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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 CLARIFICATION IN RELATION TO THE INTERIM REPORT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018**

References are made to the announcements of Daisho Microline Holdings Limited (the “**Company**”) dated 29 September 2017, 16 January 2018, 16 March 2018 and 14 June 2018 (the “**Announcements**”) and the circular of the Company dated 27 December 2017 (the “**Circular**”) in relation to the acquisition of 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) (the “**Transactions**”). Under otherwise expressly indicated, capitalised terms used herein shall have the same meanings as those defined in the Circular.

The Company would like to provide an update that the acquisitions of Pacific Energy 28 and Pacific Energy 138 were completed on 27 March 2018 and 31 January 2019 respectively. As additional time is required by the Vendor for the discharge of the Mortgage 8 and the Mortgage 168, the titles to Pacific Energy 8 and Pacific Energy 168 are yet to be transferred to the Group as at the date of this announcement.

As disclosed in the Announcements, in the event that, among others, 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, the Sale and Purchase Agreement shall automatically be terminated. The Company and the Vendor had agreed to extend the Long-Stop Date to 30 September 2018. As the Group and the Vendor remain committed to complete the acquisition of the two remaining Vessels, namely, Pacific Energy 8 and Pacific Energy 168, the Group and the Vendor have entered into a supplemental agreement to the Sale and Purchase Agreement to further extend the Long-Stop Date with retrospective effect from 30 September 2018 to 30 September 2019.

It was originally contemplated by the Group and the Vendor that completion of the acquisition of Pacific Energy 138, Pacific Energy 8 and Pacific Energy 168 would take place on 28 September 2018. The Group had complied with its relevant obligations on such purported completion date including the payment of the balance of the cash portion of the Consideration by way of cheque and the issuance of the Promissory Notes for part settlement of the Consideration. It has been the understanding of the Group and the Vendor that completion of the remaining three Vessels had taken place on 28 September 2018. The interim report of the Company for the six months ended 30 September 2018 (the “**2018 Interim Report**”) was prepared on such basis. The Group subsequently discovered that the cheque had not been banked-in by the relevant staff of the Vendor (and therefore the balance of the cash portion of the Consideration had not been transferred to the Vendor as at 30 September 2018) and that the titles to Pacific Energy 138, Pacific Energy 8 and Pacific Energy 168 had not been transferred to the Group as the procedures for the release of the Mortgage 138, Mortgage 8 and the Mortgage 168 had not been completed by the Vendor as at 30 September 2018.

Upon the Group becoming aware of the above situation, the Promissory Notes that have been issued in respect of the acquisition of Pacific Energy 138 on 28 September 2018 have been cancelled with retrospective effect from 28 September 2018 and have been re-issued with retrospective effect from 31 January 2019, and the Promissory Notes that have been issued in respect of the acquisition of Pacific Energy 8 and Pacific Energy 168 on 28 September 2018 have been cancelled with retrospective effect from 28 September 2018.

In light of the above, the Company wishes to correct the information disclosed in the 2018 Interim Report to the effect that Second Completion and Third Completion had not taken place as at 30 September 2018.

