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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)

HOLDING ANNOUNCEMENT

Reference is made to the announcement of Daiwa Associate Holdings Limited (the “**Company**”) published on 30 April 2015 regarding the suspension of trading in the shares of the Company on the Stock Exchange with effect from 9:00 a.m. on Thursday, 30 April 2015 pending the release of an announcement (the “**Announcement**”) pursuant to the Hong Kong Code on Takeovers and Mergers (the “**Takeovers Code**”), which is inside information in nature.

The Company makes this holding announcement to inform the shareholders of the Company (the “**Shareholders**”) and potential investors the current status of the Announcement which will include, among other things, the following transactions.

SALE AND PURCHASE AGREEMENT

The board of the Company (the “**Board**”) has been informed by Mr. Lau Tak Wan (“**Mr. Lau**”), a controlling Shareholder, an executive director and the president of the Company that he, Ms. Chan Yuen Mei, Pinky, China Capital Holdings Investment Limited and Leading Trade Limited (together, the “**Selling Shareholders**”) and a purchaser (the “**Purchaser**”) entered into a conditional sale and purchase agreement (the “**Sale and Purchase Agreement**”) on 29 April 2015, pursuant to which the Selling Shareholders conditionally agreed to sell and the Purchaser conditionally agreed to acquire in aggregate 241,221,529 shares of the Company (the “**Shares**”), representing approximately 55.17% of the issued capital of the Company as at the date of the Sale and Purchase Agreement, for a consideration of approximately HK\$276.0 million (equivalent to HK\$1.144 per Share). If the Sale and Purchase Agreement is completed, the Purchaser will make a mandatory unconditional cash offer (the “**Possible Offer**”) for the relevant securities of the Company pursuant to Rule 26 of the Takeovers Code.

* *For identification purpose only*

WARNING: THE POSSIBLE OFFER IS A POSSIBILITY ONLY. AS THE POSSIBLE OFFER WILL ONLY BE MADE, AMONG OTHERS, AFTER THE COMPLETION OF THE SALE AND PURCHASE AGREEMENT AND THE COMPLETION OF THE DISPOSAL AGREEMENT (AS DEFINED BELOW), WHICH ARE SUBJECT TO A NUMBER OF CONDITIONS, THE POSSIBLE OFFER MAY OR MAY NOT PROCEED. SHAREHOLDERS AND POTENTIAL INVESTORS ARE THEREFORE ADVISED TO EXERCISE CAUTION WHEN DEALING IN THE SHARES OF THE COMPANY, AND IF THEY ARE IN DOUBT ABOUT THEIR POSITION, THEY SHOULD CONSULT THEIR PROFESSIONAL ADVISERS.

THE DISPOSAL AGREEMENT — VERY SUBSTANTIAL DISPOSAL, CONNECTED TRANSACTION AND SPECIAL DEAL

On the same day, the Company entered into a disposal agreement (the “**Disposal Agreement**”) with a connected person of the Company (the “**Disposal Purchaser**”), pursuant to which the Company conditionally agreed to sell and the Disposal Purchaser conditionally agreed to purchase the entire share capital of Daiwa BVI Limited (the “**Disposal Company**”), a direct wholly-owned subsidiary of the Company (the “**Disposal**”). The Disposal Company, prior to the entering into of the Disposal Agreement, represents the business segment of the Company that primarily involves Hong Kong distribution and trading, central management and properties holding, Canadian personal computer distribution and certain manufacturing operations.

As at the date of the Disposal Agreement, the Disposal Purchaser is beneficially owned by Mr. Lau. As such, the Disposal Purchaser is a connected person of the Company and the Disposal constitutes a connected transaction for the Company under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). As one of the applicable percentage ratios in respect of the Disposal is more than 75%, the Disposal constitutes a very substantial disposal for the Company pursuant to the Listing Rules.

The Disposal also constitutes a special deal under Note 4 to Rule 25 of the Takeovers Code and requires, among other things, the consent of the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director and the approval of the independent Shareholders.

SUBSCRIPTION AGREEMENTS

On the same day, the Company and certain subscribers (the “**Subscribers**”) (which include the Purchaser) entered into certain subscription agreements, pursuant to which the Company conditionally agreed to allot and issue, and the Subscribers conditionally agreed to subscribe, in cash, for a total of 225,000,000 new Shares at the Subscription Price of HK\$1.144 per Share, representing a total consideration of HK\$257.4 million.

As the Company requires additional time to resolve certain issues with the Stock Exchange in connection to the abovementioned transactions, the Announcement setting out the details of the relevant transactions will be published by the Company in accordance with the Listing Rules and the Takeovers Code as soon as practicable.

Trading in the Shares will remain suspended pending the publication of the Announcement.

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

Hong Kong, 29 May 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 of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.