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Legal and Regulatory Issues in Hong Kong PIPE Transactions

Introduction

Private investment in public equity (or PIPE) transactions are an increasingly common source of funding for companies listed on The Stock Exchange of Hong Kong Limited (the HKEx). For listed issuers, PIPEs are filling a gap created by the unavailability of traditional funding sources in the current economic climate and a disinclination to issue new common shares at prices below their perceived value. For investors, PIPEs offer the opportunity to invest in a structured manner in companies that are already public with an established trading market for their equity, a combination that may compare favorably to pre-IPO investments in companies whose prospective IPOs may not occur in a timely manner or at all. This memorandum highlights some of the key features and issues in structuring and executing PIPE transactions for companies listed on the HKEx.

Structural and Relevant Considerations

Structuring Alternatives. The range of securities that may be issued in Hong Kong PIPEs is quite broad, and includes:

- ordinary shares;
- convertible preference shares;
- convertible bonds;
- convertible notes;
- warrants; or
- a combination of any of the foregoing.

Moreover, PIPE transactions can be structured to provide investors with rights and protections typically not enjoyed by individual holders of a listed company's shares, such as veto powers over corporate actions, board representation or observer rights, anti-dilution protection (both weighted average and full ratchet) and performance ratchets. This flexibility available to investors stands in stark contrast to pre-IPO investments, where HKEx policies and practice generally mandate that any special investor rights terminate upon completion of an IPO.

The specific terms of any PIPE investment, including the purchase price and any lock-up period or dealing restrictions, are a matter for negotiation between the company and the investors and, as one might expect, are driven by the relative bargaining power of the parties. See "Recent Trends" below for a discussion of some of the trends in recent PIPE transactions and the attached summary table highlighting the principal terms of PIPE transactions since the beginning of 2012.

Timing. The timing required to complete a PIPE depends primarily on whether the deal falls within an existing "general mandate" from a company's shareholders to issue new securities or requires a special mandate to be obtained from the shareholders. Generally, if a PIPE can be structured to fit within an existing general mandate a transaction can be completed from within several days to a few weeks, depending on the extent of negotiation. If a meeting of shareholders is required to approve a special mandate, the process will take longer, as the company will be required to give 10 clear business days' notice as mandated by the Corporate Governance Code set out in The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the Listing Rules) or any longer notice period as may be provided in its constitutive document or by the laws of the country in which it is incorporated. To address potential insider dealing concerns (further discussed below), a company also may need to make a public announcement of operational or financial information prior to entering into a PIPE if that information is material in nature and has been provided to investors but has not been disclosed previously to the public.

Shareholder Approval. PIPEs involve the issue of new equity or securities convertible into equity, and the company will need to ensure that it is authorized by its shareholders to issue that equity — either through a general mandate or a specific mandate. Most HKEx-listed companies will, as a matter of course, obtain a general mandate from shareholders each year at their annual general meeting to issue additional equity during the course of the following year. The standard regulatory requirements for a general mandate include that:

- the company only may issue securities representing up to a maximum of (a) 20 percent of its existing issued share capital on a fully diluted basis, plus (b) the number of securities repurchased by it since the granting of the general mandate (the amount repurchased is restricted to a maximum of 10 percent of its existing issued share capital);
- the securities may be issued at a discount of no more than 20 percent to the higher of (a) the closing price of the company's securities on the date the agreement to issue the securities is signed and (b) the average closing price for the five trading days immediately prior to the date of the announcement of the issue of securities, the date of the agreement or the date on which the issue of securities or subscription price is fixed, whichever is the earlier;[1] and
- no securities be issued to any "connected person" of the issuer except as part of a pro rata issuance of securities to all shareholders or pursuant to a previously endorsed share option scheme (see "Connected Transactions" below for further discussion).

If a PIPE is conducted under a general mandate, any conversion price adjustments will be subject to the 20 percent discount restriction, calculated in aggregate with any discounts initially given at the time of issue or conversion. In other words, even if the company subsequently conducts a dilutive equity issuance that lowers the conversion price of the PIPE security, the benchmark price from which the maximum discount is calculated will remain the same.

