
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Tai United Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy to the purchaser(s), transferee(s) or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for transmission to the purchaser(s) or transferee(s).

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**PROPOSED GRANT OF UNLISTED WARRANTS
UNDER SPECIFIC MANDATE
AND
NOTICE OF SPECIAL GENERAL MEETING**

Capitalised terms used on this cover page shall have the same meanings as those defined in the section headed “Definitions” in this circular, unless the context requires otherwise.

A notice convening the SGM to be held at Unit 810, L8, Core F., Cyberport 3, 100 Cyberport Road, Hong Kong on 5 January 2017 at 11:00 a.m. is set out on pages SGM-1 to SGM-2 of this circular. A proxy form for use at the SGM is enclosed with this circular. Whether or not you intend to attend the SGM, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof (as the case maybe). Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case maybe) should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

15 December 2016

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DEFINITIONS

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

“Announcement”	the announcement of the Company dated 28 September 2016 in relation to, among other things, the proposed grant of the Warrants
“Applicable Laws”	with respect to any person, any laws, regulations, rules, notices, guidelines, treaties, orders, and other legislative, executive decisions, judicial decisions or pronouncements of any governmental authority, including the Stock Exchange, that is applicable to such person
“Board”	the board of Directors
“Best Future Share Charge”	the charge of all rights, entitlements, interests and benefits in the entire issued share capital of Best Future Investments Limited (佳將投資有限公司), a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands, made by the Company as chargor in favour of the Security Agent on behalf of all the Noteholders and the Warrantholders as security for all sums due and payable to the Investors under the Subscription Agreement and other Transaction Documents
“Business Day”	a day (other than a Saturday, Sunday or public holiday or days on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which commercial banks are generally opened for banking business in Hong Kong
“Cheer Hope”	Cheer Hope Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“Company”	Tai United Holdings Limited, a company incorporated in Bermuda with limited liability, whose issued Shares are listed on the Main Board of the Stock Exchange (Stock code: 718)
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it in the Listing Rules

DEFINITIONS

“Deed of Subordination”	the deed entered into among the Company, Mr. Chua, Tai He Financial and the relevant Noteholders(s) in relation to the subordination of any payment obligations in respect of the Subordinated Debts by the Company to Tai He Financial being ranked after the payment obligations of the Company to the Investors under the Transaction Documents
“Director(s)”	director(s) of the Company
“Extended Term”	the extended term of the Notes, being one calendar year from the last day of the Initial Term
“Facilities”	the two unsecured and revolving loan facilities granted by Tai He Financial to the Company pursuant to the Master Facility Agreements
“Giant Silver”	Giant Silver Limited, a wholly-owned subsidiary of the Company incorporated in Hong Kong
“Group”	the Company and its subsidiaries
“Guarantee”	the deed of guarantee executed by the Guarantors and the relevant Noteholder(s) (and any Noteholder(s) and Warrantholder(s) who accedes to such deed) in respect of all sums due and payable to the Noteholders and the Warrantholders under the Subscription Agreement and other Transaction Documents
“Guarantors”	Mr. Chua, Tai He Financial and Tai Infinite
“Haitong”	Haitong International Investment Fund SPC (acting on behalf of and for the account of Haitong International Investment Fund SPC – Fund I SP), an open-ended exempted segregated portfolio company incorporated with limited liability in the Cayman Islands
“Hua Lien Acquisition”	the subscription of 3,700,000,000 shares of Hua Lien International (Holding) Company Limited, which represents approximately 53.30% of the enlarged share capital of Hua Lien International (Holding) Company Limited, by the Group pursuant to the subscription agreement dated 18 July 2016 (subject to any amendment or supplement thereto)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hongrong Share Charge”	the charge of all rights, entitlements, interests and benefits in 100% of the equity interest in 宏融投資控股(深圳)有限公司 (for identification only, Hongrong Financial Holding (Shenzhen) Co., Ltd.), a wholly-owned subsidiary of the Company established in the PRC, made by Giant Silver as chargor in favour of the Security Agent on behalf of all the Noteholders and the Warranholders as security for all sums due and payable to the Investors under the Subscription Agreement and other Transaction Documents
“Initial Term”	the initial term of the Notes, commencing on the Issue Date and ending on the second anniversary thereof
“Issue Date”	the date of issue of the Notes, being 30 September 2016
“Last Trading Day”	27 September 2016, being the last trading day of Shares immediately prior to the date of the Subscription Agreement
“Latest Practicable Date”	9 December 2016, being the latest practicable date for ascertaining certain information contained in this circular
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Investor(s)”	Cheer Hope, Haitong and Songhua
“Majority Investor(s)”	one or more Investor(s) whose obligations to subscribe for the Notes represents more than 65% of the total subscription price for the Notes pursuant to the Subscription Agreement
“Majority Noteholder(s)”	one or more Noteholder(s) whose holdings of the Note(s) then outstanding the principal amount of which represents more than 65% of the aggregate principal amount of all the Notes then outstanding
“Majority Warranholder(s)”	one or more Warranholder(s) whose holdings of the Warrant(s) then outstanding the subscription amount of which represents more than 65% of the aggregate principal amount of all the Warrants then outstanding

DEFINITIONS

“Master Facility Agreements”	collectively, (i) the master facility agreement dated 3 March 2016 entered into between the Company and Tai He Financial, pursuant to which Tai He Financial, amongst other matters, agreed to make available to the Company the loan facility in an aggregate principal amount no more than HK\$1,000,000,000 at 4.5% per annum, and (ii) the master facility agreement dated 28 April 2016 entered into between the Company and Tai He Financial, pursuant to which Tai He Financial, amongst other matters, agreed to make available to the Company the loan facility in an aggregate principal amount no more than HK\$2,000,000,000 at 4.5% per annum
“Material Adverse Effect”	(i) a material adverse effect, in the opinion of the Majority Investor(s) or the Majority Noteholder(s) or the Majority Warrantholder(s) (as the case may be), on (a) the assets, liabilities, financial condition, business, prospects, general affairs, results of operations or properties of the Group taken as a whole, (b) the ability of the Obligor or any member of the Group or any relevant party (other than the Investors, the Noteholders and the Warrantholders) (if applicable) to perform its/his obligations under any of the Transaction Documents, or (c) the validity or enforceability of any of the Transaction Documents; or (ii) an effect, in the opinion of the Majority Investor(s) or the Majority Noteholder(s) or the Majority Warrantholder(s) (as the case may be), which is otherwise material in the context of the transactions contemplated under the Transaction Documents
“Mr. Chua”	Mr. Chua Hwa Por, the ultimate controlling shareholder of the Company
“Note(s)”	the 5% redeemable fixed coupon guaranteed, secured and unsubordinated notes, each in a minimum denomination of US\$1,000,000, issued by the Company to the Investors at the Notes Closing pursuant to the Subscription Agreement
“Notes Closing”	the respective closing of the subscription for the Notes by the respective Investors as set out in the Subscription Agreement
“Notes Closing Date”	the date on which the Notes Closing took place, being 30 September 2016

DEFINITIONS

“Notes Instrument”	the instrument by way of deed poll executed by the Company creating and constituting the Notes
“Noteholder(s)”	holder(s) of the Notes
“Obligor(s)”	collectively, the Company, Mr. Chua, Tai He Financial, Tai Infinite and Giant Silver
“Permitted Acquisitions”	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
“Permitted Disposals”	the disposal of certain subsidiaries of the Company which are dormant entities, have no material business operations or are engaged in mining business or medical business
“PRC”	the People’s Republic of China
“Rights Issue”	the rights issue of the Company, details of which are set out in the Rights Issue Prospectus
“Rights Issue Prospectus”	the prospectus of the Company dated 24 October 2016 in relation to the Rights Issue
“Security Agency Deed”	the deed entered into on the first Notes Closing Date among the parties to the Subscription Agreement in relation to the appointment of the Security Agent
“Security Agent”	Songhua acting in its capacity as security agent for the Noteholders and the Warrantholders
“SFO”	Securities and Futures Ordinance, Cap 571 of the Laws of Hong Kong
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, to approve, among other matters, the grant of the Warrants and the allotment and issue of the Warrant Shares upon the exercise of the subscription rights attaching to the Warrants
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company

DEFINITIONS

“Shareholder(s)”	the shareholder(s) of the Company
“Share Charges”	collectively, the Best Future Share Charge and the Hongrong Share Charge
“Songhua”	Songhua Investment Holding Limited, a company incorporated in the British Virgin Islands with limited liability
“Specific Mandate”	a specific mandate to be sought from the Shareholders at the SGM for the grant of the Warrants and the allotment and issue of the Warrant Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subordinated Debts”	all present and future obligations and liabilities (whether actual or contingent, whether owed jointly, severally or in any other capacity whatsoever and whether) originally incurred by the Company to the Tai He Financial under any of the loans made available to the Company under the Master Facility Agreements
“Subscription Agreement”	the subscription agreement dated 28 September 2016 and entered into between the Company, Mr. Chua, Tai He Financial, Tai Infinite and the Investors in relation to the subscription of the Notes and the grant of the Warrants
“substantial shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“Tai He Financial”	Tai He Financial Group Limited, a company incorporated in the Cayman Islands with limited liability, which is the controlling shareholder of the Company and is wholly-owned by Mr. Chua
“Tai Infinite”	Tai Infinite Holdings Group Limited, a company incorporated in the Cayman Islands with limited liability, which is wholly-owned by Mr. Chua
“Takeovers Code”	the Code on Takeovers and Mergers
“trading day(s)”	any day on which Shares are traded on the Main Board of the Stock Exchange

