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## **MAJOR TRANSACTION – THE DISPOSAL OF A PROPERTY HOLDING COMPANY**

### **THE DISPOSAL**

Reference is made to the voluntary announcements of the Company dated 15 June 2018 and 28 August 2018.

On 31 August 2018, the Purchaser, the Seller (a wholly-owned subsidiary of the Company), the Guarantor (a wholly-owned subsidiary of the Company and the holding company of the Seller) and the Target entered into the Sale and Purchase Agreement, pursuant to which the Company has agreed to sell, and the Purchaser has agreed to acquire, (i) the Sale Shares, representing the entire paid up registered capital of the Target; and (ii) the Sale Debts, representing the entire shareholder's loan owing by the Target to the Seller as at Completion for a total consideration of RMB1,550 million. The Seller shall also procure, on a best effort basis, the sale of the PRC Companies to the Purchaser prior to Completion.

The Target is a property holding company and the Property comprises a 10-storey hotel property of aggregate gross floor area of approximately 44,390 sq.m., accommodating high-ended restaurants, swimming pools, entertainments venue and car park facilities, and is currently leased to certain Independent Third Parties.

Upon Completion, the Target will cease to be an indirect wholly-owned subsidiary of the Company and the Company will cease to have any interest in the Target.

### **LISTING RULES IMPLICATIONS**

To the best knowledge, information and belief of the Directors having made all reasonable enquiry, each of the Purchaser and its ultimate beneficial owner(s) is an Independent Third Party.

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal is more than 25% but less than 75%, the Disposal constitutes a major transaction for the Company under Rule 14.06(3) of the Listing Rules and will accordingly be subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Tai He and Songbird together own 3,937,234,889 Shares in aggregate, representing approximately 74.99% of the issued share capital of the Company. As no Shareholder has any material interest in the Disposal and no Shareholder would be required to abstain from voting if the Company were to convene a special general meeting to approve the Disposal, the Company has obtained a written approval from Tai He and Songbird for approving the Disposal under Rule 14.44 of the Listing Rules. As such, no special general meeting of the Company will be convened by the Company to approve the Disposal and the transactions contemplated thereunder.

A circular containing, among other things, (i) further details of the Sale and Purchase Agreement, (ii) further information on the Target and the Property, (iii) valuation report of the Property, and (iv) other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 21 September 2018. If additional time is required for preparing the financial information of the Target, the Company will apply for a waiver from strict compliance of Rule 14.41(a) of the Listing Rules.

Reference is made to the voluntary announcements of the Company dated 15 June 2018 (“**15 June Announcement**”) and 28 August 2018 (together with the 15 June Announcement, “**Announcements**”). As disclosed in the Announcements, the period for the Due Diligence Review (as defined in the 15 June Announcement) has been extended for an additional 30 days and as more time is required to agree upon certain major terms of the Sale and Purchase Agreement, the Company and Ding Long, being the purchaser under the MOU, has entered into a supplemental memorandum of understanding on 28 August 2018 to extend the signing date of the Sale and Purchase Agreement to a date before 7 September 2018.

By a letter of confirmation and nomination, Ding Long has nominated the Purchaser (being its affiliated company) to enter into the Sale and Purchase Agreement as purchaser.

On 31 August 2018, the Purchaser, the Company, the Guarantor and the Target entered into the Sale and Purchase Agreement.

The principal terms of the Sale and Purchase Agreement are set out below:

## **THE SALE AND PURCHASE AGREEMENT**

**Date:** 31 August 2018

**Parties:**

**Purchaser:** 廣州格菲黃金商貿有限公司 (unofficial English translation being Guangzhou Ge Fei Golden Commerce Co., Ltd), being the nominee of Ding Long

**Seller:** 西藏宏融資產管理有限公司 (unofficial English translation being Xizang Hongrong Asset Management Co., Ltd.), an indirect wholly-owned subsidiary of the Company

**Guarantor:** 宏融投資控股(深圳)有限公司 (unofficial English translation being Hongrong Investment Holdings (Shenzhen) Co., Ltd.), an indirect wholly-owned subsidiary of the Company and the holding company of the Seller

**Target:** 杭州太榮資產管理有限公司 (unofficial English translation being Hangzhou Tai Rong Asset Management Co., Ltd), a company incorporated in the PRC with limited liability, which is wholly-owned by the Seller

To the best of the Directors' knowledge, information and belief and having made all reasonable enquires, each of the Purchaser and its ultimate beneficial owner(s) is an Independent Third Party. The Purchaser is a company incorporated in the PRC with limited liability and is principally engaged in (i) retail business including but not limited to selling various gold, crystal, jade, diamond and platinum products; (ii) jewelry design; (iii) hotel management; and (iv) catering management.

