18 June 2009

Abdullah Al Turaifi
Chief Executive Officer
Emirates Securities and Commodities Authority
Abu Dhabi

Dear Sirs:

ESCA's letter to SHUAA Capital on 16 June 2009 was not only addressed to our Chairman but was also posted on the website of the Dubai Financial Market. We are writing to invite further examination of the content of that letter. We hope you will undertake to publish this letter in the same manner, particularly in view of the fact that certain media coverage has indicated that ESCA has "decided the dispute on this matter in favor of Dubai Banking Group."

The bond agreement was entered into by two equal commercial institutions, and we were fully aware of the provisions of the Commercial Companies Law, Federal Law No. 8 of 1984 and its amendments, including Articles 185 and 186.

The points mentioned in those two articles are not in dispute. Article 185 is not relevant to the matter at hand. With respect to Article 186, **SHUAA Capital has obtained the consent of the bondholder, in advance, by its agreement to the terms of the bond at the time it was issued**, terms which were negotiated by experienced and independent legal counsel on both sides. The agreement stated that "On the maturity date the notes shall be converted into shares in the Issuer at the Conversion Rate [AED 6.0] **either at the option of the Issuer or the Holder**."

In addition, these circumstances raise fundamental questions not addressed by ESCA's letter. Is Article 186 a complete and exclusive definition of a convertible bond? Is the bondholder's right to choose such a fundamental right that, as a matter of public policy, bondholders will not be allowed to agree to any restrictions on their exercise of that right, even if restrictions are agreed freely and knowledgeably between equal commercial parties? These are important questions that require very careful consideration and that must ultimately be addressed as matters of law and public policy. We hope that the concerned authorities will treat the matter accordingly and will not take decisions that effectively pre-judge the issues.

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Moreover, decisions about the legal rights of the parties cannot be taken without a thorough examination of the written legal commitments of the parties and all of the additional relevant facts. In SHUAA Capital's audited financial statements, the proceeds from the convertible bond have been classified as shareholders equity from the beginning, since its December 2007 accounts. SHUAA's accounts have been published quarterly and made available to the market and investors on that basis, and neither DBG nor any UAE regulatory bodies have raised any question or reservation, until DBG's objection on the maturity date.

SHUAA Capital's position is very simple. Two UAE commercial companies entered into a commercial contract to make an investment on certain terms. Both parties were aware of the law and had no intention to contract outside the law. External circumstances made the contract unprofitable for one of the parties, which then tried to avoid the financial consequences by rejecting the terms of the contract. The best policy in these circumstances, and the one which has been followed internationally, is to uphold the terms of the contract, as the best way of allocating the risk of unforeseen commercial circumstances.

That said, we welcome ESCA's desire for the parties to come to a mutually agreed settlement. That is what both parties have attempted to do during the period since 31 October 2008, but ultimately we found ourselves unable to bridge the differing expectations of the parties. We welcome the opportunity to present the details of the matter to ESCA for your objective consideration and advice.

With thanks for your support and consideration.

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Majid Saif Al Ghurair
Chairman

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هاتف : ٣٣٠٣٦٠٠ (٤) ٩٧١+ ، فاكس : ٣٣٠٣٥٥٠ (٤) ٩٧١+
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