DEFINITIONS

“Transaction Documents”	collectively, the Subscription Agreement, the Notes Instrument, the Warrants Instrument, the Guarantee, the Deed of Subordination, the Share Charges, the Security Agency Deed and any other documents relating to the transactions contemplated thereunder which may be entered into from time to time
“US\$”	United States dollar, the lawful currency of the United States of America
“Warrantholder(s)”	holder(s) of the Warrants
“Warrants”	up to 279,000,000 unlisted warrants in registered form constituted by the Warrants Instrument, each entitling the holder thereof to subscribe for one Share at the Warrant Shares Subscription Price at any time during the Warrants Subscription Period
“Warrants Closing”	the closing of the grant of the Warrants as set out in the Subscription Agreement
“Warrants Closing Date”	the date on which Warrants Closing shall take place, being the same Business Day when the Warrants Conditions Precedent have been satisfied or waived (as the case may be), provided that it shall occur within six calendar months from the Notes Closing Date, but in any event before the Warrants Long Stop Date
“Warrants Instrument”	the instrument by way of deed poll to be executed by the Company constituting the Warrants
“Warrants Long Stop Date”	the date falling six calendar months after the Notes Closing Date, or any other date as agreed in writing between the Investors and the Company
“Warrant Share(s)”	new Shares to be allotted and issued upon exercise of the subscription rights attaching to the Warrants
“Warrant Shares Subscription Price”	the sum payable in respect of each Share to which the registered holder of the Warrants will be entitled upon exercise of the subscription rights under the Warrants represented thereby, such sum being HK\$1.0 per Share, or such adjusted price as may for the time being be applicable in accordance with the terms of the Warrants Instrument

DEFINITIONS

“Warrants Subscription Period” with respect to a Warrantholder, the period commencing from the date falling the 7th month from the Notes Closing Date and ending on the same date as the last date of the Initial Term or the Extended Term (as the case may be), and so long as any part of its Notes remains outstanding

“%” per cent.

For ease of reference, sums in US\$ and HK\$ in this circular 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.

LETTER FROM THE BOARD



Executive Directors:

Dr. Meng Zhaoyi (*Chairman and Chief Executive Officer*)
Dr. Liu Hua
Mr. Chen Weisong
Mr. Xu Ke
Mr. Ye Fei

Independent non-executive Directors:

Mr. Mao Kangfu
Dr. Gao Bin
Ms. Liu Yan

Registered office:

Clarendon House
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Hamilton HM11
Bermuda

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12th Floor,
Three Pacific Place,
1 Queen's Road East,
Hong Kong

15 December 2016

To the Shareholders

Dear Sir or Madam,

**PROPOSED GRANT OF UNLISTED WARRANTS
UNDER SPECIFIC MANDATE
AND
NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement whereby the Board announced, *inter alia*, that on 28 September 2016 (after the trading hours of the Stock Exchange), the Company, the Guarantors and the Investors entered into the Subscription Agreement, pursuant to which (i) the Company conditionally agreed to issue, and the Investors conditionally agreed to subscribe for, the Notes; and (ii) in consideration of the subscription of the Notes by the Investors, the Company conditionally agreed to grant to the Investors the Warrants.

The Notes Closing took place on 30 September 2016 whereby the Investors had completed their respective subscription for the Notes in the aggregate principal amount of US\$180,000,000.

The grant of the Warrants is subject to, among other things, the approval to be sought from the Shareholders at the SGM. The SGM will be convened for the purpose of considering and, if thought fit, approving the Specific Mandate for the grant of the Warrants and the allotment and issue of the Warrant Shares upon exercise of the Warrants.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with (i) further information of the Subscription Agreement and the transactions contemplated thereunder; (ii) details of the proposed grant of the Warrants; and (iii) the notice of the SGM.

Details of the Subscription Agreement, the Warrants and the transactions contemplated thereunder are set out below.

THE SUBSCRIPTION AGREEMENT

Date

28 September 2016 (after trading hours of the Stock Exchange)

Parties

- (1) The Company, as issuer
- (2) Mr. Chua, as one of the Guarantors
- (3) Tai He Financial, as one of the Guarantors
- (4) Tai Infinite, as one of the Guarantors
- (5) Cheer Hope, as one of the Investors
- (6) Haitong, as one of the Investors
- (7) Songhua, as one of the Investors and acting in its capacity as the Security Agent for and on behalf of the Noteholders and the Warrantholders

Mr. Chua is solely and beneficially interested in the entire issued share capital of each of Tai He Financial and Tai Infinite, and is the ultimate controlling shareholder of the Company.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, each of the Investors and their respective ultimate beneficial owners are independent of and not connected with the Company and the connected persons (as defined in the Listing Rules) of the Company.

THE WARRANTS

Pursuant to the Subscription Agreement, in consideration of the subscription of the Notes by the Investors, the Company conditionally agreed to grant to the Investors the Warrants. The Warrants will entitle the holders thereof to subscribe for up to 279,000,000 Shares at an initial Warrant Shares Subscription Price of HK\$1.0 per Warrant Share (subject to adjustments) during the Warrants Subscription Period. No additional monetary amount is payable by the Investors to the Company for the grant of the Warrants.

LETTER FROM THE BOARD

Principal terms of the Warrants

The terms of the Warrants have been negotiated on an arm's length basis, the principal terms of which are summarised below:

Issuer	:	The Company
Guarantors	:	Mr. Chua, Tai He Financial and Tai Infinite
Original Warrantholders	:	The Investors
Issue price	:	The Warrants will be granted to the Investors pursuant to the Subscription Agreement in consideration of the subscription of the Notes by the Investors, and no additional monetary amount is payable by the Investors for the grant of the Warrants.

Basis of determination

In considering the grant of the Warrants, the Board has taken into account, among others, (i) the structure of the transaction that the Warrants will only be granted subject to the Notes Closing having taken place as part and parcel of the financing package contemplated under the Subscription Agreement; (ii) the total exercise moneys of the Warrants of up to HK\$279,000,000 on the basis of the initial Warrant Shares Subscription Price of HK\$1.0 per Warrant Share, which represent 20% of the total principal amount of the Notes of approximately HK\$1,395,000,000 (being the HK\$ equivalent of US\$180,000,000 at the conversion rate of US\$1 to HK\$7.75); and (iii) the Investors' right to apply all or part of the outstanding principal amount of the Notes to the settlement of the exercise moneys payable upon exercise of the subscription rights attaching to the Warrants, which, after taking into account (ii) above, in effect permits a conversion of the Notes with a conversion ratio of up to 20% of the total principal amount of the Notes.

The Board considers that the adoption of the above transaction structure can minimize the conversion ratio of the Notes as compared to an issue of convertible bonds which typically has a conversion ratio of 100% and can thereby reduce the dilution impact on the shareholding interests of the existing Shareholders.

LETTER FROM THE BOARD

Subscription right : For Cheer Hope: up to 155,000,000 Shares

For Haitong: up to 46,500,000 Shares

For Songhua: up to 77,500,000 Shares

Each Warrantholder may subscribe for the Warrant Shares in HK\$ at the Warrant Shares Subscription Price per Share.

On the basis of the exercise of the subscription rights attaching to the Warrants by all the Warrantholders in full at the initial Warrant Shares Subscription Price of HK\$1.0 per Warrant Share (subject to adjustment in accordance with the Warrants Instrument) and an aggregate amount of exercise moneys of HK\$279,000,000, the Warrantholders are entitled to subscribe for up to 279,000,000 Warrant Shares (which are fully-paid ordinary Shares upon issue).

The 279,000,000 Warrant Shares, having an aggregate nominal value of HK\$13,950,000, represent (i) about 6.20% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) about 5.83% of the issued share capital of the Company as enlarged by the allotment and issue of the Warrant Shares (assuming that there will not be any other changes in the issued share capital of the Company).

The net price of each Warrant Share to the Company, based on the estimated proceeds of about HK\$279,000,000 and 279,000,000 Warrant Shares, is estimated to be about HK\$1.0.

Subscription period : Commencing from the date falling the 7th month from the Notes Closing Date and ending on the last date of the Initial Term or (where applicable) the last date of the Extended Term, i.e. from 30 April 2017 up to and including 30 September 2018 or (where applicable) 30 September 2019.

Subscription price : HK\$1.0 per Share (subject to adjustment in accordance with the Warrants Instrument), which represents:

- (i) a premium of about 74.98% over the net asset value per Share of approximately HK\$0.5715 as at 31 March 2016;
- (ii) a premium of about 99.80% over the net asset value per Share of approximately HK\$0.5005 as at 30 September 2016;

LETTER FROM THE BOARD

- (iii) a discount of about 9.91% to the closing price of approximately HK\$1.11 per Share as quoted on the Stock Exchange on 9 December 2016, being the Latest Practicable Date;
- (iv) a discount of about 6.54% to the closing price of HK\$1.07 per Share as quoted on the Stock Exchange on 28 September 2016, being the date of the Subscription Agreement;
- (v) a discount of about 7.92% to the average closing price of HK\$1.086 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day; and
- (vi) a discount of about 9.17% to the average closing price of HK\$1.101 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day.

Basis of determination

The Warrant Shares Subscription Price has been determined after arm's length negotiations between the Company and the Investors taking into account the trading prices of the Shares, the financial condition of the Group and then current market condition, including but not limited to (i) the net asset value per Share of around HK\$0.5715 as at 31 March 2016 and (ii) the prevailing trading price of the Shares in the range of about HK\$0.90 to HK\$1.10 per Share from June to September 2016.