### **Assets to be disposed of**

The Seller has agreed to sell the Sale Shares and the Sale Debts to the Purchaser pursuant to the terms of the Sale and Purchase Agreement.

The Sale Shares represent the entire paid up registered capital of the Target and is owned by the Seller. The Sale Debts represent the entire shareholder's loan owing by the Target to the Seller as at Completion Date and as at 31 August 2017, such sum amounted to approximately RMB780 million.

## Consideration and Payment Term

The Consideration of the Disposal shall be RMB1,550 million which shall be settled in the following manner:

- (1) RMB30 million (“**Earnest Money**”) was paid by Ding Long upon signing of the MOU and shall be returned to Ding Long within 2 Business Days by the Seller upon receipt of the Control Account Payment (defined below);
- (2) RMB155 million within 3 Business Days upon the opening of the Control Account, to be deposited by the Purchaser to the Control Account (“**Control Account Payment**”);
- (3) upon completion of the Property Alteration and within 3 Business Days upon receipt of payment notification from the Seller, RMB635.5 million to be deposited by the Purchaser to the Escrow Account (“**Escrow Account Payment**”);
- (4) within 10 Business Days upon Escrow Account Payment made by the Purchaser, all procedures in relation to the registration of the transfer of Sale Shares to be completed by the Seller with the assistance of the Purchaser, failing which the Control Account Payment and Escrow Account Payment to be returned to the Purchaser (save and except for any delay caused otherwise than by the Seller’s fault);
- (5) on Completion Date, the Purchaser and the Seller shall enter into a share pledge agreement (“**Share Pledge Agreement**”) pursuant to which the Sale Shares shall be pledged by the Purchaser to the Seller (“**Pledged Shares**”) to secure the payment of the Balance of Consideration (defined below). The Purchaser shall be responsible for registration of the Share Pledge Agreement within the specific time stipulated under the Sale and Purchase Agreement;
- (6) within 3 Business Days upon Completion Date, the Control Account Payment and the Escrow Account Payment to be transferred to the Designated Account;
- (7) as to the remaining balance of RMB759.5 million (“**Balance of Consideration**”),
  - (i) in case there is no breach of any of the Seller’s Warranties, within 45 Business Days upon Completion Date, to be paid into the Designated Account; and
  - (ii) in case there is a breach of any of the Seller’s Warranties, after deducting the amount that the Seller shall be liable to pay to the Purchaser be reason of the breach, the remaining of the Balance of Consideration to be paid into the Designated Account (if the amount that the Seller shall be liable to pay to the Purchaser exceeds the amount of the Balance of Consideration, the Purchaser shall be entitled to seek further compensation from the Seller);
- (8) within 5 Business Days upon payment of the Balance of Consideration, the Purchaser shall, with the assistance of the Seller, discharge the Share Pledge Agreement.

Hand Over shall be completed upon completion of all procedures in relation to the transfer of Sale Shares and obtaining the new business registration certificate of the Target.

The Consideration of the Disposal was agreed between the Seller and Buyer after arm's length negotiations on normal commercial terms with reference to the preliminary valuation of the Property of RMB1,400 million as at 31 July 2018 conducted by APAC Appraisal and Consulting Limited, an independent valuer. The full text of the valuation report will be included in the circular to be despatched to the Shareholders in connection with the Disposal.

The Directors (including the independent non-executive Directors) consider the Consideration to be fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

### **Seller's Undertakings**

Reference is also made to the announcement of the Company dated 21 November 2016 and the circular dated 25 January 2017. As disclosed in such announcement and circular, pursuant to the auction acknowledgement as referred to therein, the Group has undertaken that upon completion of the then acquisition, the operation of the Property as hotel under the name of "Wyndham Grand Plaza Royale Hangzhou Hotel" shall continue, and no existing staff of the hotel shall be laid off due to such acquisition. In light of such undertaking, the Group has also imposed an undertaking to the Purchaser in the Sale and Purchase Agreement of similar effect.

As it was the mutual intention of the Seller and the Purchaser that the Property, which is the subject matter in substance for the Disposal, should continue to be operated as a hotel and the Disposal is made on that basis, the Seller has given certain representations and/or warranties in relation to (i) the continuance of operation of the Property as a hotel and (ii) the contingent liabilities, if any, that the Target or the PRC Companies may have incurred from 1 January 2017 (after the Group acquired the Property) till the Completion Date, provided that any claim by the Purchaser shall be time barred after 180 days upon Completion and that the maximum liability of the Seller under the Sale and Purchase Agreement in aggregate shall not be greater than 10% of the total Consideration.

