



金利豐證券有限公司  
KINGSTON SECURITIES LIMITED

STRICTLY PRIVATE AND CONFIDENTIAL

14 July 2015

Shihua Development Company Limited  
Rooms 05-15, 13A/F, South Tower,  
World Finance Centre,  
Harbour City, 17 Canton Road,  
Tsim Sha Tsui, Kowloon,  
Hong Kong

Attn.: The Board of Directors

Dear Sir / Madam,

Shihua Development Company Limited (stock code: 485)  
("Company", together with its subsidiaries, the "Group")  
Placing ("Placing") of a maximum of 486,760,000 new shares of par value of HK\$0.1 each ("Shares") of the Company ("Placing Shares") at a price of HK\$0.124 under general mandate

**PART 1 – THE PLACING UNDER GENERAL MANDATE**

On the terms set out in this agreement ("Placing Agreement"), we, Kingston Securities Limited ("Placing Agent") agree, on a best effort basis, to place, or procure the placing of, a maximum of 486,760,000 Placing Shares to currently expected to be not fewer than six independent professional, institutional or other investor(s) ("Placees") who and whose ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons or not acting in concert (as defined in the Hong Kong Code on Takeovers and Mergers ("Takeovers Code")) with any of the connected persons of the Company or any of their respective associates (as defined in the Rules Governing the Listing of Securities ("Listing Rules")) on The Stock Exchange of Hong Kong Limited ("Stock Exchange") as we may select at the placing price being HK\$0.124 ("Placing Price") per Placing Share together with the Stock Exchange trading fee, Securities and Futures Commission (the "SFC") transaction levy, and Central Clearing and Settlement System ("CCASS") stock settlement fee as may be payable by the Placees in the capacity as the Company's agent.

We understand that the Placing Shares will be issued under the general mandate to allot, issue and deal with Shares granted to the directors of the Company by resolution of the shareholders of the Company passed at the special general meeting of the Company held on 22 May 2015 ("SGM") subject to the limit of up to 20% of the issued share capital of the Company as at the date of passing of the resolution at the SGM (i.e. 486,761,697 Shares) ("General Mandate"). As at the date of this Placing Agreement, no Shares under the General Mandate has been used.

The Company represents, warrants and undertakes to the Placing Agent that:

- (i) the Placing Shares will, when fully paid, be allotted and issued in accordance with the memorandum of association and bye-laws of the Company and with the relevant rules and regulations applicable to the Company in the Bermuda and Hong Kong and will, at completion of the Placing ("Completion"), be free from all liens, charges, encumbrances or third party rights of whatsoever nature and together with all rights attaching thereto at Completion and thereafter; and

- (ii) the Placing Shares will rank pari passu in all respects with the existing Shares in issue as at the date of allotment and issue of the Placing Shares.

The Placing Agent represents, warrants and undertakes to the Company that:

- (i) the Placing Agent will not, directly or indirectly, offer, sell or deliver any Placing Shares or distribute or publish any documents in relation to the Placing (including without limitation to the foregoing, any prospectus, form of application, offering circular, advertisement or other offering material) in any country or jurisdiction except under circumstances that will not result in the breach of any applicable laws and regulations;
- (ii) the Placing Agent has not offered for subscription or sold and will not offer for subscription or sell in Hong Kong, by means of any document, any Placing Shares except in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) or in contravention of any securities laws in Hong Kong;
- (iii) the Placing Agent undertakes to place the Placing Shares only to independent professional, institutional, or other investor(s) who and whose beneficial owners are not connected with the Company and its connected persons or not acting in concert (as defined in the Takeovers Code) with any of the connected persons of the Company or any of their respective associates (as defined in the Listing Rules);
- (iv) the Placing Agent will use its best endeavour to ensure that none of the Placees will be allotted with Placing Shares to the extent that any Placee (together with parties acting in concert with him/her/it) will become a substantial shareholder (as defined under the Listing Rules) of the Company as a result of the Placing;
- (v) the Placing Agent may require any sub-placing agents or other person (if any) to or through whom it may effect the Placing or offer or sell any Placing Shares to comply with the provisions of this Placing Agreement; and
- (vi) by not later than 4:00 p.m. on the second business day (being a day (excluding Saturday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a "black" rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for business) ("**Business Day**") immediately prior to Completion, the Placing Agent shall deliver to the Company or its professional advisers a list of the Placees in respect of the Placing procured by it, the number of the Placing Shares to be subscribed by each Placee (together with the duly completed placing letters and confirmations as to their independence, as required by the Stock Exchange, to the Company and the Stock Exchange as soon as practicable and as and when known), the names and denomination (in board lots or otherwise) in which the Placing Shares are to be registered and, where relevant, the particulars of the account with CCASS operated by Hong Kong Securities Clearing Company Limited to which Placing Shares are to be credited.