PIPEs that are not structured to fall within a general mandate must be conducted pursuant to a special mandate granted by the company's shareholders. A circular containing all relevant material information relating to the PIPE transaction, including a description of the principal terms of the transaction, will need to be dispatched to the shareholders at the same time as, or prior to, the notice of meeting being given.

Due Diligence / Insider Dealing. Few potential PIPE investors will be willing to proceed with an investment based solely on a review of publicly available information and will want to conduct due diligence on the company. This may include meeting with company management and a review of key documents with a view to (a) learning about recent developments in the company's business and financial position and (b) uncovering any matters that may impact the decision to proceed with

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1 A deeper discount is possible in the limited circumstances where the company can convince the HKEx that it is in significant financial distress and the issue of securities is the only means of remedying its financial position.

a deal. The insider dealing provisions of the Securities and Futures Ordinance (the SFO), as well as the securities laws of other jurisdictions, may restrict the ability of an investor to purchase or sell securities of a company in circumstances where it is in possession of material non-public information (or MNPI) about that company. In Hong Kong, if the diligence process elicits MNPI from the company or its management, entry into a transaction on the basis of that information, in and of itself, is likely to breach the insider dealing provisions of the SFO and could subject both the company and the investor to civil and criminal sanctions. To mitigate these risks, the company typically will require potential investors to enter into a confidentiality agreement that restricts disclosure of MNPI to third parties other than advisers and trading in the company's securities while the investors are in possession of MNPI. To the extent that MNPI is disclosed during the diligence process, the company must make a public announcement of that information prior to entering into any agreement with a PIPE investor. In light of this, and as listed companies often are reluctant to provide updates to the market outside of their usual reporting timetables, PIPE transactions often are effected during the period shortly after a company's scheduled release of annual or interim results.

Similarly, a PIPE investor may have board appointment, board observer or ongoing information provision rights that result in it coming into possession of MNPI from time to time (such as in the period leading up to the publication of annual or interim results). Possession of such information by an investor or its associated persons may restrict the investor and its associated persons from trading in any securities or derivatives of the company or its related companies. PIPE investors therefore need to give careful consideration to balancing the protection afforded by these rights against the flexibility to convert, trade in or exit an investment at any time.

Takeovers Code Mandatory General Offer Considerations. Under Hong Kong's Takeovers Code, the acquisition by any person or group of persons acting in concert of 30 percent or more of the voting rights of a Hong Kong public company, whether through a one-off transaction or a series of transactions, will trigger an obligation on the part of such person or persons to make an offer to all shareholders of the company to acquire their shares. Furthermore, any person or persons acting in concert holding between 30 percent and 50 percent of the voting rights that acquire an additional 2 percent also will trigger a mandatory general offer obligation.[2] Waivers may be granted by the Executive of the Securities and Futures Commission (SFC) in certain prescribed circumstances, including, for example, where independent shareholders have approved a cash subscription by an investor (commonly referred to as a "whitewash waiver") or where the listed issuer is in serious financial distress that renders it impractical for independent shareholders to vote to approve the issue, but these waivers need to be obtained prior to any acquisition of shares.

Consequently, an investor that potentially will hold 30 percent or more of the issued share capital of a company and does not want to make a general offer should either (a) make the transaction conditional upon the company obtaining a whitewash waiver or (b) where convertibles or warrants have been acquired, exercise or convert them in multiple tranches so that they do not hold 30 percent of the voting rights at any given point in time.

Board Considerations. As noted earlier, it is common to see certain minority or special rights provided to investors in PIPE transactions. Directors of HKEx-listed companies have fiduciary duties to act honestly and in good faith in the interests of the company as a whole. In negotiating, considering and approving any minority and special rights, such as board seat rights, senior management nomination rights, veto rights, anti-dilution and pre-emptive rights, it is important that the directors weigh these rights against those of existing shareholders and satisfy themselves that the relevant terms of the PIPE transaction are in the best interests of the company as a whole.