### **Conditions Precedent to the Effective Date of the Sale and Purchase Agreement**

The effective date of the Sale and Purchase Agreement is conditional upon obtaining approval from the Board and the Shareholders approving the Sale and Purchase Agreement and the transactions contemplated thereunder. As at the date of this announcement, all Conditions Precedent have been satisfied.

## **Completion**

Completion shall take place upon the completion of the Hand Over and the completion of all procedures in relation to the transfer of Sale Shares (including but not limited to the procedures for registration of such change) and obtaining the new business registration certificate of the Target.

## **REASONS FOR AND BENEFIT OF THE DISPOSAL**

The Group is principally engaged in: (i) property investment; (ii) distressed debt assets management; (iii) commodity trading; (iv) securities investment; (v) financial services; and (vi) mining and exploitation of natural resources.

It is expected that the Group will record a gain before taxation of approximately RMB98.7 million from the Disposal, which is calculated with reference to the difference between (i) the Consideration and (ii) the aggregate of (aa) the estimated unaudited net asset value of the Target as at 30 June 2018; (bb) the amount of the Sale Debts; and (cc) the estimated expenses in connection with the Disposal. The actual amount of gain or loss as a result of the Disposal to be recorded by the Company will be subject to the review and final audit by the auditors of the Company. It is expected that the net proceeds from the Disposal will be used for re-investment for other potential projects and/or business opportunities that may arise and as general working capital of the Group.

In light of the estimated gain that may be recorded by the Company from the Disposal, the Directors consider the Disposal represents an opportunity for the Group to realise its investment in the Target and in substance, the Property, so as to enable the Group to re-allocate more financial resources on future potential investment opportunities of the Group.

The terms of the Sale and Purchase Agreement were determined after arm's length negotiations between the parties thereto and the Directors are of the view that the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## INFORMATION ON THE TARGET AND THE PROPERTY

The Target is the sole legal and beneficial owner of the Property.

The Property is a hotel facility located at No. 555 Fengqi Road, Hangzhou City, Zhejiang Province, the PRC and is commonly known as “Wyndham Grand Plaza Royale Hangzhou Hotel”. It is accredited as a five-star hotel by the China National Tourism Administration. It is located in the heart of Hangzhou city, right at the north east shore of the West Lake and is surrounded by various attractions including famous scenery and shopping malls.

The Property comprises a 10-storey hotel property with 360 rooms including guest rooms, conference room, shops and service apartments with an aggregate gross floor area of approximately 44,390 sq.m., accommodating high-ended restaurants, swimming pools, entertainment venues and car park facilities.

Set out below is a summary of the unaudited financial information of the Target for the years ended 31 December 2016 and 31 December 2017:

The unaudited financial information of the Target for the years ended 31 December 2016 and 2017 respectively are as follows:

	<b>For the year ended 31 December 2016 <i>RMB'000</i> (approximately)</b>	<b>For the year ended 31 December 2017 <i>RMB'000</i> (approximately)</b>
Revenue	767	79,214
Net profit before taxation	270,699	68,868
Net profit after taxation	141,067	94,225

The unaudited total asset value and net asset value of the Target as at 30 June 2018 was approximately RMB1,507 million and RMB670 million respectively.

Upon Completion, the Target will cease to be an indirect wholly-owned subsidiary of the Company and its financial results will cease to be consolidated into the Group's financial statements.

## **INFORMATION ON THE PURCHASER**

The Purchaser is a company incorporated in the PRC with limited liability. The Purchaser is principally engaged in (i) retail business including but not limited to selling various gold, crystal, jade, diamond and platinum products; (ii) jewelry design; (iii) hotel management; and (iv) catering management.

## **LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal is more than 25% but less than 75%, the Disposal constitutes a major transaction for the Company under Rule 14.06(3) of the Listing Rules and will accordingly be subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Tai He and Songbird together own 3,937,234,889 Shares in aggregate, representing approximately 74.99% of the issued share capital of the Company. As no Shareholder has any material interest in the Disposal and no Shareholder would be required to abstain from voting if the Company were to convene a special general meeting to approve the Disposal, the Company has obtained a written approval from Tai He and Songbird for approving the Disposal under Rule 14.44 of the Listing Rules. As such, no special general meeting of the Company will be convened by the Company to approve the Disposal and the transactions contemplated thereunder.

## **DESPATCH OF CIRCULAR**

A circular containing, among other things, (i) further details of the Sale and Purchase Agreement, (ii) further information on the Target and the Property, (iii) valuation report of the Property, and (iv) other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 21 September 2018. If additional time is required for preparing the financial information of the Target, the Company will apply for a waiver from strict compliance of Rule 14.41(a) of the Listing Rules.



