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

UPDATE ON THE BUSINESS DEVELOPMENT OF THE GROUP

This announcement is made by Tai United Holdings Limited (the "**Company**") on a voluntary basis. Capitalized terms used in this announcement shall have the same meaning as those defined in the prospectus of the Company dated 24 October 2016 (the "**Prospectus**").

Subsequent to the publication of the Prospectus, the Board would like to update the Shareholders with the overview of the latest business development of the Group, including the business review and capital invested and to be invested in each business segment as set out in the Prospectus, and other supplemental information (in particular to the trading business and financial service business) as follows:

Trading business

Commodities trading

The Company commenced the commodity trading in late 2015, with a trading portfolio including but not limited to petroleum, crude oil, and precious metals such as copper, nickel and aluminum. For the three months ended 30 June 2016, the total transaction amount of the commodities trading completed by the Group is estimated to be approximately HK$906 million and the average transaction amount of each trade was approximately HK$81 million.

On 30 September 2016, the Company obtained additional funding of US$180 million (equivalent to approximately HK$1,395 million) by issuance of 5% redeemable notes (the "**Notes**"). As disclosed in the Company's announcements dated 29 September 2016 and 30 September 2016, the Company intends to apply the net proceeds of approximately HK$388 million out of the net proceeds of approximately HK$1,379 million for enhancement of the securities and commodities trading businesses of the Group.

Securities

In view of the leading position and prosperity of Hong Kong and the PRC stock markets, the Company commenced the securities trading business in early 2016. It targets to carry out investments in quality or blue-chip stocks with large market capitalization and stable dividend income on the Stock Exchange (aka HKSE), Shanghai Stock Exchange ("**SSE**") or Shenzhen Stock Exchange with an investment objective to seize capital gain and dividend income. For the year ended 31 March 2016, revenue generated from trading of securities amounted to approximately HK$72 million, with a profit of approximately HK$60 million. As at 30 June 2016, the financial assets held by the Group for trading amounted to approximately HK$910 million. The top five stocks of the portfolio as at 30 June 2016 included Citic Securities Company Limited, Orient Securities Company Limited, Haitong Securities Company Limited, and China Merchants Securities Company Limited, all of which are listed on SSE, and Haitong Securities Company Limited listed on HKSE, which together amounted to approximately 98.2% of the aggregate size of the portfolio.

Trading team

The Company currently has a team of more than 10 staff responsible for managing the risk and return of the trading portfolios of the Group including commodities and securities. The trading team was led by Mr. Wang Qiang, who has more than 14 years' experience in investment banking and commodity trading obtained from his previous positions held in DBS Bank Singapore in the areas of risk management and quantitative analysis and in UBS AG Hong Kong and Singapore as the head trader trading mainly structured products, forex and commodities in Asian markets. Mr. Wang Qiang was also Vice President of Global Finance division in Lehman Brothers Hong Kong, responsible for corporate clients from the PRC.

Alongside the rapid development of the trading business and the possible expansion of the trading portfolio, the Board may consider to recruit additional professionals to strengthen the trading team of the Group. To manage the risks and return of the trading portfolios, the Board will authorize specified amount of portfolio size to be handled by the trading team, which will prepare daily report setting out the existing holding of the portfolio for Mr. Wang's review and monitor. This daily report will also be passed to the finance department of the Company for review so as to ensure that the relevant risks of trading business in particular the securities trading are closely monitored.

Medical equipment

The medical equipment trading sector picks up steadily since commencement of business in October 2014. For the year ended 31 March 2016, revenue generated from the trading of medical equipment amounted to approximately HK$12.9 million, increasing from approximately HK$6.7 million for the year ended 31 March 2015.

Distressed assets investment and management

The Group actively bids for acquisition of distressed bank loan portfolio with quality property collaterals through public tenders in the PRC, with a view to realizing the potential upside of the investments by realization of the underlying collaterals. As at 30 June 2016, the book value of the distressed loan investment portfolio held by the Group amounted to approximately RMB348 million (equivalent to approximately HK$417.6 million), with a portfolio of residential, industrial and commercial buildings and land use rights located in the Zhejiang Province as collaterals.

On 12 August 2016, the Group completed an acquisition through public tender from Zheyue Asset Management Company Limited ("**Zheyue**"), which is a third party independent of the Company and the connected persons of the Company, of a distressed loan portfolio with residential, industrial and commercial properties located in Zhejiang Province as collaterals at a bidding price of approximately RMB170 million (equivalent to approximately HK$204 million), of which approximately RMB90 million (equivalent to approximately HK$108 million) has been paid by the Group as at the Latest Practicable Date, and the remaining RMB80 million (equivalent to approximately HK$96 million) is payable within 12 months of the date of bidding. This remaining balance is to be financed by the net proceeds of the Rights Issue. The Group has also entered into a cooperation agreement with Zheyue on the same date to lay down the framework of the cooperation in sharing of market intelligence, valuation and due diligence results of target assets, and bidding of distressed assets or loan portfolio with total investment amount up to RMB500 million (equivalent to approximately HK$600 million) by the end of 2016.

