太和控股有限公司
TAI UNITED HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)
(Stock code: 718)

DISCLOSEABLE TRANSACTION RELATING TO THE EXERCISE OF CALL OPTION FOR THE FURTHER ACQUISITION OF THE ENTIRE EQUITY INTEREST IN HUI KAI HOLDINGS LIMITED

BACKGROUND

It was announced in the Company's announcement dated 18 January 2016 that the Group (i) conditionally agreed to acquire the three operating subsidiaries of Hui Kai Holdings (namely Hui Kai Futures, Hui Kai Asset Management, and Easy Winning) for an aggregate consideration up to HK$56 million (i.e. the January Acquisition); and (ii) was granted by the Vendors the Call Option to acquire the entire issued share capital of Hui Kai Holdings for a consideration up to HK$120 million within a period of 12 months commencing from the earlier of the completion of the January Acquisition or 1 July 2016 (i.e. the Further Acquisition).

The completion of the January Acquisition and the Further Acquisition is subject to, among other things, the SFC Approval for the change in substantial shareholder of the operating subsidiaries of Hui Kai Holdings which carry out licensed activities under the SFO. On 29 September 2016, the SFC Approval sought by the Company was granted by the SFC.

EXERCISE OF CALL OPTION FOR THE FURTHER ACQUISITION

On 14 October 2016, the Group served a written notice to the Vendors to exercise the Call Option to acquire the HKH Sale Shares for an aggregate consideration up to HK$120 million, which will be settled in cash by the internal resources of the Group.

It is expected that completion of the January Acquisition and the Further Acquisition shall take place simultaneously.

LISTING RULES IMPLICATIONS

As applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Further Acquisition (when aggregated with the January Acquisition pursuant to Rule 14.22 of the Listing Rules) are more than 5% but less than 25%, the Further Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

BACKGROUND

It was announced in the Company's announcement dated 18 January 2016 that the Group (i) conditionally agreed to acquire the three operating subsidiaries of Hui Kai Holdings (namely Hui Kai Futures, Hui Kai Asset Management, and Easy Winning) for an aggregate consideration up to HK$56 million (i.e. the January Acquisition); and (ii) was granted by the Vendors the Call Option to acquire the entire issued share capital of Hui Kai Holdings for a consideration up to HK$120 million within a period of 12 months commencing from the earlier of the completion of the January Acquisition or 1 July 2016 (i.e. the Further Acquisition).

EXERCISE OF CALL OPTION FOR THE FURTHER ACQUISITION

On 14 October 2016 (after trading hours of the Stock Exchange), the Group served a written notice to the Vendors to exercise the Call Option to acquire the HKH Sale Shares for an aggregate consideration up to HK$120 million, which will be settled in cash by the internal resources of the Group.

Set out below are the principal terms of the Further Acquisition:

Date of exercise of the Call Option

14 October 2016

Parties

(i)	Purchaser:	Best Future Investments Limited, being a wholly-owned subsidiary of the Company
(ii)	Vendor A:	Mr. Lo, who owns 37.5% equity interest in Hui Kai Holdings; and
(iii)	Vendor B:	First Step, which is an investment holding company wholly owned by Mr. Lo and owns 62.5% equity interest in Hui Kai Holdings

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Vendors are independent of the Company and its connected persons (as defined in the Listing Rules).

Subject matter

The HKH Sale Shares represent the entire equity interest in Hui Kai Holdings.

Consideration

The Consideration is to be settled in the following manner:

(i) the aggregate of (a) HK$15 million; and (b) the amount of the cash and cash equivalents as shown in the Completion Accounts is payable to the Vendors at Completion; and

(ii) the remaining balance of the Consideration is payable to the Vendors as follows:

a. the amount of the Receivables collected during the six months immediately after Completion, of which the amount of Receivables collected during each of the 1st to 4th month is payable to the Vendors by the 15th day of the immediately following calendar month, whilst the amount collected during 5th to 6th month immediately after Completion is payable in one lump sum by the 15th day of the calendar month immediately after the 6th month; and

b. for the avoidance of doubt, the Purchaser shall have no obligation to pay any balance of the Consideration to the Vendors after the 6th month from the date of Completion.

Notwithstanding the above, the Consideration payable by the Purchaser shall in any event not exceed HK$120 million.

