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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)**

### **PROPOSED SHARE PREMIUM REDUCTION**

The Directors propose to implement the Share Premium Reduction which will involve a reduction of the entire amount standing to the credit of the share premium account of the Company to nil and part of the credit arising from the Share Premium Reduction will be applied to offset the entire amount of the accumulated losses of the Company as at Effective Date and the remaining balance will be credited to the contributed surplus account of the Company.

The Share Premium Reduction is conditional upon, among other things, the Shareholders passing a special resolution to approve the Share Premium Reduction at the AGM. As none of the Shareholders is interested in the Share Premium Reduction, no Shareholder is required to abstain from voting on the Share Premium Reduction. A circular containing further information on the Share Premium Reduction and a notice to convene the AGM will be despatched to Shareholders as soon as practicable in accordance with the Listing Rules.

### **SHARE PREMIUM REDUCTION**

The Directors propose to reduce the entire amount standing to the credit of the share premium account of the Company to nil and part of the credit arising from the Share Premium Reduction will be applied to offset the entire amount of the accumulated losses of the Company as at Effective Date and the remaining balance will be credited to the contributed surplus account of the Company.

As at 31 March 2014, the amount standing to the credit of the share premium account of the Company was approximately HK\$233.2 million and the accumulated losses of the Company was approximately HK\$165.4 million subject to finalisation on the Effective Date. The credit of the share premium account will be reduced in full and will first be applied to offset the entire amount of the accumulated losses of the Company as at Effective Date and the remaining will be transferred to the contributed surplus account of the Company, which as at 31 March 2014, had a credit balance of approximately HK\$72.3 million. Other than the expenses to be incurred in relation to the Share Premium Reduction, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Company or the interests or rights of the Shareholders.

\* *For identification purpose only*

## **CONDITIONS FOR SHARE PREMIUM REDUCTION**

The Share Premium Reduction is conditional upon the following being fulfilled:

1. the passing of a special resolution by the Shareholders to approve the Share Premium Reduction at the AGM; and
2. compliance with Section 46(2) of the Companies Act 1981 of Bermuda, including publication of a notice of the Share Premium Reduction in an appointed newspaper in Bermuda on a date not more than thirty days and not less than fifteen days before the Effective Date.

## **EXPECTED EFFECTIVE DATE OF THE SHARE PREMIUM REDUCTION**

Assuming the above conditions are fulfilled, it is expected that the Share Premium Reduction will become effective on the Effective Date, i.e. being the next Business Day immediately following the date of passing the relevant special resolution approving the Share Premium Reduction.

## **REASONS FOR SHARE PREMIUM REDUCTION**

According to Bermuda law, where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the premiums on those shares shall be transferred to the share premium account. A company shall not declare or pay a dividend out of share premium. On the other hand, a company can declare or pay a dividend out of contributed surplus provided that the company is, or would after the payment be, able to pay its liabilities as they become due or the realizable value of the company's assets exceeds its liabilities. Under the Company's by-laws, the Company is allowed to make distribution to Shareholders out of its contributed surplus account. The Share Premium Reduction and the subsequent transfer of the credit arising therefrom to the contributed surplus account of the Company will give the Company greater flexibility to declare dividends or make distribution to the Shareholders in the future as and when the Board considers appropriate. The Board is satisfied that implementation of the Share Premium Reduction would not make the Company unable to pay its liabilities as they become due. The Board considers that it is in the best interest of the Company and its Shareholders as a whole to implement the Share Premium Reduction.

## **GENERAL**

As none of the Shareholders is interested in the Share Premium Reduction, no Shareholder is required to abstain from voting on the Share Premium Reduction at the AGM. A circular containing further information on the Share Premium Reduction and a notice to convene the AGM will be despatched to Shareholders as soon as practicable in accordance with the Listing Rules.

## DEFINITIONS

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

“AGM”	the annual general meeting of the Company to be convened for the purpose of considering, among other things, and if thought fit, approving the Share Premium Reduction
“Board”	board of Directors
“Business Day”	a day (excluding Saturday and Sunday and any day on which a tropical cyclone warning No. 8 or above or on which a “black” rainstorm warning signal is hoisted or remains hoisted at 10:00 am) on which banks in Hong Kong are generally open for business in Hong Kong throughout their normal business hours
“Company”	Daiwa Associate Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Stock Exchange
“Director(s)”	director(s) of the Company
“Effective Date”	the date on which the Share Premium Reduction shall become effective, being the next Business Day immediately following the date of passing the relevant special resolution approving the Share Premium Reduction at the AGM
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Share Premium Reduction”	the proposed reduction of the entire amount standing to the credit of the share premium account of the Company to nil
“Shareholder(s)”	holder(s) of the ordinary share(s) of HK\$0.1 each in the issued capital of the Company

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“HK\$”

Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the People’s Republic of China

By order of the Board  
**Daiwa Associate Holdings Limited**  
**Lau Tak Wan**  
*President*

Hong Kong, 25 July 2014

*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.*