- Adjustments to the Warrant Shares Subscription Price :
- Pursuant to the Warrants Instrument, the Warrant Shares Subscription Price is subject to adjustment(s) from time to time if and whenever any of the following occurs:
- (a) an alteration of the nominal amount of the Shares by reason of any consolidation or sub-division;
 - (b) an issue (other than in lieu of a cash dividend) by the Company of Shares, credited as fully paid, by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);
 - (c) a capital distribution being made by the Company to holders (in their capacity as such) of Shares (whether on a reduction of capital or otherwise) or a grant by the Company to the holders of Shares of rights to acquire for cash any assets of the Company or any of its subsidiaries;

LETTER FROM THE BOARD

- (d) an offer of new Shares to the Shareholders as a class for subscription by way of rights, or a grant to the Shareholders as a class any options or warrants or other rights to subscribe for new Shares and in each case (i) at a consideration per Share which is less than 95% of the Market Price on the last trading day (excluding any trading day in respect of which no closing price per Share is reported) preceding the date of announcement of such issue or grant and (ii) at a consideration per Share which is less than the Warrant Shares Subscription Price in force under the Warrants Instrument;
- (e) other than (d) above, an issue wholly for cash being made by the Company of securities convertible into or exchangeable for or carrying rights to acquire or subscribe for new Shares and in each case at a consideration per Share which is less than 95% of the Market Price on the last trading day (excluding any trading day in respect of which no closing price per Share is reported) preceding the date of announcement of such issue or grant;
- (f) if the rights of conversion or exchange or acquisition or subscription as are mentioned under (e) above are modified so that the consideration per Share is less than 95% of the Market Price on the last trading day (excluding any trading day in respect of which no closing price per Share is reported) preceding the date of announcement of the proposal for modification;
- (g) an issue being made wholly for cash of Shares at a consideration per Share which is less than 95% of the Market Price on the last trading day (excluding any trading day in respect of which no closing price per Share is reported) preceding the date of the announcement of such issue;
- (h) the purchase by the Company of Shares (other than any purchase made on the Stock Exchange or any other stock exchange recognized for this purpose by the Securities and Futures Commission of Hong Kong or equivalent authority and the Stock Exchange); and

LETTER FROM THE BOARD

- (i) the purchase by the Company of securities convertible into or exchangeable for Shares or any rights to acquire Shares (other than any purchase made on the Stock Exchange or any other stock exchange recognized for this purpose by the Securities and Futures Commission of Hong Kong or equivalent authority and the Stock Exchange) in circumstances where the Directors consider that it may be appropriate to make an adjustment to the Warrant Shares Subscription Price.

For the above purpose, “Market Price” means the average closing price per Share as quoted on the Stock Exchange for each of the last twenty (20) consecutive trading days on which dealings in the Shares on the Stock Exchange took place ending on the last such trading day preceding the day on or as of which the Market Price is to be ascertained.

No adjustment as is referred to above will be made in respect of:

- (i) an issue of fully paid Shares upon the exercise of any conversion, exchange, acquisition or subscription rights attached to securities convertible into or exchangeable for Shares or upon exercise of any rights (including the subscription rights under the Warrants) to acquire or subscribe for Shares, provided that, in the case of any such securities which were issued after the date of the Warrants Instrument, the adjustment (if any) which is required to be made under Warrants Instrument has been made in respect of the issue of such securities or granting of such rights (as the case may be);
- (ii) an issue of Shares or other securities of the Company or any subsidiary, wholly or partly convertible into, or rights to acquire Shares, to eligible persons pursuant to any share option scheme of the Company;
- (iii) an issue of Shares pursuant to a scrip dividend scheme in lieu of a cash dividend where an amount of not less than the nominal amount of the Shares so issued is capitalized;

LETTER FROM THE BOARD

- (iv) an adjustment in the subscription or conversion price for Shares under rights attaching to any other warrants, options or securities convertible into Shares when such adjustment arises from an event which also and already results in an adjustment to the Warrant Shares Subscription Price; or
- (v) an issue of Shares pursuant to the exercise of the Subscription Rights attaching to the Warrant.

No adjustment shall involve an increase in the Warrant Shares Subscription Price otherwise than upon the consolidation of Shares into a larger nominal amount (pursuant to adjustment event (a) above).

Any adjustment to the Warrant Shares Subscription Price shall be certified to be fair and appropriate by the auditors of the Company for the time being or an approved merchant bank in Hong Kong selected by the Directors.

If any event that may give rise to any adjustment to the Warrant Shares Subscription Price occurs at any time on or after the date of the Subscription Agreement but before the issue of the Warrants, the Company and the Guarantors shall adjust the Warrant Shares Subscription Price according to the conditions of the Warrants Instrument (as if the Warrants Instrument has been executed on the date of the Subscription Agreement).

Redemption : Each Warrant outstanding as at the last day of its Warrants Subscription Period shall be redeemed by the Company on the last day of its Warrants Subscription Period at the redemption price which shall be an amount that will yield a 15% return on the initial subscription price paid for the Notes per annum calculated from the Notes Closing Date.

The Warrants so redeemed shall be cancelled and may not be re-issued.

LETTER FROM THE BOARD

In the event that a Noteholder exercises the redemption rights in respect of any events of default (as defined in the Notes Instrument) pursuant to the Notes Instrument, after the full payment by the Company of the EOD Redemption Price, the Warrantholder shall surrender and deliver to the Company for cancellation the certificates for the Warrants with respect to the redeemed portion of the Notes, provided that the Warrantholder or its affiliate still holds such Notes at the time of such redemption, provided further that the Warrants denoted by the Warrants certificates with respect to the redeemed portion of the Notes shall be deemed to be cancelled regardless of whether the Warrants certificates are surrendered for cancellation.

Transferability of the Warrants : The Warrant shall be transferable by the Warrantholder in whole amounts or integral multiples of the Warrant Shares Subscription Price, provided that any transfer of the Warrant to any connected person of the Company shall be subject to the requirements that the Stock Exchange may impose from time to time.

Rights of Warrantholder(s) during the Subscription Period on winding-up : In the event that a notice is given by the Company to the Shareholders to convene a Shareholders' meeting for the purpose of considering a resolution to voluntarily wind up the Company, the Company shall forthwith give notice thereof to the Warrantholder. The Warrantholder shall be entitled to exercise the subscription rights represented by its Warrant by irrevocable surrender of its Warrant certificate no later than five Business Days prior to the proposed Shareholders' meeting, together with the duly completed subscription form and payment of the relevant exercise moneys in respect of such Warrant. The Company shall as soon as possible and, in any event, no later than two Business Days immediately prior to the date of the proposed Shareholders' meeting, allot such number of Shares to the Warrantholder which fall to be issued pursuant to the exercise of the subscription rights represented by such Warrant.

If an effective resolution is passed during the Subscription Period for the voluntary winding-up of the Company, then if such winding-up is for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the Warrantholder shall be a party or in conjunction with which a proposal is made to the Warrantholder and is approved by the Warrantholder, the terms of such scheme of arrangement or (as the case may be) proposal will be binding on the Warrantholder.

LETTER FROM THE BOARD

Subject to the foregoing, if the Company is wound up, all subscription rights attaching to the Warrants which have not been exercised at the commencement of the winding-up will lapse.

- Voting rights of the Warrants : The Warrants will not entitle its holder to attend or vote at any general meetings of the Company by reason of it being a holder of any Warrants. The Warrantheolders will not have the right to participate in any distributions and/or offers of further securities made by the Company.
- Ranking of the Warrant Shares : The Warrant Shares, when allotted and issued, shall rank *pari passu* with the Shares in issue on the Business Day on which the subscription rights represented by such Warrants is duly exercised before the close of business on such day (the “**Warrant Shares Subscription Date**”), including the right to all dividends or other distributions declared, paid or made, the record date for which falls after the Warrant Shares Subscription Date.
- Undertakings : Pursuant to the Warrants Instrument, each of the Company and the Guarantors will give certain undertakings to the Warrantheolders for so long as any part of the Warrants is outstanding, including but not limited to:
- (i) the Group shall carry on its principal business as at the date of the Subscription Agreement as a going concern in its ordinary course of business save for the Permitted Acquisitions and the Permitted Disposals;
 - (ii) Mr. Chua shall not (i) dispose any of the Shares indirectly held by him through Tai He Financial as at the date of the Subscription Agreement, representing approximately 58.07% of the entire issued share capital of the Company as at the date of the Subscription Agreement, and (ii) holds less than, directly or indirectly, such numbers of Shares representing at least 51% of the Shares then outstanding which are free from any encumbrance, except for encumbrances which may be created by Mr. Chua over any of such 51% of the Shares in connection with any loans and the proceeds of such loans are or will be used by the Group in the manner not in conflict with the terms of the Transaction Documents and to the extent as permitted under the Applicable Laws;

LETTER FROM THE BOARD

- (iii) the consolidated net asset value of the Company (as defined in the Notes Instrument) shall be not less than HK\$700,000,000 (or its equivalent in any other currency);
- (iv) no member of the Group shall provide any guarantees, financial commitments or indemnity in respect of financial debt of third parties involving amounts individually or in the aggregate in excess of a value of HK\$100,000,000 (or its equivalent in any other currency), other than pursuant to the Transaction Documents;
- (v) the Company shall not declare, make or pay any dividend or other distribution, except for a dividend payout ratio of not more than 50% of the distributable profit for a financial year or period as determined based on the Company's consolidated financial statements of the relevant dates, as audited or reviewed by the auditors of the Company and prepared in accordance with the Hong Kong Financial Reporting Standards; and
- (vi) within twelve months from the date of the Warrants Instrument, other than the Rights Issue, the Group shall not grant any warrant to any party whereby the subscription price per Share being HK\$1.0 or less (subject to share division and consolidation), unless the Warrant Shares Subscription Price shall be amended accordingly to reflect the same subscription price per Share under such instrument (such that the Warranholders shall be entitled to the same subscription price per Share that are offered to such other party), subject to the discretion of the Majority Warranholders to accept such amendments or any other amendments or to retain the existing terms of the Warrants.