The consideration for the Further Acquisition was determined by the parties after arm's length negotiations having considered (i) the aggregate cash and cash equivalents of Hui Kai Holdings and Hui Kai Securities being not less than HK$105 million as at 31 March 2016; and (ii) the quality of the licensed business of Hui Kai Securities having taken into account its long-established track record (with more than 10 years as to Type 1 regulated activities), sound establishment of the trading system and the internal control system, the professional operation team, and the experienced management with adequate expertise in the industry.

Conditions precedent

Completion is subject to the conditions precedent set out below:

(i) if applicable, the Company having obtained approval from the Shareholders at a general meeting to be held to approve the Further Acquisition of Hui Kai Holdings as contemplated under the Call Option Deed;

(ii) the SFC Approval in respect of the change in substantial shareholder of Hui Kai Securities having been obtained;

(iii) where necessary, Hui Kai Securities having obtained written approval or consent of the SFC for the appointment of such persons nominated by the Purchaser as directors of the Hui Kai Securities;

(iv) Hui Kai Securities remaining licensed and subsisting to carry out business in Type 1 (dealing in securities) regulated activities under the SFO;

(v) Hui Kai Securities remaining as an exchange participant and the registered holder of and is the legal and beneficial owner of the trading rights on the Stock Exchange;

(vi) Hui Kai Securities remaining admitted by HKSCC to participate in CCASS as a broker participant;

(vii) the warranties given by the Purchaser and the Vendors having remained true and accurate in all material respects;

(viii) (a) if the Purchaser nominates persons who possess requisite qualifications required by the SFC to be the Responsible Officers, the board of Hui Kai Securities shall have passed all necessary resolutions as to such appointment; or (b) subject to the SFC having no objection to such persons continuing to act or acting as Responsible Officer, (aa) Mr. Lo shall have entered into an employment contract with Hui Kai Securities on the terms which are reasonably satisfactory to the Purchaser and Mr. Lo; (bb) Mr. Lo shall have provided written undertakings to the Purchaser that he would continue to act as the Responsible Officer until the earlier of (a) the appointment of new Responsible Officer(s) have been duly approved by the SFC and their registrations with the SFC have been completed; or (b) the first anniversary of the Completion; and (cc) Mr. Lo having procured such person(s) who possess requisite qualifications required by the SFC agreed to act as the Responsible Officer(s) until the earlier of (a) the appointment of new Responsible Officer(s) nominated by the Purchaser has been duly approved by the SFC and their registrations with the SFC have been completed; or (b) the first anniversary of the Completion;

(ix) the Vendors having provided an irrevocable waiver letter to Hui Kai Securities pursuant to which the Vendors irrevocably confirm and acknowledge that each of them and their respective shareholders shall have waived all claims, if any, against Hui Kai Securities;

(x) the Hui Kai Group not having any bank borrowing and liabilities (save for any guarantees provided in respect of liabilities of other member(s) of the Hui Kai Group and other than the liabilities incurred during the ordinary course of business of the Hui Kai Group, which shall not exceed HK$50 million and HK$2 million respectively in any event) as at the Completion and the cash balance and the Receivables of the Hui Kai Group as of the Completion being not less than HK$100 million, of which not less than HK$40 million being cash or cash equivalent;

(xi) the Purchaser being satisfied with the result of the financial, legal and regulatory due diligence exercise on the affairs of the Hui Kai Group; and

(xii) the Hui Kai Group having obtained all necessary approvals or consents from all relevant government department and regulatory authorities and third parties, including but not limited to the banks.

The Purchaser may waive the conditions (vii) (only to the extent such warranties relate to the Vendors' warranties), (ix) and (xi) at any time by notice in writing to the Vendors. If the above conditions have not been fulfilled or waived (as the case may be) by the Purchaser on or before the expiration of the Exercise Period, the Call Option Deed shall lapse, whereupon all rights and obligations of the parties shall cease to have effect except in respect of any accrued rights and obligations of the parties.

Completion

Completion of the Further Acquisition shall take place on the third Business Day after all the above conditions have been fulfilled (other than such condition(s) which are only capable of being fulfilled at Completion).

It is expected that the completion of January Acquisition and the Further Acquisition shall take place simultaneously.