Asset management team

The Company currently has a team of around 20 staff responsible for distressed asset investment and management business. The team was led by Mr. Xu Ke, who has more than 25 years of relevant experience and had worked in the China Construction Bank (Zhejiang branch), and was the director of China Cinda Asset Management Co., Ltd., Zhejiang Branch before joining the Group in 2016. The Group will consider to recruit additional staff if the development of this business segment so requires.

Mining of tungsten in Mongolia

The Group has engaged a mining professional to prepare an updated feasibility study report for the tungsten mines. The Directors are actively exploring the optimal way to commence the production of the mines. The Directors expect that the exploitation of the mines will take place no later than the end of 2018.

Financial services business

In January 2016, the Company entered into an agreement to acquire three operating subsidiaries of Hui Kai Holdings Limited, which carry out money lending business and licensed activities including trading and brokerage of futures contracts with type 2 licence under the Securities and Futures Ordinance (the "**SFO**") and asset management with type 9 licence under the SFO, for an aggregate consideration of up to HK$56 million. The Company was also granted a call option to acquire the entire equity interest in Hui Kai Holdings Limited with the fourth operating subsidiary (together with the aforesaid three subsidiaries, the "**Financial Service Subsidiaries**") principally engaged in securities trading under type 1 licence under the SFO for a consideration up to HK$120 million (the "**Call Option**"). On 14 October 2016, the Company exercised the Call Option. The acquisitions of the four operating subsidiaries as well as Hui Kai Holdings Limited completed simultaneously on 24 October 2016 ("**Hui Kai Completion**").

The Company intends to apply approximately HK$500 million to HK$550 million out of the proceeds from issue of the Notes for capital injection into the Financial Service Subsidiaries; and approximately HK$200 million to HK$250 million out of the proceeds of the issue of the Notes for development of financial services business in Hong Kong or other places.

In addition to the aforesaid acquisition, the Company is also negotiating with several potential parties and studying the merits of certain potential acquisitions and business proposals as follows:

- a possible acquisition of a licensed financial services company in Hong Kong which is expected to be funded by the Notes;

- a possible investment in an insurance company in Hong Kong which is expected to be funded by the Notes; and

- a possible setup of financial services companies in the PRC with an initial capital requirement of approximately HK$500 million to HK$1 billion, which is expected to be funded by the internal resources and other possible funding raising including debt or equity financing from banks or other investors.

Should any of the aforesaid acquisitions or proposals materialise, further announcement(s) will be made by the Company in accordance with the applicable requirements of the Listing Rules as and when appropriate.

Financial services team

The financial service business will be carried out by the professional team of Hui Kai Holdings Limited and its fellow subsidiaries upon Hui Kai Completion. The team of around 20 professional staff is currently led by Mr. Lo Kwai Sang Dennis, who is the Responsible Officer of each fellow subsidiary of Hui Kai Holding Limited. The Group will also consider to recruit additional staff if the development of this business segment so requires.

Property investment

On 24 September 2016, the Company proposed to acquire two target companies which together hold a residential luxury property project in London for an aggregate consideration of approximately GBP112,202,150 (equivalent to approximately HK$1,155,682,145) subject to adjustments upon completion. Details of this acquisition are set out in the Company's circular dated 18 October 2016. The Directors expect that the London Property Acquisition will be completed by early November 2016.

In view of the promising prospects of the property market in the United Kingdom, the Company intends to develop the property investment business by establishing a portfolio of quality commercial (including hospitality) and residential properties located in the major cities of the United Kingdom and other countries with a target portfolio size ranging from GBP1.0 billion to GBP2.0 billion. The Board expects that the property investment business will generate rental income for the Group, which may benefit from capital appreciation as well.

In addition to the aforesaid, the Company also enters into negotiations with potential vendors in respect of certain property investment proposals set out as follows:

- a possible acquisition of a hotel in Hangzhou, the PRC amounting to approximately HK$1.44 billion, which is expected to be funded by internal resources and other possible debt or equity financing from banks or other investors;

- potential investments in two commercial properties situated in London amounting to approximately HK$241 million and HK$1.2 billion respectively, which are expected to be funded by internal resources, mortgage loans, bank facilities and other possible debt or equity financing from banks or other investors; and

- other possible property investments in the UK amounting to approximately HK$2 to 3 billion, which is expected to be funded by the Notes, the Facilities and other possible debt or equity financing from banks or other investors.

Should any of the acquisitions materialise, further announcement(s) will be made by the Company in accordance with the applicable requirements of the Listing Rules as and when appropriate.

