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**TAIFOOK SECURITIES GROUP LIMITED**

**大福證券集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 665)**

**CONNECTED TRANSACTIONS**

The Board announces that on 2 September 2010:

- (1) Taifook (BVI), a direct wholly-owned subsidiary of the Company, entered into the Asset Acquisition Agreement with Hai Tong (HK), pursuant to which Taifook (BVI) has agreed to purchase, and Hai Tong (HK) has agreed to sell, the Asset Sale Shares which represent the entire issued share capital of Hai Tong Asset; and
- (2) Taifook Finance, an indirect wholly-owned subsidiary of the Company, entered into the Capital Acquisition Agreement with Hai Tong (HK), pursuant to which Taifook Finance has agreed to purchase, and Hai Tong (HK) has agreed to sell, the Capital Sale Shares which represent the entire issued share capital of Hai Tong Capital.

Hai Tong (HK) is a controlling shareholder of the Company and, accordingly, a connected person of the Company and the Transactions constitute connected transactions under the Listing Rules. As the applicable percentage ratios of the Transactions exceed 0.1% but are less than 5% and the total consideration of the Transactions exceeds HK\$1,000,000, the Transactions are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement pursuant to Rule 14A.32(1) of the Listing Rules.

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- (2) Taifook Finance, an indirect wholly-owned subsidiary of the Company, entered into the Capital Acquisition Agreement with Hai Tong (HK), pursuant to which Taifook Finance has agreed to purchase, and Hai Tong (HK) has agreed to sell, the Capital Sale Shares which represent the entire issued share capital of Hai Tong Capital.

## **ASSET ACQUISITION AGREEMENT**

### **Date**

2 September 2010

### **Parties**

Vendor: Hai Tong (HK)

Purchaser: Taifook (BVI)

### **Assets to be acquired**

The Asset Sale Shares, representing the entire issued share capital of Hai Tong Asset

### **Consideration and payment terms**

The consideration for the Asset Sale Shares is HK\$20,105,598.40, which was determined after arm's length negotiation between Taifook (BVI) and Hai Tong (HK) and was based on the net asset value of Hai Tong Asset as at 31 August 2010.

The consideration shall be payable by Taifook (BVI) to Hai Tong (HK) by cheque at completion.

### **Conditions precedent**

Completion is conditional upon the following conditions being fulfilled (or waived by Taifook (BVI)) on or before 10 September 2010:

- (a) the performance and completion of a legal, financial and business due diligence review by Taifook (BVI) (or any person(s) so authorized by Taifook (BVI)) on the Hai Tong Asset Group;
- (b) all relevant approvals, authorizations, waivers and consents necessary for the purpose of the Asset Acquisition Agreement and the transactions contemplated thereunder which may be required from any regulatory or governmental authority or other third party having been obtained and not having been revoked; and
- (c) none of the warranties and undertakings by Hai Tong (HK) has become materially incorrect and Hai Tong (HK) having been duly fulfilled and observed its obligations in relation to, inter alia, the operation of Hai Tong Asset prior to completion.

The approvals from the SFC for the change of substantial shareholder(s) of Hai Tong Asset pursuant to section 132 of the SFO have been obtained on 19 August 2010.

### **Completion**

Completion shall take place no later than the seventh Business Day of the satisfaction of the conditions precedent (or the waiver of the unfulfilled parts thereof).

## **CAPITAL ACQUISITION AGREEMENT**

### **Date**

2 September 2010

### **Parties**

Vendor: Hai Tong (HK)

Purchaser: Taifook Finance

### **Assets to be acquired**

The Capital Sale Shares, representing the entire issued share capital of Hai Tong Capital

### **Consideration and payment terms**

The consideration for the Capital Sale Shares is HK\$10,026,677.26, which was determined after arm's length negotiation between Taifook Finance and Hai Tong (HK) and was based, respectively, on the net asset value of Hai Tong Capital as at 31 August 2010.

The consideration shall be payable by Taifook Finance to Hai Tong (HK) by cheque at completion.