Public Float Requirement. To ensure that there is an open market for listed securities, the HKEx normally requires that at least 25 percent of a company's total issued share capital be held by the public, unless the HKEx has exercised its discretion to accept a lower percentage at the time of the company's public listing.[2] Any shareholdings of a "connected person" — a definition that includes any shareholder entitled to exercise 10 percent or more of the votes at a general meeting, the CEO and directors of a company, and any entities that such persons or their family members control 30 percent or more of the voting rights of, or any person who is accustomed to taking instructions from, or whose acquisition has been directly or indirectly financed by, a connected person — will not count towards a company's public float. The acquisition by PIPE investor of 10 percent or more of the voting rights of a company with a low public float prior to the investment could therefore result in the company ceasing to meet the public float requirement. Where the public float requirement has been breached, the HKEx has the right (which it routinely exercises) to suspend trading of the securities pending remedial action by the company, resulting in an adverse or undesirable impact on the relevant securities and the ability of shareholders to trade in their shares.

Third Party Approvals and Consents. In addition to corporate approvals, investors and companies also will need to ensure that any other required government approvals or waivers and third party consents are obtained. For example, listed companies incorporated in the People's Republic of China may need to obtain the prior approvals of the China Securities Regulatory Commission and other government authorities prior to any issue of shares or consummation of a PIPE transaction. Obtaining any required approvals may be time consuming. Moreover, the consent of other third parties, such as creditors or other stakeholders, may be required.

Connected Transactions. A PIPE transaction entered into between a listed company and a connected person generally is subject to the rules applicable to "connected transactions" under the Listing Rules. These rules mandate reporting, announcement and independent shareholders' approval of such transactions, depending on the size and nature of the transaction. Subject to certain limited exceptions that will not apply to PIPE transactions, an issue of securities to a connected person will require approval from disinterested shareholders in general meeting. On the other hand, if a connected person (such as a controlling shareholder) merely is providing a guarantee or form of security over its shares in the listed company or its own assets (and not over the assets of the listed company) as part of a PIPE transaction, an exemption from the connected transactions rules typically will apply.

Where a PIPE investor becomes a connected person upon the completion of the PIPE transaction (by reason of it holding 10 percent or more of the voting rights), any subsequent business dealings between the PIPE investor and the company will be subject to the reporting, announcement and independent shareholders' approval requirements applicable to connected party transactions.

Disclosure of Interests. Any PIPE investor holding 5 percent or more interest in the share capital of a listed company will be required to disclose its interest in a form submitted to the HKEx and SFC. The information on these forms will become available publicly for inspection via the HKEx's website. The calculation of the percentage interest held must include any underlying shares that may be issued pursuant to any "equity derivatives," a category into which convertible securities or notes typically will fall. Any subsequent changes in the nature of the investor's holding or changes in the level of interest crossing a whole percentage (or falling below 5 percent), unless exempted under the SFO, will be subject to further disclosure requirements.

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2 The discretion is exercised only for companies with market capitalizations in excess of HK$10 billion at the time of listing.

Listing of Securities. A listing application must be filed by a listed company with the HKEx for the listing of, and permission to deal in, the relevant securities at least four business days before the proposed date of issuing the securities. In order to enable PIPE investors to freely convert, exercise or trade in their investment, it typically is a condition to closing a PIPE transaction that the company obtains the listing approval for any securities that may be issued pursuant to a PIPE transaction.