The adjusted unaudited condensed consolidated income statement and financial positions are set out below for clarification purpose.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	2018			2017	
	The Group for 6 months ended 30 September 2018 <i>HK\$ '000</i> (Unaudited) (Note 1)	Adjustments		The Adjusted Group for 6 months ended 30 September 2018 <i>HK\$ '000</i> (Unaudited)	<i>HK\$ '000</i> (Unaudited)
		<i>HK\$ '000</i> (Unaudited) (Note 2)	<i>HK\$ '000</i> (Unaudited) (Note 3)		
Revenue	347,560		347,560	178,787	
Cost of sales	<u>(345,556)</u>		<u>(345,556)</u>	<u>(175,724)</u>	
Gross profit	2,004		2,004	3,063	
Other income	26,483		26,483	5,137	
Selling and distribution expenses	(3,431)		(3,431)	(2,528)	
Administrative expenses	(23,371)		(23,371)	(19,040)	
Other operating expenses	(8,253)		(8,253)	(626)	
Loss on early redemption of promissory note	(2,100)		(2,100)	–	
Fair value gain on derivative financial instruments	25,073		25,073	–	
Staff compensation	(25,242)		(25,242)	–	
Finance costs	<u>(7,918)</u>	24	<u>(7,894)</u>	<u>(1,531)</u>	
<b>Loss before taxation</b>	<b>(16,755)</b>		<b>(16,731)</b>	<b>(15,525)</b>	
Income tax expenses	<u>(184)</u>		<u>(184)</u>	<u>–</u>	
	<u>(16,939)</u>		<u>(16,915)</u>	<u>(15,525)</u>	
<b>Loss for the period</b>	<b><u>HK(2.94) cents</u></b>		<b><u>HK(2.94) cents</u></b>	<b><u>HK(2.69) cents</u></b>	
<b>Other comprehensive (loss) income</b>					
Exchange difference on translation of functional current to presentation currency	<u>(17,839)</u>	540	<u>(17,299)</u>	<u>7,650</u>	
Other comprehensive (loss) income for the period	<u>(17,839)</u>		<u>(17,299)</u>	<u>7,650</u>	
<b>Total comprehensive (loss) for the period</b>	<b><u>(34,778)</u></b>		<b><u>(34,214)</u></b>	<b><u>(7,875)</u></b>	

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	The Group as at 30 September 2018 <i>HK\$'000</i> (Unaudited) <i>(Note 4)</i>	Adjustments			The Adjusted Group as at 30 September 2018 <i>HK\$'000</i> (Unaudited)	The Group as at 31 March 2018 <i>HK\$'000</i> (Audited)
		<i>HK\$'000</i> (Unaudited) <i>(Note 5)</i>	<i>HK\$'000</i> (Unaudited) <i>(Note 2)</i>	<i>HK\$'000</i> (Unaudited) <i>(Note 3)</i>		
<b>NON-CURRENT ASSETS</b>						
Property, plant and equipment	199,480	(132,524)		540	67,496	104,847
Prepaid lease payments						12,972
Deposits paid for acquisition of property, plant and equipment	1,257	22,770			24,027	23,501
	<u>200,737</u>				<u>91,523</u>	<u>141,320</u>
<b>CURRENT ASSETS</b>						
Inventories	2,575				2,575	31,504
Trade receivables	178,760				178,760	83,538
Other receivables, deposits and prepayments	14,855				14,855	13,412
Pledged bank deposits	154,612				154,612	154,441
Cash and cash equivalents	51,626	15,860			67,486	59,607
	402,428				418,288	342,502
Assets classified as held for sale	36,184				36,184	
	<u>438,612</u>				<u>454,472</u>	<u>342,502</u>
<b>CURRENT LIABILITIES</b>						
Trade payables	85,367				85,367	77,044
Other payables and accruals	37,178				37,178	25,846
Tax payable	184				184	–
Interest-bearing borrowings	216,657				216,657	105,543
	339,386				339,386	208,433
Liabilities directly associated with assets classified as held for sale	369				369	–
	<u>339,755</u>				<u>339,755</u>	<u>208,433</u>
<b>NET CURRENT ASSETS</b>	<u>98,857</u>				<u>114,717</u>	<u>134,069</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>299,594</u>				<u>206,240</u>	<u>275,389</u>