Security : The collateral securities as required under the Notes and as set forth under the paragraph headed "The Notes – Security" below will also cover the obligations of the Company under the Warrants.

Mandate to grant the Warrants and issue the Warrant Shares under the Warrants

The grant of the Warrants carrying the right to subscribe for the Warrant Shares and the allotment and issue of the Warrant Shares upon any exercise of the subscription rights attaching to the Warrants will be made pursuant to the Specific Mandate to be sought at the SGM.

LETTER FROM THE BOARD

Application for listing

No application will be made by the Company for the listing of the Warrants on the Stock Exchange or any other stock exchanges. Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Warrant Shares to be allotted and issued upon exercise of the Warrants.

Conditions Precedent for the grant of the Warrants

The grant of the Warrants to the Investors from the Company are subject to the fulfilment (or waiver) of all of the following conditions precedent (the “**Warrants Conditions Precedent**”) on or before the Warrants Closing Date:

- (a) the Notes Closing with respect to the relevant Investor(s) being duly completed on the Notes Closing Date in all respects in accordance with the Subscription Agreement;
- (b) the Shareholders having duly approved the grant of the Warrants;
- (c) all the warranties in the Subscription Agreement being true, complete and accurate in all material respects and not misleading in any respect, and the Obligors having performed all its/his obligations under the Subscription Agreement to be performed on or before the Warrants Closing Date;
- (d) the relevant Investor(s) being satisfied with (i) the business (including future projects, prospects, business strategy, development and investment scope and business plan), technical, legal, financial, accounting and tax due diligence investigations with respect to the Group, and (ii) all “Know Your Client” and anti-money laundering checks and all other customer due diligence requirements with respect to the Group, and the entering into of the transactions contemplated under the Transaction Documents;
- (e) the relevant Investor(s) having obtained all necessary internal approvals, including but not limited to the approval from its investment committee or the investment committee of its holding company (if applicable) in respect of the grant of the Warrants as set forth in the Subscription Agreement;
- (f) other than as provided in (b) and (l), the Company having (i) duly complied with all requirements under Applicable Laws and its constitutional documents necessary for the validity and enforceability of the Transaction Documents and the grant of Warrants thereunder; (ii) duly completed all procedural requirements (including without limitation, notification, filing, registration, disclosure, and/or announcement requirements) required by any relevant governmental authority and its constitutional documents in connection with the signing of the Transaction Documents and the proposed grant of the Warrants thereunder that is capable of being completed prior to the Warrants Closing; and (iii) obtained all consents and approvals by the relevant governmental authority and under its constitutional documents in connection with the signing of the Transaction Documents and the proposed grant of the Warrants thereunder that is capable of being completed prior to the Warrants Closing;

LETTER FROM THE BOARD

- (g) there being no governmental authority or other person that has:
 - (i) requested any information in connection with or instituted or threatened any action or investigation to restrain, prohibit or otherwise challenge the grant of the Warrants involving the relevant Investor(s) and/or its nominees, or the other transactions contemplated by the Transaction Documents to which the relevant Investor(s) is a party;
 - (ii) threatened to take any action as a result of or in anticipation of the grant of the Warrants involving the relevant Investor(s) and/or its nominees, or the other transactions contemplated by the Transaction Documents to which the relevant Investor(s) is a party; or
 - (iii) proposed or enacted any Applicable Laws which would prohibit, restrict or delay the grant of the Warrants involving the relevant Investor(s) and/or its nominees, or the other transactions contemplated by the Transaction Documents to which the relevant Investor(s) is a party and/or the operation of any Group company after the Warrants Closing;
- (h) the announcement to be issued by the Company in relation to the grant of the Warrants (on the terms set out in the Subscription Agreement) shall have been made in accordance with the Applicable Laws, if applicable;
- (i) there shall not have been any (i) suspension of the trading of the Shares on the Stock Exchange for any reason during the period between the date of this Agreement and the Warrants Closing Date for more than five consecutive trading days, or (ii) a delisting of the Shares on the Stock Exchange for any reason;
- (j) other than the Permitted Acquisitions and the Permitted Disposals, from the date of the Subscription Agreement to the Warrants Closing Date, there being no event (including any change in the operations, properties, conditions (financial or otherwise) or key personnel of the Group or any other events) which may have a Material Adverse Effect;
- (k) there shall not have occurred (i) any change, or any development involving a prospective change, in national or international monetary, financial, political or economic conditions or currency exchange rates or foreign exchange controls, (ii) a general moratorium on commercial banking activities in Bermuda, Hong Kong, or the PRC by any governmental authority, (iii) an outbreak or escalation of hostilities or act of terrorism, and which, with respect to any of (i) to (iii) above, individually or in aggregate, is or is likely to have a Material Adverse Effect, or (iv) a suspension or limitation of trading in securities generally on the Stock Exchange;
- (l) the approval for the listing of and the permission to deal in the new Shares issuable upon the exercise of the subscription right under the Warrants on the Stock Exchange shall have been obtained;

LETTER FROM THE BOARD

- (m) the consolidated net asset value of the Company (as defined in the Subscription Agreement) is not less than HK\$700,000,000 (or its equivalent in any other currency); and
- (n) Mr. Chua (i) not having disposed any of the Shares indirectly held by him through Tai He Financial as at the date of the Subscription Agreement, representing approximately 58.07% of the entire issued share capital of the Company as at the date of the Subscription Agreement, and (ii) holding, directly or indirectly, such number of Shares representing at least 51% of the Shares then outstanding which are free from any encumbrance, except for any encumbrance which may be created by Mr. Chua over any of such 51% of the Shares in connection with any loans and the proceeds of such loans are or will be used by the Group in the manner not in conflict with the terms of the Transaction Documents and to the extent as permitted under the Applicable Laws.

Any Investor may, at its absolute discretion, waive compliance with any or all of the above conditions precedent (other than (a), (b) and (l) above) as such Investor may deem fit.

Warrants Closing

Subject to the Warrants Conditions Precedent being fulfilled or waived (as the case may be), the Warrants Closing shall take place on the Warrants Closing Date.

If the grant of the Warrants is not duly approved by the Shareholders and any relevant governmental authority (including the Stock Exchange), or the Company fails to grant any Warrants pursuant to the Warrants Instrument and other Transaction Documents, in each case by the Warrants Long Stop Date, a Noteholder may give written notice of redemption to the Company that all or any of the Notes held by such Noteholder are immediately due and repayable at the No Warrant Early Redemption Price.

The Board considers that by structuring the Notes Closing to take place prior to the Warrants Closing, the Company was able to complete the fund raising under the Notes at an earlier stage and thereby placed the Group in a better position to take up potential business opportunities.

THE NOTES

Set out below are the principal terms of the Notes which have been issued by the Company to the Investors pursuant to the Subscription Agreement and which may be material in relation to the grant of the Warrants:

Issuer	:	The Company
Guarantors	:	Mr. Chua, Tai He Financial and Tai Infinite
Original Noteholders	:	The Investors

LETTER FROM THE BOARD

- Principal amount : US\$180,000,000 (equivalent to approximately HK\$1,395,000,000) in aggregate, as to:
- (i) Cheer Hope: US\$100,000,000 (equivalent to approximately HK\$775,000,000)
 - (ii) Haitong: US\$30,000,000 (equivalent to approximately HK\$232,500,000)
 - (iii) Songhua: US\$50,000,000 (equivalent to approximately \$387,500,000)
- Issue date : 30 September 2016
- Maturity date : The date falling on the last day of the Initial Term (i.e. 30 September 2018) or, where applicable, the last day of the Extended Term (i.e. 30 September 2019) if the term of the Notes is extended by the Company subject to the consent of the relevant Noteholder(s) (the “**Maturity Date**”).
- Interest : 5% per annum on the principal amount of the Notes, payable in arrears every six calendar months after the Issue Date, subject to a default interest rate of 15% per annum from the date of occurrence of an event of default up to and including the date on which such event of default has been fully remedied by the Company to the satisfaction of the Majority Noteholder(s) or waived by the Majority Noteholder(s).
- Administrative fee : The Company shall pay to each Investor an annual administrative fee which equals to 1% of the total subscription price paid by such Investor upon subscription of its portion of the Notes at the respective Notes Closing (the “**Administrative Fee**”). The Administrative Fee shall be payable every twelve calendar months from the Notes Closing Date until the Maturity Date of the Notes or the date when the respective Notes are fully redeemed (whichever is earlier).
- Status of the Notes : The Notes constitute direct, unsubordinated, unconditional, secured and guaranteed obligations of the Company and shall at all times rank *pari passu* in all respects and without any preference or priority among themselves and other notes issued by the Company. The payment obligations of the Company under the Notes shall at all times rank in priority to the Subordinated Debts, and shall at all times rank at least equally with all the other present and future direct, unsubordinated and unsecured obligations of the Company.

LETTER FROM THE BOARD

Security : As collateral security for the Notes, the following security are created in favour of the Security Agent (for itself and on behalf of the Noteholders and the Warrantholders):

- (i) the Best Future Share Charge executed by the Company in respect of the entire issued share capital in Best Future Investments Limited (佳將投資有限公司), a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands; and
- (ii) the Hongrong Share Charge executed by Giant Silver in respect of 100% of the equity interest in 宏融投資控股(深圳)有限公司 (for identification only, Hongrong Financial Holding (Shenzhen) Co., Ltd.), a wholly-owned subsidiary of the Company established in the PRC.