#### **A. Placing Agent for the Placing**

As the Placing Agent, the major areas of our involvement would be as follows:-

- (i) to place on a best effort basis a maximum of 486,760,000 Placing Shares to independent professional, institutional or other investor(s); and

- (ii) to assist the Company in coordinating and liaising with such investor(s) and/or the regulatory authorities (inclusive of the Stock Exchange and the SFC) in relation to the Placing.

#### **B. Proposed remuneration in relation to the Placing**

With respect to the services outlined above, we would propose the following fee structure:

- (i) The Placing

Upon Completion, a placing commission of 1.0% of the aggregate amount equal to the Placing Price multiplied by the actual number of the Placing Shares being placed is payable to the Placing Agent.

- (ii) Documentation fee

A documentation fee shall also be payable by the Company to Kingston Corporate Finance Limited (“KCF”) pursuant to the terms and conditions as set out in the mandate letter dated 14 July 2015 entered into between the Company and KCF (“KCF Mandate”).

- (iii) Expenses

Upon Completion, the Placing Agent will deduct all costs and expenses reasonably and properly incurred (and received) by itself and KCF in connection with or arising out of the Placing, including without limitation, travelling, printing, postage and telecommunications costs from the proceeds of the Placing. In addition, all fees and expenses of other professional advisers involved in the Placing including KCF (if the Company has not yet already paid to KCF in accordance with the terms of the KCF Mandate) will be for the Company’s account.

For the commission, fees and expenses mentioned in this paragraph B, the Placing Agent shall deduct the full amount of such placing commission, the relevant documentation fee and all reasonable costs and expenses from the amount of any placing moneys paid by such investor(s) for the Placing prior to releasing the remaining amount to the Company (or its nominee(s)).

#### **C. Conditions of the Placing**

- (i) Completion of the Placing is conditional upon:-

- (a) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in all of the Placing Shares; and
- (b) the obligations of the Placing Agent under this Placing Agreement becoming unconditional and not being terminated in accordance with the terms hereof, including provisions regarding force majeure events.

- (ii) Completion will take place within four Business Days after the fulfilment and/or waiver (in respect of paragraph C(i)(b) above) of the conditions as set out in paragraph C (i) above or such other date to be agreed between the Company and the Placing Agent in writing (“**Completion Date**”). If the above conditions are not satisfied and/or waived (other than paragraph C (i)(a) above, which cannot be waived) in whole or in part by the Placing Agent on or before 5:00 p.m. on 28 July 2015 (being the tenth Business Day after the date of signing of this Placing Agreement) or such later date to be agreed between the Company and the Placing Agent in writing (“**Long Stop Date**”), this

Placing Agreement will be terminated and the Placing will not proceed and all obligations and liabilities of the parties hereunder (save for the paragraph headed "Confidentially" in Part 2 below) will forthwith cease and determine and no party will have any claim against the others (save for any antecedent breaches hereof).

- (iii) The Placing Agent shall, in accordance with terms and conditions of this Placing Agreement, use its best endeavours to procure, and shall give all necessary assistance to the Company, in the satisfaction of the above conditions as stipulated in paragraph C (i) above on or before the Long Stop Date.
- (iv) If the Placing does not become unconditional, the Company and/or the Placing Agent shall arrange for the repayment to all investor(s) of all application moneys paid by them (if any) without interest.

Upon Completion, the Placing Agent shall deliver to the Company the net proceeds from the Placing by way of a cheque or bank transfer or electronic transfer after deduction of the Stock Exchange trading fee, SFC transaction levy, CCASS stock settlement fee (if any) and any other fees payable by the Company in respect of the Placing Shares undertaken by the Placing Agent as well as the fees and expenses payable by the Company as set out in paragraph B above from the proceeds of the Placing, and the Company shall deliver share certificates of the Placing Shares to the Placing Agent or arrange the Placing Shares to be issued in the name of HKSCC Nominees Limited and deposited into CCASS for the credit of the Placees' designated investor participants' or CCASS participants' stock accounts (as the case may be).