	The Group as at 30 September 2018 <i>HK\$'000</i> (Unaudited) (Note 4)	Adjustments			The Adjusted Group as at 30 September 2018 <i>HK\$'000</i> (Unaudited)	The Group as at 31 March 2018 <i>HK\$'000</i> (Audited)
		<i>HK\$'000</i> (Unaudited) (Note 5)	<i>HK\$'000</i> (Unaudited) (Note 2)	<i>HK\$'000</i> (Unaudited) (Note 3)		
<b>Non-current liabilities</b>						
Promissory notes payable	110,166	(93,894)	(24)	16,248	28,272	
Derivative financial instruments	2,313			2,313	27,386	
Convertible bonds	71,473			71,473	69,311	
	<u>183,952</u>			<u>90,034</u>	<u>124,969</u>	
<b>NET ASSETS</b>	<u>115,642</u>			<u>116,206</u>	<u>150,420</u>	
<b>Capital and reserves</b>	57,624			57,624	57,624	
Share capital						
Reserves	<u>58,018</u>		24	<u>58,582</u>	<u>92,796</u>	
<b>TOTAL EQUITY</b>	<u>115,642</u>			<u>116,206</u>	<u>150,420</u>	

## NOTES TO THE UNAUDITED ADJUSTED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. The unaudited condensed consolidated statement of profit or loss of the Group for the six months ended 30 September 2018 is extracted, without adjustments, from the 2018 Interim Report.
2. On 28 September 2018, promissory notes in the principal amounts of HK\$40,735,000 (the “PN 2”) and HK\$72,435,000 (the “PN 3”) respectively were issued by the Company to the Vendor as part of the Consideration amounting to HK\$151,800,000 in total for the acquisition of the remaining three Vessels, namely Pacific Energy 138, Pacific Energy 8 and Pacific Energy 168.

The PN 2 and PN 3 are interest free and will be matured in 2 years from the issue date. The effective interest rates of both of the PN 2 and PN 3 had been determined to be approximately 9.78% per annum. Accordingly, the imputed interest of approximately HK\$24,000 for the PN2 and PN3 for the period from the issue date thereof to 30 September 2018 had been accrued in the unaudited consolidated statement of profit or loss for the six months ended 30 September 2018. The adjustment is to reverse and cancel the imputed interest of approximately HK\$24,000.

3. An exchange loss of approximately HK\$540,000 on translation of Singaporean dollars to Hong Kong dollars had been recorded for the six months ended 30 September 2018 upon consolidating the financial statements of the companies newly incorporated by the Company to acquire the titles of Pacific Energy 138, Pacific Energy 8 and Pacific Energy 168. The adjustment is to reverse and cancel the exchange loss.
4. The unaudited condensed consolidated statement of financial position of the Group as at 30 September 2018 is extracted, without adjustments, from the 2018 Interim Report.
5. The fair values of the PN 2 and PN 3 at issue date were approximately HK\$33,797,000 and HK\$60,097,000 respectively, based on the valuation performed by an independent professional valuer, and had been recorded and included in the promissory notes payable in the unaudited consolidated statement of financial position as at 30 September 2018. The adjustment is to reverse and cancel the accounting entry of the total amount of the fair values of the PN 2 and PN 3 of approximately HK\$93,894,000.

Pursuant to the Sale and Purchase Agreement, 15% of the Consideration would be payable by the Company upon signing of the Sale and Purchase Agreement and the remaining 85% would be settled by a combination of cash and Promissory Notes. As such, deposits of HK\$22,770,000 paid upon the signing of the Sale and Purchase Agreement and cheques of the remaining cash consideration of HK\$15,860,000 issued to the Vendor were recorded and disclosed in the unaudited consolidated statement of financial position as at 30 September 2018. The fair values of the aforesaid three Vessels had also been included and disclosed as the fixed assets in the unaudited consolidated statement of financial position. The adjustments are to reverse and cancel these accounting entries to the effect that Second Completion and Third Completion had not taken place.

The Board considers that the above changes do not have any material adverse effect on the financial position of the Group as a whole.

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 as and when appropriate.

Save for the aforesaid, the contents of the Announcements, the Circular and the 2018 Interim Report with respect to the Transactions remain unchanged.

By Order of the Board  
**Cheung Lai Na**  
*Chairman*

Hong Kong, 2 April 2019

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

***Executive directors:***

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

***Independent non-executive directors:***

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