The Best Future Share Charge and the Hongrong Share Charge shall be released and shall not be enforceable by the Security Agent (for itself and on behalf of the Noteholders and the Warrantholders) if (a) the consolidated net asset value of the Company (as defined in the Transaction Documents) is HK\$3 billion or above or (b) if the gearing ratio of the Company (as defined in the Transaction Documents) is less than 200%.

In addition, the following collateral security are also created in favour of the Investors (and any Noteholder(s) and Warrantholder(s) who accedes to such security documents):

- (a) the Deed of Subordination executed by Tai He Financial in respect of the subordination of the Subordinated Debts so that the Subordinated Debts will be ranked after the payment obligations of the Company under the Transaction Documents; and
- (b) the Guarantee executed by Mr. Chua, Tai He Financial and Tai Infinite with respect to the obligations of the Company under the Transaction Documents.

Transferability of the Notes : The Notes are transferrable in integral multiples of US\$1,000,000 (or the entire outstanding principal amount of the Notes) by the Noteholders to their respective affiliates or any third party without the prior consent of the Company.

LETTER FROM THE BOARD

Redemption : *Redemption on maturity*

Unless previously redeemed, purchased and cancelled, the Company shall pay to the Noteholders on the Maturity Date an aggregate price of (i) the outstanding principal amount of the Notes on the Maturity Date, (ii) all accrued but unpaid interest under the Notes, (iii) all unpaid default interest (if any) accrued on the Notes, and (iv) all other outstanding amounts payable by the Company to the Noteholders under the Transaction Documents.

Redemption for event of default

Upon the Majority Noteholder(s)' decision to exercise the redemption rights under the Notes if any event of default as specified under the Notes Instrument occurs, a Noteholder may give written notice of redemption to the Company that all or any of the Notes held by such Noteholder are immediately due and repayable at a redemption price (the "**EOD Redemption Price**").

The EOD Redemption Price shall be the amount equivalent to the sum of (i) the outstanding principal amount of the Notes to be redeemed by such Noteholder, (ii) unpaid interest accrued on the Notes from the Issue Date up to (and including) the date of full payment of the EOD Redemption Price, (iii) unpaid default interest (if any) accrued on the Notes, (iv) such amount as would result in an internal rate of return (as defined in the Notes Instrument) of 9% per annum on the outstanding principal amount of the Notes to be redeemed from the Issue Date up to (and including) the date of full payment of the EOD Redemption Price, and (v) all other outstanding amounts payable by the Company to the Noteholders under the Transaction Documents.

All such amounts shall be payable immediately after the date of delivery of the said written notice of redemption and shall be paid by the Company into such Noteholder's bank account with such return calculated on the basis of the actual number of days elapsed in a year of 360 days.

Warrants exercise moneys set off redemption

Any of the Noteholders may elect to use all or part of the outstanding principal amount of the Notes to settle the exercise moneys payable upon exercise of the subscription rights attaching to its Warrants by giving a written notice of redemption to the Company.

LETTER FROM THE BOARD

Upon application of the principal amount of the relevant Notes to settle the relevant exercise moneys for the relevant Warrants, such principal amount shall no longer be repayable to such Noteholder.

Early redemption for no grant of Warrant

A Noteholder may give written notice of redemption to the Company that all or any of the Notes held by such Noteholder are immediately due and repayable at a redemption price (the “**No Warrant Early Redemption Price**”) if (i) the grant of the Warrants is not duly approved by the Shareholders and any relevant governmental authority; or (ii) the Company fails to grant any Warrants pursuant to the Warrants Instrument and other Transaction Documents, in each case by the Warrants Long Stop Date.

The No Warrant Early Redemption Price shall be the amount equivalent to the sum of (i) the outstanding principal amount of the Notes to be redeemed by such Noteholder, (ii) unpaid interest accrued on the Notes from the Issue Date up to (and including) the date of full payment of the No Warrant Early Redemption Price, (iii) unpaid default interest (if any) accrued on the Notes, (iv) such amount as would result in an internal rate of return (as defined in the Notes Instrument) of 9% per annum on the outstanding principal amount of the Notes to be redeemed from the Issue Date up to (and including) the date of full payment of the No Warrant Early Redemption Price, and (v) all other outstanding amounts payable by the Company to the Noteholders under the Transaction Documents.

All such amounts shall be payable immediately after the date of delivery of the said written notice of redemption and shall be paid by the Company into such Noteholder’s bank account with such return calculated on the basis of the actual number of days elapsed in a year of 360 days.

Effect of early redemption of the Notes in the event that no Warrant is granted to the Investors

In the event that no Warrant is granted to the Investors by the Warrants Long Stop Date, the Company may be required to early redeem the Notes at the No Warrant Early Redemption Price which would, in addition to the repayment of the outstanding principal amount of the Notes to be redeemed, include a payment that would result in an internal rate of return of 9% per annum to the Investors on the outstanding principal amount of the Notes to be redeemed.

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For illustration purpose only, if the entire principal amount of the Notes of US\$180,000,000 would be early redeemed at the Warrants Long Stop Date (i.e. by end of March 2017) and based on the notional shortfall in the rate of return of 3% per annum (after taking into account the coupon rate of 5% per annum and the Administrative Fee of 1% per annum under the Notes that could be counted towards satisfaction of the 9% internal rate of return requirement), the Company would incur additional interest expenses of approximately US\$2.7 million upon such early redemption of the Notes at the Warrants Long Stop Date.

If the entire principal amount of the Notes of US\$180,000,000 would be redeemed on the Maturity Date (i.e. 30 September 2019) and based on the notional shortfall in the rate of return of 3% per annum (after taking into account the coupon rate of 5% per annum and the Administrative Fee of 1% per annum under the Notes that could be counted towards satisfaction of the 9% internal rate of return requirement), the Company would incur additional interest expenses of approximately US\$16.2 million upon such redemption of the Notes.

The additional finance costs that may be actually incurred by the Company will depend on, among other matters, the timing of such redemption as well as the cost (if any) of the necessary cash resources for the Company to perform such early redemption at the material time.

- Events of default : The events of default specified in the Notes Instrument include:
- (a) the Company fails to pay any amount which falls due in accordance with the Transaction Documents (including but not limited to the interest payment);
 - (b) any representation or warranty given by any Obligor in any of the Transaction Documents or in any other documents delivered by or on behalf of any Obligor under or in connection with any of the Transaction Document is inaccurate, misleading or untrue in any respect and is not remedied within the applicable grace period;

LETTER FROM THE BOARD

- (c) any member of the Group which is party to the Transaction Documents or any Obligor or any other party to the Transaction Documents (other than an Investor, a Noteholder, a Warrantholder or the Security Agent) does not perform or comply with any of their respective covenants, undertakings or obligations under any Transaction Document and is not remedied within the applicable grace period;
- (d) any member of the Group (except certain Group companies specified in the Notes Instrument) or any Obligor (i) is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt (as the case may be) or unable to pay its/his debts, (ii) stops, suspends, or threatens to stop or suspend, payment of all or a part of its/his debts due to financial difficulties, (iii) proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of its/his debts (or of any part which it/he will or might otherwise be unable to pay when due) or (iv) proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of the debts of the Group (except certain Group companies specified in the Notes Instrument) or any Obligor;
- (e) (i) any other present or future financial debt (whether actual or contingent) of the Company or any of its subsidiaries for or in respect of moneys borrowed or raised is not paid when due or, as the case may be, within any applicable grace period, or (ii) the Company or any other member of the Group fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any financial debt provided that no event of default will occur under this paragraph (v) if the aggregate amount of financial debt falling within paragraphs (i) to (ii) is less than US\$10,000,000 (or its equivalent in any other currency or currencies);
- (f) a distress, attachment, execution, seizure before judgment or other legal process is levied, enforced or sued out on or against any part of the properties, assets or turnover of the Group; or an encumbrancer takes possession or a receiver, manager, administrator, liquidator or other similar officer is appointed, of the whole or any part of the properties, assets or turnover of the Group;

LETTER FROM THE BOARD

- (g) an order is made, petition is filed or an effective resolution passed for the winding-up or dissolution or administration or liquidation of any member of the Group (except for a members' voluntary solvent winding-up) or an order is made, petition is filed for the bankruptcy of Mr. Chua;
- (h) any step is taken by any governmental authority which is likely to result in the seizure, compulsory acquisition, expropriation or nationalisation of all or a part of the assets of any member of the Group or Mr. Chua; or any member of the Group or Mr. Chua is prevented from exercising normal control over all or any part of its/his properties, assets and turnover and such step would be likely to have a Material Adverse Effect;
- (i) subject to certain legal reservations, any action, condition or thing at any time required to be taken, fulfilled or done in order (a) to enable the Company lawfully to enter into, exercise its rights and perform and comply with its obligations under the Notes, (b) to ensure that those obligations are legally binding and enforceable, and (c) to make the Notes admissible in evidence in the courts of Bermuda or Hong Kong is not taken, fulfilled or done; it is unlawful for any Obligor to perform or comply with any one or more of its/his obligations under the Transaction Documents;
- (j) any event occurs which has the effect of a change of control in the Company (within the meaning of the Takeovers Codes);
- (k) the Group fails to comply with or pay any sum due from it under any final judgment or any final order made or given by any court or arbitration institute of competent jurisdiction;
- (l) there is happening of any event which may have a Material Adverse Effect;
- (m) unless otherwise permitted under the Transaction Documents, there is (i) any suspension of the trading of the Shares on the Stock Exchange for any reason for more than five consecutive trading days, or (ii) a delisting of the Shares on the Stock Exchange for any reason;
- (n) the Shares cease to be listed or admitted to trading on the Stock Exchange;