Upon Completion, Hui Kai Holdings will become an indirect wholly-owned subsidiary of the Company and its financial results will be consolidated into the financial statements of the Group.

INFORMATION ON HUI KAI HOLDINGS

Hui Kai Holdings is an investment holding company incorporated in Hong Kong with limited liabilities which is owned as to 37.5% by Vendor A and 62.5% by Vendor B. Vendor B is a company incorporated in the BVI with limited liabilities and is wholly owned by Vendor A.

As at the date of this announcement, Hui Kai Holdings has four operating subsidiaries, namely Hui Kai Securities, Hui Kai Futures, Hui Kai Asset Management and Easy Winning. As detailed in the announcement of the Company dated 18 January 2016, the Company proposed to acquire the entire equity interest in Hui Kai Futures, Hui Kai Asset Management and Easy Winning pursuant to the January Acquisition for an aggregate consideration up to HK$56 million, subject to certain conditions precedent. The fourth operating subsidiary, i.e. Hui Kai Securities to be acquired pursuant to the Further Acquisition, is principally engaged in securities brokerage business and is a licensed corporation under the SFO to carry out Type 1 (dealing in securities) regulated activities. The revenue of Hui Kai Securities was mainly generated from commission and brokerage income from securities dealing, warrant market maker, stock options and sub-underwriting.

Financial information on Hui Kai Holdings

Set out below is the unaudited financial information of Hui Kai Holdings for the years ended 31 March 2016 and 31 March 2015 and as at 31 August 2016, which were prepared in accordance with Hong Kong Financial Reporting Standards:

	For the year ended 31 March	
	2016	**2015**
	(unaudited)	**(unaudited)**
	HK$'000	*HK$'000*
Profit before taxation	63,550	5,691
Profit after taxation	63,550	5,691

	As at 31 August 2016
	(unaudited)
	HK$'000
NAV	87,287
Cash or cash equivalents	14,440
Account receivables	1,582

The profit before and after taxation for the year ended 31 March 2016 was mainly attributable to the dividend income of HK$64 million received from Hui Kai Securities.

Financial information on Hui Kai Securities

Set out below is the unaudited financial information of Hui Kai Securities for the years ended 31 March 2016 and 31 March 2015 and as at 31 August 2016, which were prepared in accordance with Hong Kong Financial Reporting Standards:

	For the year ended 31 March	
	2016	**2015**
	(unaudited)	**(unaudited)**
	HK$'000	*HK$'000*
Profit before taxation	2,727	14,952
Profit after taxation	2,562	14,031

	As at 31 August 2016 (unaudited)
	HK$'000
NAV	123,023
Cash or cash equivalents	83,364
Account receivables	76,003

REASONS FOR AND THE BENEFITS OF THE FURTHER ACQUISITION

The Group is principally engaged in (i) trading of medical equipment, commodities and securities; (ii) mining of tungsten in Mongolia; and (iii) distressed assets investment and management business.

As mentioned in the annual report of the Company for the year ended 31 March 2016 dated 3 June 2016, the Group would diversify into financial service business or other investment in the PRC should opportunities arise in the forthcoming year. The Company believes that the Further Acquisition, together with the January Acquisition, provides a prime opportunity for the Group to participate in and obtain a lucrative share from the prosperous Hong Kong stock market.

According to a publication issued by the Stock Exchange in October 2016, the Hong Kong stock market ranked no.1 among the world's listing platforms with 138 successful new IPOs and the amount of funds raised was approximately US$9.62 billion (equivalent to approximately HK$75.0 billion) for the first 8 months in 2016, which considerably excelled the New York Stock Exchange with the amount of funds raised was approximately US$7.49 billion (equivalent to approximately HK$58.4 billion).

Having taking into account the world leading position of the Hong Kong stock market among other listing platforms in the world, the appealing financing power of the platform, and the sophisticated and developed system facilitating the active transactions every day, the Board believes that the Group's diversification into the financial services business would widen the revenue base of the Group and benefit the Company and the Shareholders as a whole in the long run.