Recent Trends

PIPE transactions come in various forms and the considerations taken into account for one deal may be starkly different to another (for example, when investing in a high-growth technology company as opposed to a more mature utility company). With that in mind, we have reviewed the PIPE transactions entered into so far this year and note some of the following trends, many of which perhaps evidence a lack of conviction about the economic climate and prospects for growth:

- more PIPE transactions took the form of convertible securities (generally with terms from one to five years) than share subscriptions, with five transactions involving a combination of both convertible securities and shares;
- the types of investors investing in the PIPE transactions represented a balanced mix of investors, with nine transactions involving corporate investors (three of which are themselves listed companies), five involving individual investors (most of whom invested through an investment vehicle and were connected persons of the listed issuer) and seven involving private equity investment firms (one of those a sovereign wealth fund);
- there were a number of relatively small scale PIPE investments representing an initial investment of less than HK$50 million, which evidences that PIPE transactions have attracted both large and small scale investors alike;
- certain governance and special investor rights such as veto rights, pre-emptive rights, anti-dilution rights and director, committee member and senior management nomination rights, are less prevalent than in previous years, even for investments involving the acquisition of a substantial stake in the company. However, information access rights, negative pledges and covenants not to issue securities, price adjustment mechanisms and redemption rights remain relatively common;
- lock-up periods within which investors are restricted from dealing in the relevant securities are rare, with only one PIPE transaction involving a lock-up period (of six months);
- conversion prices for the majority of convertible securities have stayed within a single digit or relatively low double-digit premium to the latest market price, with only a few involving premiums greater than 50 percent;
- some tailored conversion price determination and reset mechanisms linked to financial performance metrics and target volume weighted average share prices have been adopted in some cases; and
- one transaction was structured as an investment in both a listed company and a subsidiary that was proposed to be spun-off at a future date.

A summary table of some of the major terms of PIPE transactions in 2012 appears on the following pages.

Summary Table for PIPE Transactions in Hong Kong Since January 2012

	Listed Company (Stock Code) / Agreement Date	Approximate Size in Percentage of Enlarged Capital / Mandate	Type of Investment / Maturity / Coupon	Board Nomination, Management and Committee Appointments, Decision-making and Consultation Rights	Access to Information	Initial Conversion Price / Discount (Premium) to Market Price	Anti-dilution, Price Adjustment and Pre-emptive Rights	Lock-up	Redemption Premium
1.	SPT Energy (1251) / 7 August 2012	5.03% / General mandate	Convertible bonds / 3 years / 3% per annum	Propose a person to be considered for nomination as a non-executive director Prior consent of majority of bondholders is required for key corporate matters	No	HK$1.65 per share / 12.24% premium	Conversion price adjustment Covenant to give prior notification to bondholders before creating new class of shares Negative pledge by company not to create charge	No	At maturity: 100% + interest
2.	New Environment Energy (3989) / 3 August 2012	7.58% / General mandate	Shares / Not applicable / Not applicable	No	No	HK$0.39 per share / 11.43% premium	No	No	Not applicable
3.	CY Foundation (1182) / 27 July 2012	4.77% / General mandate	Convertible notes / 1 year / 3% per annum	No	No	HK$0.0573 per share / 16.96% discount	Conversion price adjustment	No	At maturity: not specified
4.	Palmpay China (8047) – Growth Enterprise Market (GEM board) listed / 12 July 2012	13.54% / General mandate	Warrants for shares / 3 years / Not applicable	No	No	HK$0.09 per share in aggregate comprising HK$0.005 per warrant and HK$0.085 per share / 12.62% discount	Subscription price adjustment	No	Not Applicable
5.	China Environmental Energy (986) / 26 June 2012	29.9% / Specific mandate	Convertible notes / 18 months / 8% per annum payable semi-annually	No	No	Minimum HK$0.01 and maximum HK$0.11 per share / 67.11% discount to minimum price and 254.84% premium to maximum price	Conversion price adjustment Anti-dilution clauses (but no specific disclosure)	No	At maturity: 100% Early redemption (by company): 100%
6.	Sino Resources (233) / 18 June 2012	4.38% / General mandate	Convertible notes / 2 years / 12% per annum	No	No	HK$0.2 per share / 25.79% premium	Conversion price adjustment	No	At maturity: 100% Early redemption (by noteholder): 100%

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Summary Table for PIPE Transactions in Hong Kong Since January 2012 (continued)