#### **D. Termination of the Placing**

- (i) Unless otherwise agreed between the Company and the Placing Agent, the Placing Agent's appointment shall terminate upon the earlier of (a) the Completion; or (b) the Long Stop Date if the conditions as set out in sub-paragraph C (i) above have not been satisfied (or waived as the case may be); or (c) termination of the Placing by the Placing Agent in accordance with the terms and conditions of this Placing Agreement, whereby the Company will be formally notified by the Placing Agent in writing in accordance with the terms of this Placing Agreement.
- (ii) The Placing Agent reserves its right to terminate this Placing Agreement by notice in writing prior to 9:00 a.m. on the Completion Date, if in the absolute opinion of the Placing Agent, the success of the Placing would be materially and adversely affected by any force majeure event (as defined below).

For this purpose, a "force majeure event" refers to:

- (a) the introduction of any new laws or regulations or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date hereof) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of

- circumstances (inclusive of any pandemics or epidemics) which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or adversely prejudices the success of the placing of the Placing Shares to potential investor(s) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the Placing; or
- (c) any change in market conditions or combination of circumstances in Hong Kong (including without limitation to suspension or material restriction or trading in securities) occurs which affect the success of the Placing (such success being the placing of the Placing Shares to potential investor(s)) or otherwise in the absolute opinion of the Placing Agent makes it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Placing.
- (iii) If, at or prior to 9:00 a.m. on the Completion Date:
- (a) the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed or assumed under this Placing Agreement; or
- (b) any suspension in the trading of the Shares on the Stock Exchange for more than ten consecutive trading days save for the purposes of clearing of the announcement relating to this Placing Agreement; or
- (c) the Placing Agent shall become aware of the fact that any of the representations or warranties contained in this Placing Agreement was, when given, untrue or inaccurate or would in any respect be untrue or inaccurate, if repeated, the Placing Agent shall, in its absolute opinion, determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the financial or trading position or prospects of the Group taken as a whole or will otherwise likely to have a material prejudicial effect on the Placing,
- the Placing Agent shall be entitled (but not bound) by notice in writing to the Company to elect to treat such matter or event as releasing and discharging the Placing Agent from its obligations under this Placing Agreement.
- (iv) Upon giving of notice pursuant to the paragraph above, all obligations of the Placing Agent hereunder shall cease and determine (save for the paragraph headed "Confidentiality" in Part 2 below) and no party shall have any claim against any other parties in respect of any matter or thing arising out of or in connection with this Placing Agreement, save for any antecedent breaches.

## **PART 2 - GENERAL**

### **A. Confidentiality**

The Placing Agent confirms that all information and documents received from the Company in connection with this engagement will be regarded as strictly confidential to the Company and will be treated accordingly by the Placing Agent, its affiliates and its staff. The Placing Agent further confirms that it will use its reasonable best endeavours to procure that all information and documents received from the Company in connection with this engagement by its sub-placing agent(s)(if any) will be regarded as strictly confidential to the Company and will be treated accordingly by such persons.

## B. Representations, Warranties and Indemnities

- (i) In agreeing to the terms of this Placing Agreement, you hereby agree the followings:
- (a) You shall be responsible for all other professional fees, printer's charges and all disbursements and out of pocket costs reasonably and properly incurred by us in relation to the Placing which will include, but not limited to, the photocopying charges, telephone/facsimile charges, postage and delivery expenses.
  - (b) You shall provide us with all such information relating to you, any companies controlled by you and the Group as we would reasonably require for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Group or otherwise and all material facts and information which might reasonably be expected to be relevant in enabling us to fulfil our responsibilities in carrying out the terms of our engagements.
  - (c) You shall inform us in the event of any material change in the information in respect of (b) above or in the absolute opinion of you relevant to the Placing.
  - (d) You shall accept full responsibility for the accuracy of all information and facts given by you to us in relation to the Placing and warrant that no other material information or material facts have been or will be withheld, the omission of which will make the information or facts given to us incorrect or misleading, and to notify us should such omission or inaccuracy first come to the attention of you.
  - (e) You shall provide the Placing Agent with any further information available to you, which would be of relevance to the Placing Agent in carrying out its duties in respect of the engagement. If during the course of the Placing Agent's engagement, you subsequently discover something which renders any such information untrue, unfair, inaccurate or misleading, you undertake to notify the Placing Agent at once.
  - (f) The Placing Agent may, from time to time, disclose information regarding you and each of the companies controlled by you, your directors, shareholders, representatives and officers which may be confidential, to the regulatory authorities, including but not limited to the Stock Exchange and the SFC upon their enquiries. Should such disclosure be required to be made, the Placing Agent agrees to obtain the consent from the Company or the Company's representatives prior to such disclosure.
  - (g) You agree to indemnify the Placing Agent and its respective officers and employers (all such companies and persons being collectively referred to as "**indemnified persons**") against all actions, claims, demands, proceedings or judgements (collectively "**indemnified claims**") and all losses, liabilities, damages and reasonably and properly incurred costs, charges and expenses of whatever nature (including costs, charges and expenses incurred in investigating or defending any indemnified claim and in complying with any request made pursuant to sub-paragraph (ii) below) (collectively "**indemnified losses**") made against or incurred by any indemnified person directly or indirectly relating to or arising from the Placing Agent's engagement hereunder PROVIDED THAT any indemnified claims or indemnified losses suffered or incurred by any indemnified person or persons shall not extend to any claims or losses which are attributable in any way to

the gross negligence or wilful default or fraud of such indemnified person or persons.

