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## **DAISHO MICROLINE HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 0567)**

### **UPDATE ANNOUNCEMENT**

References are made to the announcements of Daisho Microline Holdings Limited (the “**Company**”) dated 9 September 2019 and 18 September 2019 in relation to certain inside information of the Company (the “**Announcements**”). Capitalised terms used herein, unless otherwise defined, shall have the same meanings as those defined in the Announcements.

#### **UPDATE ON THE PROCEEDINGS**

As set out in the Announcements, the Proceedings were issued against, among others, Pacific Dragon and Daisho Microline, two wholly-owned subsidiaries of the Company, and in connection with the Proceedings, the Plaintiff obtained an injunction order (the “**Injunction Order**”) against, among other parties, Pacific Dragon and Daisho Microline, pursuant to which (1) Pacific Dragon is restricted from disposing of or dealing with the sum of USD24,963,178.64 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) Daisho Microline is restricted from disposing of or dealing with the sum of USD6,652,507.63 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 Board would like to provide an update that 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.

In the Proceedings, the Plaintiff alleged that a trade finance facility in the principal amount of USD79,823,845.57 was advanced by the Plaintiff to Inter-Pacific Petroleum, one of the defendants in the Proceedings, on the basis of forged documents and/or false instruments.

To the knowledge of the Company, Pacific Dragon and Daisho Microline were included as additional defendants to the Proceedings because the Plaintiff alleged that, based on information disclosed by the defendants in the Proceedings, the aggregate sums of USD24,963,178.64 and USD6,652,507.63, being part of the aggregate principal sum of USD79,823,845.57 claimed by the Plaintiff, were transferred from Legend Six Holdings Ltd (“**Legend Six**”), one of the defendants in the Proceedings, to Pacific Dragon and Daisho Microline respectively during the period from 21 June 2019 to 23 July 2019 and on 30 July 2019 respectively. The Plaintiff claimed that Pacific Dragon and Daisho Microline are liable to the Plaintiff as constructive trustees and the Plaintiff demanded that such sums be returned by Pacific Dragon and Daisho Microline to the Plaintiff.

The Company was given to understand that the aggregate sums of USD24,963,178.64 and USD6,652,507.63 were transferred from Legend Six to Pacific Dragon and Daisho Microline because Legend Six was a trade debtor of the Group in the trading of petroleum and energy products and related business and such sums were remitted to Pacific Dragon and Daisho Microline to settle the outstanding trade debts for the petroleum and energy products which it had purchased from Pacific Dragon and Daisho Microline respectively.

To the best knowledge of the Board, Pacific Dragon and Daisho Microline did not have any involvement in the abovementioned forged documents and/or false instruments.

As set out above, Legend Six was a trade debtor of Pacific Dragon and Daisho Microline and the funds were transferred to Pacific Dragon and Daisho Microline to settle the trade debts arising from genuine transactions in the ordinary and usual course of business of Pacific Dragon and Daisho Microline. To the knowledge of the directors of the Company, Pacific Dragon and Daisho Microline intend to vigorously defend the claim by the Plaintiff for the return of the claimed sums. With respect to the impact of the injunction order on the business operation and financial position of the Company, as Pacific Dragon and Daisho Microline are restricted from disposing of or dealing with the claimed sums pursuant to the injunction order, Pacific Dragon and Daisho Microline would not be able to place purchase orders to suppliers or take new orders from customers. The Board expects that this would cause the Company to lose substantial business during this period.

Pacific Dragon and Daisho Microline do not have any relationships (including any business relationship) with Inter-Pacific Petroleum except that Ms. Cheung Lai Na (“**Ms. Cheung**”), the former director of each of Pacific Dragon and Daisho Microline who resigned on 4 September 2019, is currently the director of Inter-Pacific Petroleum. Ms. Cheung was also a former director of the Company who resigned on 4 September 2019 and a former 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. Ms. Cheung is currently a shareholder of Inter-Pacific Petroleum holding approximately 85.0% interest.

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

As set out in the Announcements, on 30 August 2019, the Group was verbally informed by Societe Generale, Singapore Branch, the Plaintiff, that the banking facilities provided by it to the Group for its trading of petroleum and energy products and related business were temporarily suspended.

The Board is of the view that the temporary suspension of the banking facilities granted to the Group by the Plaintiff should have been triggered by the Proceedings. The Board expects that the provision of banking facilities by the Plaintiff will not be resumed in the near future.

As of the date of this announcement, the Plaintiff in the Proceedings is the one and only bank providing banking facilities for the Company's petroleum and energy product trading business. The temporary suspension of the banking facilities granted to the Group by the Plaintiff may lead to a substantial decrease in the revenue of the Group's oil trading business and therefore will have a material adverse impact on the business, operation and financial condition of the Group.

The Group has contacted other banks with a view to establishing a new business and banking relationship with them soon after the Plaintiff suspended its banking facilities granted to the Group on 30 August 2019 but no material progress has been made as at the date of this announcement. The Board is of the view that the banks that the Group has approached would unlikely provide any banking facilities for the Company's petroleum and energy product trading business before the Injunction Order is discharged. As such, the Company will vigorously defend the Plaintiff's claims and discharge the Injunction Order as soon as practicable. In the meantime, the Company will take the following actions:

- a. the Company will continue to negotiate with the Plaintiff to resume the provision of the banking facilities to the Group;
- b. the Company will approach other banks for providing the Company with new banking facilities for its petroleum and energy product trading business and will consider the feasibility of pledging the Company's two vessels to the banks as security;
- c. the Company will consider raising new funds through issues of new shares and/or convertible bonds which will allow the Company to purchase oil products from its suppliers through open account payment terms by giving them certain percent of the trade amounts as deposits, which may mitigate the impact of the Plaintiff's suspension of the trade facilities to the Group; and
- d. the Company will contact and negotiate with some suppliers to give the Company some trading lines with credit periods of between one to two months.

Further announcement(s) will be published as and when necessary to keep the shareholders of the Company and potential investors informed of any material development on the Proceedings so far as the Group is concerned and the business of the Group.

**Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.**

By Order of the Board  
**Daisho Microline Holdings Limited**  
**Cheung Lai Ming**  
*Chairman*

Hong Kong, 29 October 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.*