	Listed Company (Stock Code) / Agreement Date	Approximate Size in Percentage of Enlarged Capital / Mandate	Type of Investment / Maturity / Coupon	Board Nomination, Management and Committee Appointments, Decision-making and Consultation Rights	Access to Information	Initial Conversion Price / Discount (Premium) to Market Price	Anti-dilution, Price Adjustment and Pre-emptive Rights	Lock-up	Redemption Premium
7.	North Mining (433) / 31 May 2012	(a) 2.26% for shares / General mandate (b) 5.11% for convertible note options / General mandate	(a) Shares / Not applicable / Not applicable (b) Convertible note options for both company and subscriber / 2 years / No coupon	(a) No (b) No	(a) No (b) No	(a) HK$0.26 per share / 7.14% discount (b) HK$0.36 per share / 28.57% premium	(a) No (b) Conversion price adjustment	(a) No (b) No	(a) Not applicable (b) Early redemption (by noteholder in case of an event of default): 100% + interest
8.	New Times Energy (166) / 29 May 2012	15.52% / Specific mandate	Warrants for shares / 5 years / Not applicable	No	No	HK$1.07 per share in aggregate comprising HK$0.02 per warrant and HK$1.05 per share / 5.94% premium	Exercise price adjustment	No	Not applicable
9.	C.banner International (1028) / 18 May 2012	(a) 4.62% in relation to convertible bonds / General mandate (b) HK$500 million in relation to exchangeable bonds issued by substantial shareholders / Not applicable	(a) Convertible bonds / 4 years / Calculated by multiplying the amount of dividend per share by the number of shares into which outstanding convertible bonds would convert as at the payment date of that dividend (b) Exchangeable bonds issued by substantial shareholders / 4 years / No disclosure	(a) 5% or more shares: Nominate non-executive director, independent non-executive director and/ or committee members Prior resolution of strategy committee is required for specified key corporate matters (b) No disclosure	(a) Yes (b) No disclosure	(a) and (b): HK$2.4 per share / 4.35% premium	(a) Conversion price adjustment Pre-emptive rights Negative pledge by company not to create charge (b) Exchange price adjustment	(a) No (b) No disclosure	(a) At maturity: 100% + interest + premium by reference to a volume-weighted average price Early redemption (by bondholder in case of an event of default): with gross annual yield of 25% per annum (b) No disclosure
10.	China Tianyi (756) / 9 May 2012	9.25% / General mandate	Convertible bonds / 3 years / 3.5% per annum	Noteholder to be consulted for change of independent non-executive directors	No	HK$1.89 per share / 33.1% premium	Negative pledge by company not to create charge	No	Redemption on maturity: 137.5938% + interest Early redemption (by bondholder in specified circumstances): 137.5938%

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Summary Table for PIPE Transactions in Hong Kong Since January 2012 (continued)