LETTER FROM THE BOARD

- (o) there is, or is agreed to be, any transfer or disposal of all or substantially all of the properties/assets of the Group as a whole;
- (p) the auditors of the Company are unable to prepare the audited accounts of the Company or issue an opinion other than an unqualified opinion in respect of such audited accounts which will adversely affect the operation of the Group as a whole;
- (q) other than the acquisitions and disposals as permitted under the Notes Instrument, any member of the Group enters into or expands any business outside the existing scope of its principal business, changes the scope of the existing principal business or ceases carrying on the principal business;
- (r) within twelve months from the date of the Notes Instrument, any member of the Group carries out any equity or debt financing whereby the rate of return of such other party being 9% or more per annum on the amount of such equity or debt financing, unless the rate of return under the Notes Instrument shall be amended accordingly to reflect the same rate of return, subject to the discretion of the Majority Noteholder (s) to accept such amendments or any other amendments or to retain the existing terms of the Notes;
- (s) any member of the Group provides any guarantees, financial commitments or indemnity in respect of financial debt of third parties involving amounts individually or in the aggregate in excess of a value of HK\$100,000,000 (or its equivalent in any other currency), other than pursuant to the Transaction Documents;

LETTER FROM THE BOARD

- (t) Mr. Chua (i) disposes any of the Shares indirectly held by him through Tai He Financial as at the date of the Subscription Agreement, representing approximately 58.07% of the entire issued share capital of the Company as at the date of the Subscription Agreement, and (ii) holds less than, directly or indirectly, such numbers of Shares representing at least 51% of the Shares then outstanding which are free from any encumbrance, except for encumbrances which may be created by Mr. Chua over any of such 51% of the Shares in connection with any loans and the proceeds of such loans are or will be used by the Group in the manner not in conflict with the terms of the Transaction Documents and to the extent as permitted under the Applicable Laws;
- (u) the consolidated net asset value of the Company (as defined in the Notes Instrument) is less than HK\$700,000,000 (or its equivalent in any other currency); and
- (v) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs except (m), (n) and (u).

- Undertakings : Pursuant to the Notes Instrument, each of the Company and the Guarantors will give certain undertakings to the Noteholders for so long as any part of the Notes is outstanding, including but not limited to:
- (i) the Group shall carry on its principal business as at the date of the Subscription Agreement as a going concern in its ordinary course of business save for the Permitted Acquisitions and the Permitted Disposals;
 - (ii) the consolidated net asset value of the Company (as defined in the Notes Instrument) shall be not less than HK\$700,000,000 (or its equivalent in any other currency);
 - (iii) no member of the Group shall provide any guarantees, financial commitments or indemnity in respect of financial debt of third parties involving amounts individually or in the aggregate in excess of a value of HK\$100,000,000 (or its equivalent in any other currency), other than pursuant to the Transaction Documents;

LETTER FROM THE BOARD

- (iv) the Company shall not declare, make or pay any dividend or other distribution, except for a dividend payout ratio of not more than 50% of the distributable profit for a financial year or period as determined based on the Company's consolidated financial statements of the relevant dates, as audited or reviewed by the auditors of the Company and prepared in accordance with the Hong Kong Financial Reporting Standards; and
- (v) within twelve months from the date of the Notes Instrument, other than the Rights Issue, the Group shall not carry out any equity or debt financing whereby the rate of return of such other party being 9% or more per annum on the amount of such equity or debt financing, unless the rate of return under the Notes Instrument shall be amended accordingly to reflect the same rate of return, subject to the discretion of the Majority Noteholders to accept such amendments or any other amendments or to retain the existing terms of the Notes.

Exchange rate : Pursuant to the Subscription Agreement, where required, the principal amount of the Notes shall be translated into HK\$ at the exchange rate of US\$1.00 to HK\$7.75.

INFORMATION ON THE PARTIES TO THE SUBSCRIPTION AGREEMENT

The Company is a company incorporated in the Cayman Islands with limited liability and is principally engaged in investment holding. As at the Latest Practicable Date, the activities of its principal operating subsidiaries included (i) trading of medical equipment, commodities and securities; (ii) distressed assets investment and management; (iii) property investment; (iv) provision of financial services; and (v) mining of tungsten in Mongolia. An update on the recent business development of the Group is set out under "Update on the business development of the Group" below.

Tai He Financial is a company incorporated in the Cayman Islands with limited liability and is principally engaged in investment holding.

Tai Infinite is a company incorporated in the Cayman Islands with limited liability and is principally engaged in investment holding.

Cheer Hope is incorporated under the laws of British Virgin Islands whose principal business is investment holding. Cheer Hope is indirectly wholly-owned by CCB International (Holdings) Limited, which is in turn indirectly wholly-owned by China Construction Bank Corporation, a listed company on the Stock Exchange (stock code: 939).

Haitong is an open-ended exempted segregated portfolio company incorporated with limited liability in the Cayman Islands and is principally engaged in investment activities. Haitong is managed by Harveston Asset Management Pte. Ltd., a company incorporated with limited liability in Singapore.

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Songhua is a limited liability company incorporated in the British Virgin Islands and is principally engaged in investment activities. Songhua is wholly-owned by China Huarong International Holdings Limited.

Save for the Subscription Agreement, the Notes, the Warrants and the transactions contemplated thereunder, and other than (i) a potential transaction under negotiation by the Company with an affiliate of one of the Investors pursuant to which the Company may subscribe to a discretionary fund managed by such party for investment purposes and (ii) a potential equity fund raising transaction of the Company under negotiation by the Company with an affiliate of one of the Investors, the Company had not entered into (or engaged in negotiations for) any other arrangements, agreements or understanding (whether formal or informal) with the Investors which were subsisting as at the Latest Practicable Date.

REASONS FOR ISSUE OF THE NOTES AND THE WARRANTS

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.

As set out under the paragraph headed "Capital invested and expected to be invested in the businesses of the Group and the source of funding" in the "Letter from the Board" on pages 27 to 28 of the Rights Issue Prospectus, in view of the rapid development of the Group's businesses, in particular the Group's financial services, commodities and securities trading, distressed assets investment and property investment businesses, and taking into account the various proposals under negotiation or study by the Group, it is expected that the Group may require substantial amount of additional funding subsequent to completion of the Rights Issue should all such proposals materialise.

The Board considers that the issue of the Notes and the Warrants pursuant to the Subscription Agreement can broaden the investor base of the Company with the introduction of reputable financial institutions as investors of the Company. The proceeds raised from the issuance of the Notes and any proceeds that may be raised from the exercise of the Warrants will better position the Group to take up potential business opportunities that may arise in the future, thereby enabling the Group to expand its revenue base.

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.

LETTER FROM THE BOARD

The Warrants are proposed to be granted to the Investors as part of the transaction contemplated under the Subscription Agreement to further enhance the overall attractiveness of the transaction to the Investors by linking the Notes to the equity upside of the Warrants, as the Investors will be able to capture the upside gain from the Company's growth and any increase in the trading price per Share during the Subscription Period through their exercise of the subscription rights attaching to the Warrants and/or transfer of the Warrants. The Company believes that, with the proposed grant of the Warrants, the Company was able to negotiate for a lower coupon rate on the Notes and thus reduce the future finance cost of the Company. In particular, the Company notes that the grant of Warrants in effect permits a possible conversion of the Notes into Shares with a conversion ratio of up to 20% through redemption and set off mechanisms, whereby the Noteholders may elect to set off the outstanding principal amount of the Notes against the exercise moneys payable by them upon exercise of the Warrants, details of which are set out under "Principal terms of the Warrants – Issue price – Basis of determination" and "The Notes – Redemption – Warrants exercise moneys set off redemption" above. Taking into account the aforementioned 20% conversion ratio and amortization of the Warrants, the cost of the Warrants is approximately HK\$131,000,000 based on the Bloomberg price of HK\$0.47 per Warrant. The notional amount of interest expenses, calculated by the total principal amount of the Notes of US\$180,000,000 multiplied by 3% per annum for a period of three years which represent the maximum term of the Notes, is in the total amount of US\$16,200,000 (equivalent to approximately HK\$125,550,000). By comparing the cost of the Warrants and the notional amount of interest expenses which would have been saved by the Company due to the grant of Warrants, the Company is of the view that the benefits from obtaining a lower coupon rate and giving up the early redemption right justifies the potential loss to the Company by granting the Warrants to the Investors at nil consideration. The Company also takes the view that the potential upside gain from the Warrants as a result of any increase in the trading price of the Shares above the Warrant Shares Subscription Price provides financial incentives to the Investors and is a material factor leading to the successful Notes Closing, whereby the Investors subscribed for the Notes with the total principal amount of US\$180,000,000, representing the entire principal amount of the Notes available for subscription by the Investors pursuant to the Subscription Agreement. The Company considers that the Investors' interests in the Warrants represent the Investors' focus and confidence on the future development and growth prospects of the Group. In addition, in light of the relatively low conversion ratio at 20% pursuant to the redemption and set off mechanisms under the Notes and the Warrants as compared to an issue of convertible bonds which typically has a conversion ratio of 100%, the Company considers that the dilution impact arising from the grant of the Warrants to the shareholding interest of the existing Shareholders to be relatively minimal and that, in the overall, the lowering of the coupon rate of the Notes, adoption of the redemption and set off mechanisms under the Notes and the Warrants and the saving of potential finance costs which may otherwise arise due to early redemption of the Notes upon no grant of Warrants can outweigh the potential loss to the Company for granting the Warrants at no additional monetary payment.

