 28 and Pacific Energy 138 in the amount of SG\$135,000 as disclosed in the Company’s annual report for the year ended 31 March 2019. As such, the Board considers that the non-payment by the Vendor for the lease of Pacific Energy 28 and Pacific Energy 138 for the three months ending on 30 November 2019 would not have any significant impact on the business, operation or financial condition of the Group.

UPDATE ON THE GROUP'S TRADING OF PETROLEUM AND ENERGY PRODUCTS AND RELATED BUSINESS

On 30 August 2019, the Group was verbally informed by one of its banks that the banking facilities provided to the Group for its trading of petroleum and energy products and related business was temporarily suspended immediately without giving any reason. As most of the Company's trading of petroleum and energy products have to be financed and negotiated by issuing letters of credit, the suspension of the bank facilities might lead to a substantial decrease in the revenue of the oil trading business of the Group immediately and therefore will have a material impact on the business, operation and financial condition of the Group. The Company is currently negotiating with the bank and is exploring funding alternatives so as to resolve the issue as soon as practicable and minimize the negative impact on the oil trading business of the Group.

Further announcement(s) will be made by the Company to inform the shareholders and potential investors of the Company of any material development of the Transactions and/or the business, operation and financial condition of the Group as and when appropriate.

By Order of the Board
Daisho Microline Holdings Limited
Cheung Lai Ming
Executive Director

Hong Kong, 4 September 2019

As at the date of this announcement, the Board consists of three executive directors, namely, CHEUNG Lai Ming, LEE Man Kwong and LAW Ping Wah, and three independent non-executive directors, namely, LEUNG King Fai, CHOU Yuk Yan and CHAN Yau Ching, Bob.