	Listed Company (Stock Code) / Agreement Date	Approximate Size in Percentage of Enlarged Capital / Mandate	Type of Investment / Maturity / Coupon	Board Nomination, Management and Committee Appointments, Decision-making and Consultation Rights	Access to Information	Initial Conversion Price / Discount (Premium) to Market Price	Anti-dilution, Price Adjustment and Pre-emptive Rights	Lock-up	Redemption Premium
11.	Xinyi Glass (868) / 3 May 2012 (a) Glass Subscription Agreement – in respect of securities of listed issuer (b) Solar Subscription Agreement – in respect of securities of subsidiary of listed issuer	(a) 2.2% in relation to shares + 3.3% in relation to convertible bonds / General mandate (b) 5.5% in relation to warrants + HK$233 million in relation to bond option + up to 9.9% for each subscriber in relation to shares / General mandate	(a) Shares / Not applicable / Not applicable + Convertible bonds / 5 years / 4% per annum calculated on a semi-annual basis Note: with forced conversion mechanism for convertible bonds (b) Warrants for shares / 5 years / Not applicable + Bond option / Until the latest practicable date as permitted by the HKEx or by the Listing Rules for completion of “pre-IPO investments” / To be determined at the date of issue + Shares in respect of which wholly owned subsidiary may require each subscriber to subscribe at initial public offer price on a pro-rata basis / Exercisable only in the event of a proposed qualified initial public offering / Not applicable Note: with forced exercise mechanism for warrants	(a) No (b) No	(a) No (b) No	(a) HK$4.69 per share / 11.2% discount + HK$6 per share / 13.6% premium (b) HK$2.38 per share / 54.9% discount (calculated based on disclosed information) + No disclosure for bond option and share subscription	(a) Conversion price adjustment Covenant by the company and shareholders not to issue securities (b) Covenant by the company and wholly-owned subsidiary not to issue securities if the price for the new issue is below certain pre-money valuation of wholly-owned subsidiary in a contemplated IPO or if shareholding of warrantholders falls below 5%	(a) No (b) No	(a) At maturity: 121.95% Early redemption (by bondholder or company in specified circumstances): a gross yield of 4%p.a. calculated on a semi-annual basis (b) At maturity or IPO of a wholly-owned subsidiary (whichever is earlier): to be determined Early redemption (by subscribers in specified circumstances including IPO of wholly-owned subsidiary not having occurred within 12 months after the bonds are issued): to be determined Early redemption (by wholly-owned subsidiary in specified circumstances): to be determined
12.	Dragonite International (329) / 23 April 2012	12.65% / General mandate	Shares / Not applicable / Not applicable	No	No	HK$0.138 per share / 9.8% discount	No	No	Not applicable

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Summary Table for PIPE Transactions in Hong Kong Since January 2012 (continued)

	Listed Company (Stock Code) / Agreement Date	Approximate Size in Percentage of Enlarged Capital / Mandate	Type of Investment / Maturity / Coupon	Board Nomination, Management and Committee Appointments, Decision-making and Consultation Rights	Access to Information	Initial Conversion Price / Discount (Premium) to Market Price	Anti-dilution, Price Adjustment and Pre-emptive Rights	Lock-up	Redemption Premium
13.	China Ruifeng Galaxy Renewable Energy (527) / 17 April 2012	(a) 42.9% / Specific mandate (b) 13.5% (assuming capital is enlarged by warrant shares only) / Specific mandate	(a) Convertible bonds / Approximately 5 years / 8% per annum (b) Warrants for shares / 5 years / Not applicable	(a) and (b): 5% or more shares: Nominate CFO and nominate at least 1 director and such director(s) to be member(s) of all committees Lead subscriber to be consulted on change of directors and certain matters relating to senior employees	(a) and (b): Yes for lead subscriber	(a) The lowest of (i) HK$1.5, (ii) a price equivalent to 90% of 30 trading days volume-weighted average share price before date of completion but in any event not lower than HK$1.2 or (iii) any other price as agreed among the parties / 35.5% discount (assuming a conversion price of HK$1.2 being the lowest possible conversion price per share) (b) 120% of conversion price per share / 22.6% discount (assuming a warrant exercise price of HK$1.44 per share)	(a) Conversion price adjustment if certain financial benchmarks and volume weighted average share price are not met (b) Exercise price adjustment in case of new issue, quarterly price reset and profit guarantee reset (a) and (b): Negative pledge by company not to create charge	(a) No (b) No	(a) At maturity: 100% Early redemption (by bondholders in specified circumstances including completion of certain acquisition): an internal rate of return of 10% (without taking into account any interest) (b) Warrants: Not applicable
14.	Long Success (8017) – Growth Enterprise Market (GEM board) listed / 3 April 2012	75.53% / Specific mandate	Convertible bonds / 3 years / 13% per annum accrued on a day to day basis	No	No	HK$0.3 per share / 55.44% premium	Conversion price adjustment	No	At maturity: 100% + interest Early redemption (by bondholders in specified circumstances): 100% + interest
15.	Tse Sui Luen Jewellery (417) / 31 March 2012	(a) Tranche 1: 15.66% / General mandate (b) Tranche 2 (optional): HK$200 million / General or specific mandate as appropriate	(a) Convertible bonds / 5 years / 5% per annum (b) Convertible bonds / Expected to be substantially the same as those of Tranche 1	(a) 15% or more shares: Nominate 1 director Bondholders approval by ordinary resolution is required for key corporate matters (b) Expected to be substantially the same as those of Tranche 1	(a) No (b) Expected to be none	(a) HK$6.4 per share / 4.23% premium (b) To be determined by reference to the volume-weighted average share price or earnings per share as publicly announced for financial year 2013 / To be calculated accordingly	(a) Covenant by company not to issue new securities in specified circumstances (b) Expected to be substantially the same as those of Tranche 1	(a) No (b) expected to be none	(a) At maturity: an internal rate of return of 12%p.a. Early redemption (by company or bondholders in specified circumstances): same as above Early redemption (by bondholders in certain other specified circumstances): an internal rate of return of 25% per annum (b) Expected to be substantially the same as those of Tranche 1