The Directors (including the independent non-executive Directors) have approved the entering into of the Subscription Agreement and the transactions contemplated thereunder and are of the view that the respective terms of the Subscription Agreement, the Notes and the Warrants and other Transaction Documents to which the Company is a party are normal commercial terms and fair and reasonable and in the interest of the Company and the Shareholders as a whole.

None of the Directors is regarded as having a material interest in, and therefore none of them is required to abstain from voting on, the relevant Board resolutions for approving the Subscription Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

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, such as debt or equity financing from banks or other investors.

UPDATE ON THE BUSINESS DEVELOPMENT OF THE GROUP

The following is an overview of the latest business development of the Group.

Trading business

Commodities trading

The Company commenced the commodities trading business in late 2015, with a trading portfolio including but not limited to petroleum, crude oil and precious metals such as copper, nickel and aluminum. For the six months ended 30 September 2016, the total transaction amount of the commodities trading completed by the Group was approximately HK\$2,590 million and the average transaction amount of each trade was approximately HK\$81 million.

Securities

In view of the leading position and prosperity of the Hong Kong and PRC stock markets, the Company commenced the securities trading business in early 2016. It targets to carry out investments in quality or blue-chip stocks with large market capitalization and stable dividend income on the Stock Exchange (aka HKSE), Shanghai Stock Exchange (“SSE”) or Shenzhen Stock Exchange with an investment objective to seize capital gain and dividend income. For the year ended 31 March 2016, revenue generated from trading of securities amounted to approximately HK\$72 million, with a profit of approximately HK\$60 million. As at 30 September 2016, the financial assets classified as held-for-trading investments of the Group amounted to approximately HK\$1,084 million.

Sales of medical equipment and other general goods

The medical equipment trading sector picks up steadily since commencement of business in November 2014. For the six months ended 30 September 2016, revenue generated from this segment reached approximately HK\$12.1 million, increasing from approximately HK\$9.8 million for the six months ended 30 September 2015.

Distressed assets investment and management

The Group actively bids for acquisition of distressed bank loan portfolio with quality property collaterals through public tenders in the PRC, with a view to capturing the potential upside of the investments by realization of the underlying collaterals. As at 30 September 2016, the fair value of the distressed loan investment portfolio held by the Group amounted to approximately HK\$433 million, with a portfolio of residential, industrial and commercial buildings and land use rights located in the PRC as collaterals.

LETTER FROM THE BOARD

On 19 November 2016, the Group won a bid to acquire a 10-storey hotel property in Hangzhou from a liquidator through public tender at a bidding price of RMB1,120 million. Part of the bidding price, in the amount of RMB400 million, had been paid as of the Latest Practicable Date. A further amount of RMB400 million is payable on or before 20 December 2016 and the balance of RMB320 million is payable by 19 February 2017.

Details of the aforesaid transaction are set out in the Company's announcement dated 21 November 2016.

Mining of tungsten in Mongolia

The Directors are exploring the optimal way to commence the production of the mines. The Directors currently expect that the exploitation of the mines will take place no later than the end of 2018.

Financial services business

On 24 October 2016, the Group acquired Hui Kai Holdings Limited, which through its wholly-owned subsidiaries, carry out money lending business and licensed activities including trading and brokerage of securities and futures contracts with type 1 and 2 licences respectively under the SFO and asset management with type 9 licence under the SFO, for an aggregate consideration of up to HK\$176 million.

In addition to the aforesaid acquisition, as at the Latest Practicable Date, the Company was also negotiating with several potential parties and studying the merits of certain potential acquisitions and business proposals as follows:

- (1) a possible acquisition of a licensed financial services company in Hong Kong which is expected to be funded by the Notes;
- (2) a possible investment in an insurance company in Hong Kong which is expected to be funded by the Notes; and
- (3) a possible setup of financial services companies in the PRC with an initial capital requirement of approximately HK\$500 million to HK\$1 billion, which is expected to be funded by the Group's internal resources and other possible funding raising including debt or equity financing from banks or other investors.

Property investment

On 4 November 2016, the Group completed the acquisition of a residential luxury property project in London (the "**First London Property Acquisition**") for a consideration of approximately GBP112,202,150 (equivalent to approximately HK\$1,155,682,145) subject to adjustments upon completion. Details of this acquisition are set out in the Company's circular dated 18 October 2016.

LETTER FROM THE BOARD

On 24 November 2016, the Group entered into an agreement to acquire the entire equity interest in a target company whose principal asset is a commercial property in Hammersmith, the west of London (the “**Second London Property Acquisition**”) for a consideration of approximately GBP45.1 million (equivalent to approximately HK\$451 million), subject to adjustment upon completion. The Second London Property Acquisition was not yet completed as of the Latest Practicable Date. Details of the Second London Property Acquisition are set out in the Company’s announcement dated 25 November 2016.

The Company intends to develop the property investment business by establishing a portfolio of quality commercial (including hospitality) and residential properties located in the major cities of the United Kingdom and other countries with a target portfolio size ranging from GBP1.0 billion to GBP2.0 billion. The Board expects that the property investment business will generate rental income for the Group, which may benefit from capital appreciation as well.

In addition to the aforesaid, as at the Latest Practicable Date, the Company entered into negotiations with potential vendors in respect of certain property investment proposals as follows:

- (1) potential investments in two commercial properties situated in London amounting to approximately HK\$330 million and HK\$1.3 billion respectively, which are expected to be funded by internal resources, mortgage loans, bank facilities and other possible debt or equity financing from banks or other investors; and
- (2) other possible property investments in the United Kingdom amounting to approximately HK\$2 billion to HK\$3 billion, which is expected to be funded by the Notes, the Facilities and other possible debt or equity financing from banks or other investors.

Hua Lien Acquisition

As disclosed in the Company’s announcement dated 21 July 2016, the Group entered into an agreement with Hua Lien International (Holding) Company Limited (“**Hua Lien**”) to subscribe for a total of 3,700,000,000 shares in Hua Lien (representing approximately 55.3% of the enlarged issued share capital of Hua Lien upon issue of the subscription shares and the placing shares to be issued therewith simultaneously) at the subscription price of HK\$0.16 per share in Hua Lien. As set out in the Company’s announcement dated 30 November 2016, having regard to the business and operational position of Hua Lien as shown in the interim report of Hua Lien for the six months ended 30 June 2016, the Company was in negotiation with the other parties involved in the share subscription (including Mr. Hu Yebi, an ex-director of the Company and a party considered to be acting in concert with the Company for the purpose of the subscription agreement) to amend certain terms of the subscription agreement, although it was proposed that the issue price of the subscription shares would remain unchanged. As at the Latest Practicable Date, the negotiation was still on-going and further announcement(s) would be made as and when appropriate. Compliance with the relevant disclosure and approval requirements under the Listing Rules and the Code on Takeovers and Mergers will be made by the Company on the outcome of the negotiation and details of any amendments to the transaction terms.

LETTER FROM THE BOARD

INTENDED USE OF PROCEEDS FROM THE NOTES

Set out below is the intended use of the net proceeds of approximately HK\$1,379 million from the Notes:

Intended use of net proceeds	Actual use of net proceeds
<ul style="list-style-type: none">• 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 Acquisitions	Not yet utilized
<ul style="list-style-type: none">• approximately HK\$200 million to HK\$250 million for development of financial services business in Hong Kong or other places	Not yet utilized
<ul style="list-style-type: none">• approximately HK\$388 million for enhancement of the securities and commodities trading businesses of the Group	Used as intended
<ul style="list-style-type: none">• approximately HK\$241 million for property investment	Used as intended

INTENDED USE OF PROCEEDS FROM THE WARRANTS

If the Noteholders exercise their right to set off the outstanding principal amount of the Notes to settle the exercise moneys payable upon exercise of the subscription rights attaching to the Warrants, the proceeds that may be raised from any exercise of the Warrants will be reduced accordingly. If the Noteholders fully exercise such right to set off the exercise moneys of the Warrants, no new proceeds will be raised from the Warrants.

Assuming that (i) the subscription rights attaching to the Warrants are exercised in full in respect of 279,000,000 Warrant Shares, (ii) there is no adjustment to the initial Warrant Shares Subscription Price of HK\$1.0 per Share, and (iii) the Noteholders do not exercise their right to set off the outstanding principal amount of the Notes to settle the exercise moneys payable upon exercise of the subscription rights attaching to the Warrants, the total proceeds that may be raised upon the exercise of the Warrants are approximately HK\$279,000,000.

The proceeds from the exercise of the Warrants, if any, will be used as general working capital of the Company to enhance the then existing businesses of the Group. In the scenario that a total amount of HK\$279,000,000 is raised upon exercise of the Warrants, the Company intends to use such proceeds as general working capital for the Group's financial services business and for trading of securities and commodities by the Group in the following manner: (i) approximately 35.8% of the proceeds is intended to be used for financial services business; (ii) approximately 35.8% of the proceeds is intended to be used for trading of securities and commodities; and (iii) approximately 28.4% of the proceeds is intended to be used as general working capital of the Group for general corporate purposes.

LETTER FROM THE BOARD

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the issued share capital of the Company comprised 4,503,277,308 Shares and the Company did not have any outstanding options, warrants or convertible securities in issue.