### **Conditions precedent**

Completion is conditional upon the following conditions being fulfilled (or waived by Taifook Finance) on or before 10 September 2010:

- (a) the performance and completion of a legal, financial and business due diligence review by Taifook Finance (or any person(s) so authorized by Taifook Finance) on Hai Tong Capital;
- (b) all relevant approvals, authorizations, waivers and consents necessary for the purpose of the Capital Acquisition Agreement and the transactions contemplated thereunder which may be required from any regulatory or governmental agency or other third party having been obtained and not having been revoked; and
- (c) none of the warranties and undertakings by Hai Tong (HK) has become materially incorrect and Hai Tong (HK) having been duly fulfilled and observed its obligations in relation to, inter alia, the operation of Hai Tong Capital prior to completion.

The approvals from the SFC for the change of substantial shareholder(s) of Hai Tong Capital pursuant to section 132 of the SFO have been obtained on 19 August 2010.

### **Completion**

Completion shall take place no later than the seventh Business Day of the satisfaction of the conditions precedent (or the waiver of the unfulfilled parts thereof).

## INFORMATION ON THE TARGETS

### Hai Tong Asset

Hai Tong Asset is a limited company incorporated in Hong Kong and a licensed corporation under the SFO for types 4 (advising on securities), 5 (advising on futures contracts) and 9 (asset management) regulated activities. The principal activities of Hai Tong Asset Group are the provision of assets and investment management services.

Based on the unaudited consolidated management accounts of Hai Tong Asset, the net asset value of Hai Tong Asset as at 31 August 2010 was approximately HK\$20,105,598.40. The audited consolidated financial information of Hai Tong Asset for the period from 24 July 2007, being the date of its incorporation, to 31 December 2008 and the financial year ended 31 December 2009 are as follows:

	For the year ended 31 December 2009 <i>HK\$</i>	For the period from 24 July 2007 to 31 December 2008 <i>HK\$</i>
Net profit/ (loss) before tax and extraordinary items	6,258,874	(2,249,761)
Net profit/ (loss) after tax and extraordinary items	5,728,874	(2,249,761)

As Hai Tong (HK) has been the shareholder of Hai Tong Asset since the date of incorporation of Hai Tong Asset, there is no original purchase cost of the Asset Sale Shares.

### Hai Tong Capital

Hai Tong Capital is a limited company incorporated in Hong Kong and a licensed corporation under the SFO for type 6 (advising on corporate finance) regulated activities with specific licensing conditions. The principal activities of Hai Tong Capital are the provision of corporate finance and advisory services.

Based on the unaudited management accounts of Hai Tong Capital, the net asset value of Hai Tong Capital as at 31 August 2010 was approximately HK\$10,026,677.26. The audited financial information of Hai Tong Capital for the period from 24 July 2007, being the date of its incorporation, to 31 December 2008 and the financial year ended 31 December 2009 are as follows:

	For the year ended 31 December 2009 <i>HK\$</i>	For the period from 24 July 2007 to 31 December 2008 <i>HK\$</i>
Net profit/ (loss) before tax and extraordinary items	6,515,725	(1,767,545)
Net profit/ (loss) after tax and extraordinary items	5,715,725	(1,767,545)

As Hai Tong (HK) has been the shareholder of Hai Tong Capital since the date of incorporation of Hai Tong Capital, there is no original purchase cost of the Capital Sale Shares.

## **INFORMATION ON THE COMPANY, TAIFOOK GROUP AND HAI TONG (HK)**

The principal activity of the Company is investment holding. The principal activities of Taifook Group comprise securities, futures and options contracts broking and trading, the provision of margin and other financing, the provision of corporate advisory, placing and underwriting services, bullion contracts dealing and trading, leveraged foreign exchange trading, the provision of nominee and custodian services, the provision of fund management, the provision of financial planning and advisory services and proprietary securities trading.

Hai Tong (HK) is principally engaged in the provision of securities and other related financial services, such as securities brokerage (including margin trading), futures contract brokerage, asset management, sponsorship of public offerings, underwriting and financial advisory, through its wholly-owned subsidiaries.

## **REASONS FOR AND BENEFITS OF THE TRANSACTIONS**

The Directors consider that the Transactions represent an opportunity for Taifook Group to augment its business and resources by reorganizing with certain subsidiaries of Hai Tong (HK) engaging in similar activities with members of the Taifook Group in Hong Kong.

The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Asset Acquisition Agreement and Capital Acquisition Agreement are fair and reasonable, on normal commercial terms and that they are in the interest of the Company and its shareholders as a whole.