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Summary Table for PIPE Transactions in Hong Kong Since January 2012 (continued)

	Listed Company (Stock Code) / Agreement Date	Approximate Size in Percentage of Enlarged Capital / Mandate	Type of Investment / Maturity / Coupon	Board Nomination, Management and Committee Appointments, Decision-making and Consultation Rights	Access to Information	Initial Conversion Price / Discount (Premium) to Market Price	Anti-dilution, Price Adjustment and Pre-emptive Rights	Lock-up	Redemption Premium
16.	Siberian Mining (1142) / 6 March 2012	8.85% in relation to shares / Specific mandate	Shares / Not applicable / Not applicable	No	No	HK$0.5658 per share / 8.81% premium	Conversion price adjustment	No	Not applicable
17.	Li Ning (2331) / 19 January 2012	RMB750 million / General mandate	Convertible bonds / 5 years / 4% per annum payable semi-annually	5% or more shares: Nominate 2 non-executive directors and nominate such directors or an additional independent non-executive director to be board committee members Prior consent from bondholders is required for certain key corporate matters Company has also agreed to negative covenants relating to certain other key corporate matters	For subscriber holding 5% or more shares: Yes	HK$7.74 per share / 15.2% premium	Conversion price adjustment Pre-emptive right Covenant by company not to issue new securities until upcoming annual general meeting Negative pledge by company not to create charge	6 months	At maturity: 100% Early redemption (by bondholder in case of event of default): 130% + interest

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Summary Table for PIPE Transactions in Hong Kong Since January 2012 (continued)

	Listed Company (Stock Code) / Agreement Date	Approximate Size in Percentage of Enlarged Capital / Mandate	Type of Investment / Maturity / Coupon	Board Nomination, Management and Committee Appointments, Decision-making and Consultation Rights	Access to Information	Initial Conversion Price / Discount (Premium) to Market Price	Anti-dilution, Price Adjustment and Pre-emptive Rights	Lock-up	Redemption Premium
18.	Chiho-Tiande (976) / 17 January 2012	(a) HK$750 million share sale by substantial shareholders + option shares and further option shares from substantial shareholders / Not applicable (b) 11.5% for convertible bonds with 1.1% for detachable warrants / Specific mandate	(a) Shares / Not applicable / Not applicable + Option shares and further option shares / 3 years / Not applicable (b) Convertible bonds with detachable warrants for shares / 3 years and can be extended to 5 years / 4% per annum for convertible bonds and not applicable for detachable warrants	10% or more shares: Nominate 1 director	No	(a) HK$4.5 per share / HK$13.9% premium (calculated based on disclosed information) + HK$6 per share / 51.9% premium (b) HK$6 per share / 51.9% premium (same for both conversion price and warrant subscription price)	Conversion price adjustment Warrant subscription price adjustment	Not to dispose of securities exceeding certain limits	(a) Not applicable (b) Early redemption prior to initial maturity date in limited circumstances: 100% Early redemption prior to extended duration in case of minimum public float restriction: undisclosed (c) Not applicable