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CLARIFICATION ANNOUNCEMENT: ISSUE OF NOTES AND INTENDED USE OF PROCEEDS

Reference is made to:

- (i) the announcement of Tai United Holdings Limited (the “**Company**”) dated 28 September 2016 (the “**Announcement**”) in relation to, among other matters, the issue of the Notes in the aggregate principal amount of US\$180,000,000 (equivalent to approximately HK\$1,395 million) for subscription by the Investors; and
- (ii) the circular of the Company dated 23 September 2016 (the “**Circular**”) in relation to the proposed issue of 3,002,184,872 Rights Shares to the Qualifying Shareholders at the Subscription Price of HK\$1.00 per Rights Share on the basis of two Rights Shares for every one existing Share held on the Record Date.

Capitalised terms used in this announcement shall have the same meaning as defined in the Announcement and the Circular unless the context requires otherwise.

The Company would like to draw the attention of the Shareholders to this announcement prior to their attendance at the SGM, to be held on Tuesday, 11 October 2016, for approving the Rights Issue and the transactions contemplated thereunder. Please refer to the notice for the SGM dated 23 September 2016 for details of the SGM.

The Company wishes to provide the Shareholders and potential investors of the Company with further information regarding the reason for, and the intended use of proceeds from, the issue of the Notes, and the details of the permitted acquisitions and the permitted disposals under the Subscription Agreement.

REASON

As disclosed in the Circular, assuming that the Hua Lien Acquisition and the London Property Acquisition were completed before completion of the Rights Issue, the expected funding needs of the Company for the next 12 months would be HK\$1,192 million in addition to HK\$586 million set aside for distressed assets investment as disclosed in the Circular, and it was expected that the Rights Issue could satisfy these funding needs for the next 12 months from the Latest Practicable Date of the Circular, unless the Company identifies other investment or business opportunities which would require additional funding. In this circumstance, the Company may obtain additional funding through the Facilities or other fund-raising activities.

To enhance Shareholders' return, the Company has been actively seeking business and investment opportunities. The Company has been evaluating and involved in preliminary discussion for a number of business, acquisition and funding proposals from time to time including but not limited to potential acquisition of properties and potential investment in financial services business and insurance business, but other than those set out in the Circular, the Company has not committed to any of them at the time of the publication of the Circular.

After the publication of the Circular, the Company was informed of the expected grant of the SFC Approval which represented a significant progress on the Hui Kai Acquisition, and the Company's negotiation regarding one of the acquisition proposals relating to property investment has progressed to a more advanced stage.

The Company considers that it is in the interests of the Company and the Shareholders as a whole for the Company to secure additional funding through the issue of the Notes, so that the Company will be better positioned to pursue the aforesaid proposals or other potential business opportunities when they materialise. Should any of the acquisition proposals materialises, the Company will publish further announcement(s) as and when appropriate under the Listing Rules.

In addition, the Company considers that the introduction of reputable financial institutions, such as CCB International, China Huarong International and Haitong International, will raise the profile of the Company and the enhanced profile of the Company will in turn help expose the Company to potential business and/or investment opportunities.

INTENDED USE OF PROCEEDS

As disclosed in the Announcement, the Company intends to apply the net proceeds from the Notes for securities investments, as working capital to enhance the other businesses of the Group such as capital injection into subsidiaries for development of financial services business of the Group and/or for potential acquisitions of assets and/or businesses when suitable opportunities arise.

The net proceeds from the issue of the Notes, after deducting related costs and expenses, amount to approximately HK\$1,379 million.

Based on the latest business development of the Group and its corresponding funding needs, the Company sets out below its intention to allocate the net proceeds as follows:

- (i) approximately HK\$750 million for the provision of financial services, including approximately HK\$500 million to HK\$550 million for capital injection into the Hui Kai entities to be acquired by the Group upon completion of the Hui Kai Acquisition and approximately HK\$200 million to HK\$250 million for development of financial services business in Hong Kong or other places;
- (ii) approximately HK\$388 million for enhancement of the securities and commodities trading businesses of the Group; and
- (iii) approximately HK\$241 million for the aforesaid property investment if it materialises or other potential acquisitions.

If the Company identifies other investment or business opportunities which require additional funding, the Company may obtain additional funding through the Facilities or other fund raising activities.

PERMITTED ACQUISITIONS AND PERMITTED DISPOSALS

Under the Subscription Agreement, the Investors permit (i) the acquisition of any assets or businesses by any Group company involving a total consideration payable by the Group in the aggregate less than US\$1,000,000,000 (or its equivalent in any other currency) in each financial year of the Company (i.e. the “**permitted acquisitions**”), and (ii) the disposals of certain subsidiaries which are dormant entities, have no material business operations or are engaged in mining business or medical business. (i.e. the “**permitted disposals**”).

The Company considers that the agreed carve out of permitted acquisitions and permitted disposals from undertakings given by the Company under the Subscription Agreement reflects the Investors’ focus of interest in the other businesses and growth potential of the Group. As at the date of this announcement, the Company has no immediate plan to cease carrying on any of its principal businesses.

By order of the Board
Tai United Holdings Limited
Dr. Meng Zhaoyi
Chairman

Hong Kong, 5 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.

For ease of reference, sums in US\$ and HK\$ in this announcement are translated at the rate of US\$1.0 = HK\$7.75. This does not mean that US\$ could be converted to HK\$, or vice versa, based on such exchange rate.