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DAIWA ASSOCIATE HOLDINGS LIMITED

台和商事控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1037)

**ANNOUNCEMENT PURSUANT TO RULE 3.7 OF THE
TAKEOVERS CODE,
RULE 13.09 OF THE LISTING RULES AND INSIDE INFORMATION
PROVISIONS UNDER PART XIVA OF
THE SECURITIES AND FUTURES ORDINANCE
AND
RESUMPTION OF TRADING**

The Board wishes to announce that, on 12 February 2015 (after the trading hours of the Stock Exchange), the Company was informed by Mr. Lau, the executive Director and president of the Company that he and Ms. Chan had entered into a MOU dated 12 February 2015 with the Potential Purchaser, in relation to the Potential Transaction.

The MOU shall remain in effect for the Exclusive Period. The Potential Vendors also agreed that, along with their representatives and agents, they shall not, during the Exclusive Period, directly or indirectly enter into any discussion or agreement with any person other than the Potential Purchaser relating to the Potential Transaction.

Pursuant to the MOU, the Potential Vendors shall procure the Company to furnish to the Potential Purchaser with all necessary information concerning the Potential Transaction as the Potential Purchaser may require and provide all reasonable assistance and access as the Potential Purchaser and its professional consultants may require to enable the Potential Purchaser to perform Due Diligence Review, which will cover mainly financial, legal and taxation aspects of the Group, during the Due Diligence Review Period. Immediately after the expiry of the Due Diligence Review Period, in any event not later than one business day after the expiry of the Due Diligence Review Period, the Potential Purchaser shall issue:

- (i) if the results of the Due Diligence Review is satisfactory to it, the Satisfactory Notice; or
- (ii) if the results of the Due Diligence Review is not satisfactory to it, the Termination Notice.

* For identification purpose only

In consideration of the Potential Purchaser and the Potential Vendors entering into the MOU, a sum of HK\$30,000,000 as a conditional refundable non-interest bearing deposit shall be payable by the Potential Purchaser, of (i) HK\$16,000,000 to the Potential Vendors (or their nominee(s)) by the way of cashier order as the Vendor Deposit; and (ii) HK\$14,000,000 as the Escrow Cashier Order to the escrow agent jointly appointed by Mr. Lau and the Potential Purchaser by the way of another cashier order for custody upon the signing of the MOU.

The Board has been informed by Mr. Lau that, pursuant to the MOU, the Potential Purchaser may acquire approximately 55.17% of the total issued share capital of the Company, which if materialised and completed, the Potential Purchaser will make a mandatory general cash offer under Rule 26.1 of the Takeovers Code.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange had been halted with effect from 9:00 a.m. on 13 February 2015 pending release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares from 9:00 a.m. on 16 February 2015.

WARNINGS: Shareholders and potential investors of the Company shall be aware that there is no assurance that the Potential Transaction mentioned in this announcement will materialise. Shareholders and potential investors are urged to exercise extreme caution when dealing in the Shares.

This announcement is made by Daiwa Associate Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 3.7 of the Takeovers Code, Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) 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 26 November 2014, 28 November 2014, 29 December 2014 and 26 January 2015 (the “**Announcements**”), in relation to the preliminary discussions among Mr. Lau and his parties acting in concert (as defined under the Takeovers Code) and Potential Investors on the disposal of their shareholding interests in the Company. Unless otherwise specified, capitalised terms used herein shall have the same meanings as defined in the Announcements.

MEMORANDUM OF UNDERSTANDING IN RESPECT OF THE POTENTIAL TRANSACTION

The Board wishes to announce that, on 12 February 2015 (after the trading hours of the Stock Exchange), the Company was informed by Mr. Lau, the executive Director and president of the Company that he and Ms. Chan Yuen Mei, Pinky, being the executive Director and spouse of Mr. Lau (“**Ms. Chan**”, together with Mr. Lau, the (“**Potential Vendors**”)) had entered into a memorandum of understanding dated 12 February 2015 (the “**MOU**”) with the potential purchaser (together with its affiliates, the “**Potential Purchaser**”), in relation to a possible sale and purchase of the Shares of the Company (the “**Potential Transaction**”) held by the Potential Vendors and their controlling corporations, namely, China Capital Holdings Investment Limited (“**China Capital**”) and Leading Trade Limited (“**Leading Trade**”). The Potential Purchaser and its ultimate beneficial owners are independent third parties, not connected with the Company, its directors, chief executive, substantial shareholders, subsidiaries and associates.

THE EXCLUSIVE PERIOD

The MOU shall remain in effect for a term of 45 days from the date of the MOU (or such other date as the parties to the MOU may mutually agree in writing) (the “**Exclusive Period**”). The Potential Vendors also agreed that, along with their representatives and agents, they shall not, during the Exclusive Period, directly or indirectly enter into any discussion or agreement with any person other than the Potential Purchaser relating to the Potential Transaction.