## **FINANCIAL EFFECT OF THE TRANSACTIONS**

Upon the completion of the Transactions, Hai Tong Asset and Hai Tong Capital will become indirect wholly-owned subsidiaries of the Company.

Given the Asset Sale Shares and Capital Sale Shares are sold at substantially their book value to Taifook (BVI) and Taifook Finance, it is expected that the Company will not record any material gain or loss as a result of the Transactions.

The Transactions will be funded by the internal resources of Taifook Group.

## **LISTING RULES IMPLICATIONS**

Hai Tong (HK) is a controlling shareholder of the Company and, accordingly, a connected person of the Company and the Transactions constitute connected transactions under the Listing Rules. As the applicable percentage ratios of the Transactions exceed 0.1% but are less than 5% and the total consideration of the Transactions exceeds HK\$1,000,000, the Transactions are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement pursuant to Rule 14A.32(1) of the Listing Rules.

Save for Mr. Li Mingshan who is also a director of Haitong Securities Co., Ltd. and Hai Tong (HK) and Messrs. Li Jianguo, Lin Yong, Ji Yuguang and Wu Bin who are also directors of Hai Tong (HK) and have abstained from voting on the relevant resolution of the Board approving the Transactions, none of the Directors have a material interest in the Transactions.

## TERMS USED IN THIS ANNOUNCEMENT

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

“Asset Acquisition Agreement”	the sale and purchase agreement dated 2 September 2010 entered into between Taifook (BVI) and Hai Tong (HK) in relation to the Asset Sale Shares, the details of which are set out in this announcement
“Asset Sale Shares”	20,000,000 ordinary shares of HK\$1 each of Hai Tong Asset, representing the entire issued share capital of Hai Tong Asset
“Board”	the board of Directors
“Business Day”	a day (excluding a Saturday) on which banks are generally open for business in Hong Kong
“Capital Acquisition Agreement”	the sale and purchase agreement dated 2 September 2010 entered into between Taifook Finance and Hai Tong (HK) in relation to the Capital Sale Shares, the details of which are set out in this announcement
“Capital Sale Shares”	10,000,000 ordinary shares of HK\$1 each of Hai Tong Capital, representing the entire issued share capital of Hai Tong Capital
“Company”	Taifook Securities Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of The Stock Exchange of Hong Kong Limited
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Hai Tong Asset”	Hai Tong Asset Management (HK) Limited, a limited company incorporated in Hong Kong and a direct wholly-owned subsidiary of Hai Tong (HK)
“Hai Tong Asset Group”	Hai Tong Asset and its subsidiaries, including Haitong PE Investment Management Ltd. (a company incorporated in the Cayman Islands), and partnerships, including Haitong Venture I L.P., Haitong Venture II L.P. and HTPE I L.P. formed in the Cayman Islands
“Hai Tong Capital”	Hai Tong Capital (HK) Limited, a limited company incorporated in Hong Kong and a direct wholly-owned subsidiary of Hai Tong (HK)
“Hai Tong (HK)”	Hai Tong (HK) Financial Holdings Limited, a limited company incorporated in Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Taifook (BVI)”	Taifook (BVI) Limited, a limited company incorporated in the British Virgin Islands
“Taifook Finance”	Taifook Finance Company Limited, a limited company incorporated in Hong Kong
“Taifook Group”	the Company and its subsidiaries
“Transactions”	the transactions contemplated under the Asset Acquisition Agreement and Capital Acquisition Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

By order of the Board  
**Wong Shiu Hoi, Peter**  
Deputy Chairman and Managing Director

Hong Kong, 2 September 2010

*As at the date of this announcement, the Board of the Company comprises (a) 6 executive directors, namely Mr. Wong Shiu Hoi, Peter (Deputy Chairman and Managing Director), Mr. Li Jianguo (Deputy Chairman), Mr. Lin Yong (Joint Managing Director), Mr. Lee Yiu Wing, William, Mr. Chan Chi On, Derek and Mr. Poon Mo Yiu, Patrick; (b) 5 non-executive directors, namely Mr. Li Mingshan (Chairman), Mr. Ji Yuguang, Mr. Wu Bin, Mr. Chen Chunqian and Mr. Cheng Chi Ming, Brian; and (c) 3 independent non-executive directors, namely Mr. Man Mo Leung, Mr. Tsui Hing Chuen, William and Mr. Lau Wai Piu, Bill.*

*\* For identification purpose only*