LISTING RULES IMPLICATIONS

As more than one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Further Acquisition are more than 5% but less than 25%, the Further Acquisition constitutes a discloseable transaction for the Company and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITION

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

"Board"	the board of Directors
"Business Days"	any day (excluding a Saturday, Sunday and any other public holidays and any day on which a tropical cyclone warning no. 8 or above or a "black" rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which banks are generally open for business in Hong Kong
"BVI"	British Virgin Islands
"Call Option"	the right granted by the Vendors to the Purchaser to acquire the HKH Sale Shares under the terms and conditions of the Call Option Deed
"Call Option Deed"	the call option deed dated 18 January 2016 entered into between the Vendors and the Purchaser in respect of the grant of the Call Option
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Company"	Tai United Holdings Limited, a company incorporated in Bermuda with limited liability, whose issued Shares are listed on the Main Board of the Stock Exchange (Stock code: 718)
"Completion"	the completion of the Further Acquisition
"Completion Accounts"	the unaudited balance sheet as at the date of Completion and the unaudited profit or loss accounts of Hui Kai Holdings and Hui Kai Securities for the period from 1 October 2015 up to the day immediately prior to the Completion, which shall be prepared in accordance with generally accepted accounting principles in Hong Kong

"Consideration"	up to HK$120 million, being the aggregate consideration for the Further Acquisition
"Director(s)"	the director(s) of the Company
"Easy Winning"	Easy Winning International Limited (怡峰國際有限公司), a company incorporated under the laws of Hong Kong
"Exercise Period"	a period of 12 months commencing from the earlier of (i) the date of completion of January Acquisition; or (ii) 1 July 2016
"Further Acquisition"	acquisition of Hui Kai Holdings under the terms and conditions of the Call Option Deed
"Group"	the Company and its subsidiaries
"HKH Sale Shares"	all the issued shares in the share capital of Hui Kai Holdings
"HKSCC"	the Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hui Kai Asset Management"	Hui Kai Asset Management Limited (滙凱資產管理有限公司), a company incorporated under the laws of Hong Kong
"Hui Kai Futures"	Hui Kai Futures Limited (滙凱期貨有限公司), a company incorporated under the laws of Hong Kong
"Hui Kai Group"	Hui Kai Holdings and Hui Kai Securities
"Hui Kai Holdings"	Hui Kai Holdings Limited, a company incorporated in the Hong Kong with limited liability
"Hui Kai Securities"	Hui Kai Securities Limited (滙凱證券有限公司), a company incorporated under the laws of Hong Kong
"January Acquisition"	the proposed acquisition of the entire equity interest in each of Hui Kai Futures, Hui Kai Asset Management, and Easy Winning under the terms and conditions of the agreement dated 18 January 2016 entered into between the Purchaser and Hui Kai Holdings
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Lo" or "Vendor A"	Mr. Lo Kwai Sang Dennis
"NAV"	net asset value attributable to the equity holders

"PRC"	The People's Republic of China
"Purchaser"	Best Future Investments Limited, a company incorporated in the BVI and a wholly-owned subsidiary of the Company
"Receivables"	the account receivables of Hui Kai Securities including but not limited to the amounts due to Hui Kai Holdings from the margin accounts as at the Completion
"Responsible Officer(s)"	the responsible officer(s) of Hui Kai Securities
"SFC"	the Securities and Futures Commission of Hong Kong
"SFC Approval"	the written approval or consent of the SFC (in accordance with the SFO) to the change in the substantial shareholder of Hui Kai Asset Management, Hui Kai Futures and Hui Kai Securities as a result of the exercise of the Call Option
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Share(s)"	share(s) of HK$0.05 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Vendor B" or "First Step"	First Step Securities Limited, a company incorporated in BVI with limited liability and is wholly owned by Mr. Lo
"Vendors"	Mr. Lo and First Step
"HK$"	Hong Kong Dollars, the lawful currency of Hong Kong
"%"	per cent.

By order of the Board
Tai United Holdings Limited
Dr. Meng Zhaoyi
Chairman and chief executive officer

Hong Kong, 16 October 2016

As at the date of this announcement, the Board comprises Dr. Meng Zhaoyi, Dr. Liu Hua, Mr. Hu Yebi, Mr. Chen Weisong and Mr. Xu Ke as executive Directors; and Mr. Mao Kangfu, Dr. Gao Bin and Ms. Liu Yan as independent non-executive Directors.