DUE DILIGENCE REVIEW

Pursuant to the MOU, the Potential Vendors shall procure the Company to furnish to the Potential Purchaser with all necessary information concerning the Potential Transaction as the Potential Purchaser may require and provide all reasonable assistance and access as the Potential Purchaser and its professional consultants may require to enable the Potential Purchaser to perform due diligence review (the “**Due Diligence Review**”) in relation to the Potential Transaction, which will cover mainly financial, legal and taxation aspects of the Group within 15 business days from the date of the MOU (the “**Due Diligence Review Period**”). Immediately after the expiry of the Due Diligence Review Period, in any event not later than one business day after the expiry of the Due Diligence Review Period, the Potential Purchaser shall issue:

- (i) if the results of the Due Diligence Review is satisfactory to it, a notice to the Potential Vendors confirming the same (the “**Satisfactory Notice**”); or
- (ii) if the results of the Due Diligence Review is not satisfactory to it, a notice to the Potential Vendors confirming that it does not want to proceed further with respect to the Potential Transaction (the “**Termination Notice**”),

THE DEPOSIT

In consideration of the Potential Purchaser and the Potential Vendors entering into the MOU, a sum of HK\$30,000,000 as a conditional refundable non-interest bearing deposit shall be payable by the Potential Purchaser, of (i) HK\$16,000,000 to the Potential Vendors (or their nominee(s)) by the way of cashier order (the “**Vendor Deposit**”); and (ii) HK\$14,000,000 (the “**Escrow Cashier Order**”) to the escrow agent jointly appointed by Mr. Lau and the Potential Purchaser by the way of another cashier order in escrow upon the signing of the MOU.

Save for certain provisions, which include but not limited to the deposit, the Exclusive Period, confidentiality and governing laws, the MOU is non-legally binding.

DEALINGS DISCLOSURE

In accordance with Rule 3.8 of the Takeovers Code, respective associates of the Company (as defined in the Takeovers Code, including among others, shareholders of the Company having interests of 5% or more in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company) and of the Potential Purchaser are hereby reminded to disclose their dealings in the securities of the Company pursuant to the requirements of the Takeovers Code. As at the date of this announcement, the Company has 437,239,448 ordinary Shares of par value of HK\$0.1 each in issue. Save for the aforesaid, the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the date of this announcement.

POSSIBLE MANDATORY GENERAL CASH OFFER

As at the date of this announcement, (i) Mr. Lau is personally holding 26,071,426 Shares representing approximately 5.96% of the entire issued capital of the Company; (ii) Ms. Chan is personally holding 1,428,567 Shares representing approximately 0.32% of the entire issued capital of the Company; (iii) Mr. Lau and Ms. Chan are jointly holding 3,625,000 Shares representing approximately 0.83% of the entire issued capital of the Company; (iv) China Capital, a company incorporated in the British Virgin Islands and is owned as to 60% by Mr. Lau and as to 40% by Ms. Chan, is holding 133,948,541 Shares representing approximately 30.64% of the entire issued capital of the Company; and (v) Leading Trade, a company incorporated in the British Virgin Islands and is owned as to 50% by Mr. Lau and as to 50% by Ms. Chan, is holding 76,147,995 Shares representing approximately 17.42% of the entire issued capital of the Company. Mr. Lau, Ms. Chan and their parties acting in concert in aggregate are holding 241,221,529 Shares representing approximately 55.17% of the entire issued capital of the Company.

The Board has been informed by Mr. Lau that, pursuant to the MOU, the Potential Purchaser may acquire approximately 55.17% of the total issued share capital of the Company, which if materialised and completed, the Potential Purchaser will make a mandatory general cash offer under Rule 26.1 of the Takeovers Code.

In accordance with Rule 3.7 of the Takeovers Code, monthly announcement(s) setting out the progress of the Potential Transaction will be made until announcement of firm intention to make an offer under Rule 3.5 of the Takeovers Code or of a decision not to proceed with an offer is made. Further announcement(s) will be made by the Company as and when appropriate or required in accordance with the Listing Rules and the Takeovers Code (as the case may be).

RESPONSIBILITIES OF STOCKBROKERS, BANKS AND OTHER INTERMEDIARIES

In accordance with Rule 3.8 of the Takeovers Code, reproduced below is the full text of Note 11 to Rule 22 of the Takeovers Code:

“Responsibilities of stockbrokers, banks and other intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than \$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

RESUMPTION OF TRADING

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WARNINGS: Shareholders and potential investors of the Company shall be aware that there is no assurance that the Potential Transaction mentioned in this announcement will materialise. Shareholders and potential investors are urged to exercise extreme caution when dealing in the Shares.

By Order of the Board
Daiwa Associate Holdings Limited
LAU Tak Wan
President

Hong Kong, 13 February 2015

As at the date of this announcement, the Board comprises five executive directors, namely Mr. Lau Tak Wan, Ms. Chan Yuen Mei, Pinky, Mr. Cheung Wai Ho, Mr. Chong Wing Kam, James and Mr. Fung Wai Ching and three independent non-executive directors, namely, Dr. Barry John Buttifant, Mr. Choi Yuk Fan and Dr. Liu Ngai Wing.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Announcements and this announcement and confirm having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Announcements and this announcement have been arrived at after due and careful consideration and there are no other facts not contained in the Announcements and this announcement the omission of which would make any statement in the Announcements and this announcement misleading.