## TERMS USED IN THIS ANNOUNCEMENT

“Board”	the board of Directors
“Business Day(s)”	a day on which banks are generally open for business in Hong Kong and the PRC (other than a Saturday, Sunday or public holiday in Hong Kong or the PRC)
“Company”	Tai United Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Disposal, meaning completion of the Hand Over and all procedures in relation to the transfer of Sale Shares to the Purchaser (including but not limited to the procedures for registration of such change) and obtaining the new business registration certificate
“Completion Date”	the date of Completion
“Conditions Precedent”	conditions precedent to the effective date of the Sale and Purchase Agreement
“Consideration”	total consideration for the Sale Shares and Sale Debts
“Control Account”	a bank account in the name of the Seller, to be opened within 3 Business Days upon the effective date of the Sale and Purchase Agreement
“Designated Account”	a bank account designated by the Seller
“Ding Long”	廣東鼎龍實業集團有限公司 (unofficial English translation being Guangdong Dinglong Shiye Group Co., Ltd.), the purchaser under the MOU
“Director(s)”	the director(s) of the Company
“Disposal”	the Disposal by the Seller of the Sale Shares and the Sale Debts
“Escrow Account”	a bank account in the name of the Purchaser, to be opened within 3 Business Days upon the effective date of the Sale and Purchase Agreement
“Group”	the Company and its subsidiaries

“Guarantor”	宏融投資控股(深圳)有限公司 (unofficial English translation being Hongrong Investment Holdings (Shenzhen) Co., Ltd.), a company incorporated in the PRC with limited liability, an indirect wholly owned subsidiary of the Company and the holding company of the Seller
“Hand Over”	transferring all the assets, corporate documents, company chops or any other documents of the Target as set out in appendix 5 of the Sale and Purchase Agreement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a party who is not a connected person (within the meaning of the Listing Rules) of the Company and associates (within the meaning of the Listing Rules) of such connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOU”	the Memorandum of Understanding dated 15 June 2018 entered into between the Company and the Purchaser in relation to, among others, the Disposal
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Companies”	certain companies incorporated in the PRC with limited liability held by Independent Third Parties which are responsible for management of the Property
“Property”	the property known as “杭州溫德姆至尊豪庭大酒店” (“Wyndham Grand Plaza Royale Hangzhou Hotel”) situated at No. 555 Fengqi Road, Hangzhou City, Zhejiang Province, the PRC
“Property Alternation”	after having obtained all necessary governmental or other approval(s) and completion of all necessary procedures, completion of demolition or alteration of the Property so that the Property is accessible from the adjacent main road(s) pursuant to the Sale and Purchase Agreement
“Purchaser”	廣州格菲黃金商貿有限公司 (unofficial English translation being Guangzhou Ge Fei Golden Commerce Co., Ltd), a company incorporated in the PRC with limited liability, the nominee of Ding Long

“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement in relation to the Disposal
“Sale Debts”	the entire shareholder’s loan owing by the Target to the Seller as at Completion
“Sale Shares”	all the issued shares of the Target
“Seller”	西藏宏融資產管理有限公司 (unofficial English translation being Xizang Hongrong Asset Management Co., Ltd.), a company incorporated in the PRC with limited liability and is an indirect wholly owned subsidiary of the Company
“Seller’s Warranties”	warranties or representations made by the Seller and the obligations of the Seller under the Sale and Purchase Agreement
“Share(s)”	the ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Songbird”	Songbird SG PTE. LTD., a Shareholder, together with Tai He own 3,937,234,889 shares of the Company in aggregate, representing approximately 74.99% of the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tai He”	Tai He Financial Group Limited, a Shareholder, together with Songbird own 3,937,234,889 shares of the Company in aggregate, representing approximately 74.99% of the issued share capital of the Company

“Target”	杭州太榮資產管理有限公司 (unofficial English translation being Hangzhou Tai Rong Asset Management Co., Ltd), a company incorporated in the PRC with limited liability, which is wholly-owned by the Seller
“sq.m.”	square meter
“%”	per cent.

By Order of the Board  
**Tai United Holdings Limited**  
**Chen Weisong**  
*Chief executive officer*

Hong Kong, 31 August 2018

As at the date of this announcement, the Board comprises the following Directors:

*Executive Directors:*

Mr. Chen Weisong (*Chief Executive Officer*)  
Mr. Xu Ke  
Mr. Ye Fei  
Mr. Wang Qiang  
Dr. Kwong Kai Sing Benny

*Independent non-executive Directors:*

Dr. Gao Bin  
Ms. Liu Yan  
Mr. Tang King Shing