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the allotment and issue of the Warrant Shares upon the exercise of subscription rights attaching to the Warrants in full, and assuming that there will not be any other changes in the issued share capital and shareholding structure of the Company prior to such exercise. The analysis under scenario (ii) is shown for illustration purpose only.

	As at the Latest Practicable Date		Immediately after the allotment and issue of the Warrant Shares upon the exercise of subscription rights attaching to the Warrants in full	
	No. of Shares	Approximate %	No. of Shares	Approximate %
Tai He Financial (<i>Note 1</i>)	2,614,929,222	58.07	2,614,929,222	54.68
TAI Capital LLC (<i>Note 1</i>)	597,951,520	13.28	597,951,520	12.50
Dr. Liu Hua (<i>Note 2</i>)	50,000,000	1.11	50,000,000	1.05
Mr. Sang Kangqiao (<i>Note 3</i>)	<u>580,000</u>	<u>0.01</u>	<u>580,000</u>	<u>0.01</u>
Sub-total	3,263,460,742	72.47	3,263,460,742	68.24
The Investors				
Cheer Hope (<i>Note 4</i>)	–	–	155,000,000	3.24
Haitong (<i>Note 4</i>)	–	–	46,500,000	0.97
Songhua (<i>Note 4</i>)	<u>–</u>	<u>–</u>	<u>77,500,000</u>	<u>1.62</u>
Sub-total	–	–	279,000,000	5.83
Other public Shareholders	<u>1,239,816,566</u>	<u>27.53</u>	<u>1,239,816,566</u>	<u>25.93</u>
Total	<u><u>4,503,277,308</u></u>	<u><u>100</u></u>	<u><u>4,782,277,308</u></u>	<u><u>100</u></u>

Notes:

- The entire issued share capital of each of Tai He Financial and TAI Capital LLC is legally and beneficially owned by Mr. Chua. Mr. Chua is deemed to be interested in all the Shares held by Tai He Financial and TAI Capital LLC by virtue of the SFO.
- Dr. Liu Hua is an executive Director of the Company.
- Mr. Sang Kangqiao is the legal representative and director of a PRC subsidiary of the Company.
- Assuming that (i) the grant of the Warrants to each of the Investors are completed pursuant to the Subscription Agreement and (ii) the subscription rights attaching to the Warrants are exercised in full in respect of 279,000,000 Warrant Shares.

LETTER FROM THE BOARD

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Save as mentioned below, and other than the issue of the Notes, the Company had not conducted any equity fund raising activities in the past 12 months immediately preceding the Latest Practicable Date.

Date of announcement	Event	Gross proceeds (approximate)	Net proceeds (approximate)
2 September 2016	Rights Issue	HK\$3,002 million	HK\$1,778 million <i>(Note)</i>

Note: After taking into account the set off of the outstanding loan amount of HK\$1,210 million owed by the Company to Tai He Financial under the Facilities.

Set out below is the intended use of net proceeds from the Rights Issue of approximately HK\$1,778 million and the actual usage up to the Latest Practicable Date:

Intended use of net proceeds	Actual use of net proceeds
<ul style="list-style-type: none">• HK\$586 million will be applied to the development of the distressed assets investment business through acquisition of further distressed assets, of which HK\$96 million will be reserved for the payment of the remaining consideration of the distressed assets acquired on 12 August 2016 as mentioned in the section headed “Business review of the Group” in the “Letter from the Board” of the Rights Issue Prospectus, while the remaining amount of HK\$490 million will be used for two to three acquisitions of distressed assets with bidding price ranging from HK\$100 million to HK\$300 million should the opportunities arise	Not yet completed
<ul style="list-style-type: none">• HK\$1,192 million will be applied to settle the consideration for the First London Property Acquisition	Used as intended

LISTING RULES IMPLICATIONS

The issue of the Warrants carrying the right to subscribe for the Warrant Shares is subject to approval by the Shareholders pursuant to Rule 13.36(1)(a) of the Listing Rules and the Stock Exchange’s approval pursuant to Rule 15.02 of the Listing Rules.

SGM

The SGM will be convened and held at Unit 810, L8, Core F., Cyberport 3, 100 Cyberport Road, Hong Kong on 5 January 2017 for the purpose of considering and, if thought fit, approving the Specific Mandate for the grant of the Warrants and the allotment and issue of the Warrant Shares upon exercise of the Warrants. A notice of the SGM is set out on pages SGM-1 to SGM-2 of this circular.

LETTER FROM THE BOARD

As at the Latest Practicable Date, and to the best knowledge, information and belief of the Directors after having made all reasonable enquiries, no Shareholder is required under the Listing Rules to abstain from voting on the resolution to be proposed at the SGM.

GENERAL

The register of members of the Company will be closed from 3 January 2017 to 5 January 2017, both days inclusive, during which period no transfer of Shares of the Company will be registered. In order to qualify for attending and voting at the SGM, unregistered holders of Shares of the Company should ensure that all transfer of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 30 December 2016.

A proxy form for use at the SGM is enclosed with this circular. Whether or not you intend to attend the SGM, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof (as the case maybe). Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case maybe) should you so wish and in such event, the instrument appointing the proxy shall be deemed to be revoked.

Voting on the proposed resolution at the SGM will be taken by poll.

RECOMMENDATION

The Directors are of the opinion that grant of the Warrants and the allotment and issue of the Warrant Shares are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the grant of the Warrants and the allotment and issue of the Warrant Shares under the Specific Mandate.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

As the Warrants Closing is subject to the fulfilment of certain conditions precedent and may or may not proceed, Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

By the order of the Board
Tai United Holdings Limited
Meng Zhaoyi
Chairman and chief executive officer

NOTICE OF SPECIAL GENERAL MEETING



NOTICE IS HEREBY GIVEN that a special general meeting (the “**Meeting**”) of Tai United Holdings Limited (the “**Company**”) will be held at Unit 810, L8, Core F., Cyberport 3, 100 Cyberport Road, Hong Kong on Thursday, 5 January 2017 at 11:00a.m. for the purposes of considering and, if thought fit, passing with or without modifications, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT

- a. the subscription agreement dated 28 September 2016 (the “**Subscription Agreement**”) between (among other parties) the Company as issuer and Cheer Hope Holdings Limited, Haitong International Investment Fund SPC (acting on behalf of and for the account of Haitong International Investment Fund SPC – Fund I SP) and Songhua Investment Holding Limited as investors (together, the “**Investors**”), a copy of which marked “A” has been produced to the meeting and initialed by the chairman of the meeting for the purpose of identification, pursuant to which the Company conditionally agreed to (among other matters) (i) issue the notes in the aggregate principal amount of US\$180,000,000 for subscription by the Investors subject to the terms and conditions of the Notes Instrument (as defined in the Subscription Agreement) and (ii) grant to the Investors the unlisted warrants (the “**Warrants**”) subject to the terms and conditions of the Warrants Instrument (as defined in the Subscription Agreement) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- b. conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Warrant Shares and fulfillment (or, as applicable, waiver) of the conditions precedent for closing of the grant of the Warrants as set out in the Subscription Agreement:
 - (i) the issue of Warrants be and is hereby approved;
 - (ii) the board of directors of the Company be and is hereby granted a specific mandate to allot and issue up to a maximum number of 279,000,000 ordinary share(s) of HK\$0.05 each in the share capital of the Company (the “**Warrant Share(s)**”) credited as fully paid at the initial subscription price of HK\$1.0 per Warrant Share, or such adjusted price as may for the time being be applicable in accordance with the terms of the Warrants Instrument, to be allotted and issued upon exercise of the subscription rights attaching to the Warrants; and

NOTICE OF SPECIAL GENERAL MEETING

- (iii) any one director of the Company, or where the affixation of the common seal is necessary, any two directors of the Company or any one director and the company secretary of the Company, be and is/are hereby authorised for and on behalf of the Company to execute the Subscription Agreement and other Transaction Documents (as defined in the Subscription Agreement) to which the Company is a party and all such other documents, instruments and agreements and to do all such acts and things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated under the Subscription Agreement.”

By Order of the Board
Tai United Holdings Limited
Dr. Meng Zhaoyi
Chairman and chief executive officer

Hong Kong, 15 December 2016

Notes:

1. Any member of the Company entitled to attend and vote at the SGM shall be entitled to appoint another person (who must be an individual) as his/her/its proxy to attend and vote instead of him/her/it and a proxy so appointed shall have the same right as the member to speak at the SGM. A proxy need not be a member of the Company. A member who is the holder of two or more shares may appoint more than one proxy to represent him/her/it and to attend and vote in his/her/its stead at the SGM. If more than one proxy is appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. To be valid, the form of proxy must be duly completed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or authority, at the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof.
3. Completion and delivery of the form of proxy will not preclude a member of the Company from attending and voting in person at the SGM or any adjournment thereof should such member so wishes, and in such event, the instrument appointing the proxy previously submitted shall be deemed revoked.
4. The register of members of the Company will be closed from 3 January 2017 to 5 January 2017, both days inclusive, during which period no transfer of Shares of the Company will be registered. In order to qualify for attending and voting at the above meeting, unregistered holders of Shares of the Company should ensure that all transfer of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 30 December 2016.
5. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he was solely entitled to vote, but if more than one of such joint holders are present at the meeting, the most senior holder shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand first on the register of members of the Company in respect of the joint holding.

As at the date of this notice, the board of directors of the Company comprises Dr. Meng Zhaoyi, Dr. Liu Hua, Mr. Chen Weisong, Mr. Xu Ke and Mr. Ye Fei as executive directors; and Mr. Mao Kangfu, Dr. Gao Bin and Ms. Liu Yan as independent non-executive directors.