Property investment team

The Company currently has four experienced professionals overseeing the property investment business of the Group in the United Kingdom. They include Mr. Song Chenghua, who graduated from University of Chicago with a degree in Economics and Public Policy and has obtained more than 9 years of experience in property investment and has previously held the position of investment director in a listed company on Singapore Stock Exchange; Ms. He Yun, who was graduated from National University of Singapore with a bachelor degree in Real Estate and had worked for a listed company on Singapore Stock Exchange to oversee the property investment and asset management in Japan, Korea and Taiwan for more than 4 years; Ms. Jiang Cheng, who has a master degree in Applied Finance and has gained her relevant experience in property investment from a listed company on the Stock Exchange before she joined the Group in 2016; and Ms. Hu Zuodan, who had worked for China Resources Land (Shanghai) Limited in the investment property management department before joining the Group. The Company will continue to recruit additional staff to build up a strong investment and asset management team for the development of this segment.

Hua Lien Acquisition

In July 2016, the Company entered into an agreement with Hua Lien to subscribe for a total of 3,700,000,000 shares in Hua Lien (representing approximately 55.3% of the enlarged issued share capital of Hua Lien upon issue of the subscription shares and the placing shares to be issued therewith simultaneously) at the subscription price of HK$0.16 per share in Hua Lien. The Group intends to settle the total subscription monies of approximately HK$592 million by way of the Facilities in the event that completion of the Hua Lien Acquisition takes place before the Completion. In the event that completion of the Hua Lien Acquisition takes place after the Completion, the Company intends to settle the subscription monies by the net proceeds of the Rights Issue. Details of the Hua Lien Acquisition are set out in the joint announcement of the Company and Hua Lien dated 21 July 2016.

The Hua Lien Acquisition, which constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, will be completed upon, among other things, approval of a whitewash waiver by the SFC and requisite listing approval in respect of the new shares in Hua Lien by the Stock Exchange. Compliance with relevant disclosure and approval requirements under the Listing Rules and the Code on Takeovers and Mergers will be made by the Company.

Capital invested and expected to be invested in the businesses of the Group and the source of funding

In view of the rapid development of the Group's businesses, in particular the financial services business, commodities and securities trading, distressed assets investment, and property investment business, we set out below a table to summarise the capital invested in each of the aforesaid business segments since their respective inauguration and the estimated capital to be invested as well as the intended source of funding based on the proposals under negotiation or study of the Group as at the Latest Practicable Date:

Commencing the business/ conducting the relevant transaction from	**Business**	**Capital invested or applied as at Latest Practicable Date** *(approximate HK$)*	**Source of funding**	**Proposed acquisitions or other possible acquisitions that may materialize in the coming 12 months**	**Further capital expected to be invested** *(approximate HK$)*	**Source of funding** *(approximate HK$)*
December 2015	Financial services business	15,000,000 (as the deposit for the acquisition of Hui Kai Futures, Hui Kai Asset Management and Easy Winning)	• Internal resources	• Hui Kai Acquisitions;	• up to 161,000,000	• internal resources
				• funding for enhancement of financial business conducted by Hui Kai Holdings	• 500,000,000	• the Notes
				Proposals:		
				• a possible acquisition of a licensed financial services company in Hong Kong	• under negotiation	• the Notes
				• a possible investment in an insurance company in Hong Kong	• under negotiation	• the Notes
				• possible setup of financial services companies in the PRC	• 0.5 to 1.0 billion	• internal resources • other possible debt or equity financing from banks or other investors
January 2016	Commodity and securities trading	1,000,000,000 (which is existing trading portfolio of commodities and securities)	• Internal resources • the Facilities	• funding for enhancement of the securities and commodities trading businesses	• 388,000,000	• the notes
April 2016	Distressed assets management	526,224,000 (as the consideration for 3 distressed assets investment of the Company announced on 12 April, 5 May and 14 August 2016)	• the Facilities	• development of the distressed assets investment business through 2 to 3 distressed assets investments with bidding price ranging from HK$100 million to HK$300 million	• 586,000,000	• the Rights Issue

Commencing the business/ conducting the relevant transaction from	**Business**	**Capital invested or applied as at Latest Practicable Date** *(approximate HK$)*	**Source of funding**	**Proposed acquisitions or other possible acquisitions that may materialize in the coming 12 months**	**Further capital expected to be invested** *(approximate HK$)*	**Source of funding** *(approximate HK$)*
August 2016	Property investment	115,875,000 (as the deposit for the London Property Acquisition)	• the Notes	• the London Property Acquisition	• 1,200,000,000	• the Rights Issue • mortgage loans
				Proposals:		
				• a potential acquisition of a hotel in Hangzhou, the PRC	• 1,440,000,000	• internal resources• other possible debt or equity financing from banks or other investors
				• a potential investment in a commercial property in London	• 241,000,000	• internal resources • mortgage loans
				• a potential investment in a commercial property in London	• 1,200,000,000	• mortgage loans • the ICBCA Facilities • other possible debt or equity financing from banks or other investors
				• various possible property investments in the UK	• 2 to 3 billion	• the Notes • the Facilities • other possible debt or equity financing from banks or other investors

In view of the above proposals, the Group may require additional funding of at least approximately HK$6.8 billion subsequent to the completion of the Rights Issue should all the above proposals materialize. As stated above, the Company expects to satisfy these funding needs by way of debt or equity financing from banks or other investors.

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

Hong Kong, 26 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.