- (h) Any indemnified person against whom an indemnified claim is made shall be entitled to defend, compromise, settle or deal with such indemnified claim as the Placing Agent may see fit after having had due regard to all reasonable requests which you may make.
  - (i) If any amount becomes payable under this indemnity, you shall pay such additional amount (if any) as is required to ensure that the net amount received by the relevant indemnified person, after all deductions and withholdings required to be made from such aggregate payment and all taxation suffered in respect of its receipt, will equal the full amount which would have been received had no such deduction or withholding been made and had no such taxation been suffered.
  - (j) The benefit of this indemnity shall survive any termination of the arrangements contained in this Placing Agreement and is in addition to any rights which any indemnified person may have at common law or otherwise including, but not limited to, any right of contribution.
  - (k) The Placing Agent shall have no liability to you in connection with our engagement other than as a result of its fraud, wilful default or negligent breach of its obligations to you herein.
- (ii) Furthermore, with the exception of those arising out of or as a result of any fraud, wilful default or negligence on our part, you undertake by signing and returning to us Confirmation of Acceptance enclosed herewith that neither you, each of the companies controlled by you, its holding company, any of the subsidiary of the such company and their respective associates (“**Member Company**”) and directors of such company and/or Member Company shall make any claim against us to recover any damages, losses, costs, charges, or expenses which you may suffer arising out of the performance by us of our obligation under this Placing Agreement and shall hold us harmless on all matters arising from our engagement or in connection herewith.

#### **C. Applicable Law and Jurisdiction and Miscellaneous**

- (i) You warrant that you shall have the legal rights, full power and authority to execute, deliver and exercise your rights and perform your obligations under this Placing Agreement. This Placing Agreement constitutes a valid and binding agreement amongst the parties enforceable in accordance with the terms and conditions. This Placing Agreement shall be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region and the parties hereby irrevocably submit to the non-exclusive jurisdiction of the courts of the Hong Kong Special Administrative Region.
- (ii) The Placing Agent hereby warrants and represents to the Company that it is a deemed licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“**SFO**”) and an independent third party not connected with the directors, chief executive, substantial shareholder(s) of the Company or its subsidiaries or any of their respective associates (as defined in the Listing Rules).
- (iii) In relation to our appointment, the Placing Agent will not provide any advice on matters relating to the Listing Rules, the Takeover Codes, the SFO, the applicable law of the Bermuda and/or the Companies Ordinance of Hong Kong. In addition, the Placing Agent will not be responsible for providing any specialist or technical advice

which you would need to obtain from other advisers (such as on accounting, legal and regulatory issues).

- (iv) By signing the attached Confirmation of Acceptance, the Company confirms that the Company's entry into this Placing Agreement will not cause any breach of the Listing Rules and the Hong Kong Codes on Takeover and Mergers and Share Repurchases by the Placing Agent in any regards.



If you wish to accept this Placing Agreement subject to the terms and conditions set out above, please duly complete and sign the attached confirmation of acceptance and return duplicate of this Placing Agreement to Kingston Securities Limited by fax to Ms. Rosita Kiu at 2295-0682 on or before 6:00 p.m. on 14 July 2015 and by hand and by email to Kingston Securities Limited at Suite 2801, 28th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.

Yours faithfully,  
For and on behalf of  
**Kingston Securities Limited**



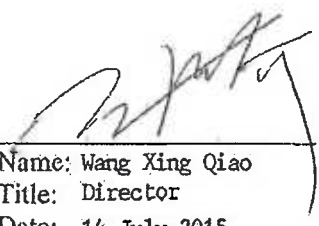
Authorised Signature

To: Kingston Securities Limited

**Confirmation of Acceptance**

We confirm our acceptance of the terms and conditions of the agreement as set out in your letter dated 14 July 2015 of which this confirmation forms part.

For and on behalf of  
**Shihua Development Company Limited**



Handwritten signature of Wang Xing Qiao, consisting of stylized cursive characters.

Name: Wang Xing Qiao  
Title: Director  
Date: 14 July 2015