

DATED THE 20TH DAY OF AUGUST, 2015

SHIHUA DEVELOPMENT COMPANY LIMITED

(as the Company)

and

ACHIEVE PROSPER CAPITAL LIMITED

and

KINGSTON SECURITIES LIMITED

(as the Underwriters)

UNDERWRITING AGREEMENT

**relating to an open offer of
2,920,568,484 new Adjusted Shares in
SHIHUA DEVELOPMENT COMPANY LIMITED
at HK\$0.086 per Offer Share payable in full on application in the proportion of
four (4) Offer Shares for every one (1) Adjusted Share held on the Record Date**

THIS AGREEMENT is made on the 20th day of August, 2015.

BETWEEN:

- (1) **SHIHUA DEVELOPMENT COMPANY LIMITED**, a company incorporated in Bermuda whose registered office is at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda with a principal place of business in Hong Kong at Rooms 05-15, 13A/F., South Tower, World Finance Centre, Harbour City, 17 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong (the "**Company**");
- (2) **ACHIEVE PROSPER CAPITAL LIMITED**, a company incorporated in Samoa with limited liability and whose registered office is at Offshore Chambers, P.O. Box 217, Apia, Samoa ("**Achieve Prosper**"); and
- (3) **KINGSTON SECURITIES LIMITED**, a company incorporated in Hong Kong with limited liability and having its registered office at Suite 2801, 28th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong (the "**Kingston Securities**", and together with Achieve Prosper, the "**Underwriters**" and "**Underwriter**" shall mean any of them).

WHEREAS:

- (A) The Company is incorporated in Bermuda whose issued Shares are listed on the main board of the Stock Exchange and has an authorised share capital of HK\$500,000,000 divided into 5,000,000,000 Existing Shares, of which 2,920,568,485 Existing Shares have been issued and are fully paid or credited as fully-paid as at the date hereof.
- (B) As at the date hereof, other than the Convertible Bonds, the Company does not have any outstanding convertible note, warrant, option, derivative or other securities convertible into or exchangeable for any Share.
- (C) The Company has determined by resolutions of the Board to (i) conduct the Share Consolidation; (ii) conduct the Capital Reduction; (iii) conduct the Share Sub-division; (iv) change of board lot size for trading in the Shares from 10,000 Existing Shares to 20,000 Adjusted Shares subject to the Capital Reorganisation becoming effective; and (v) the offer, subject to the fulfillment or waiver (as the case may be) of the Conditions Precedent, a total of 2,920,568,484 new Adjusted Shares for subscription by the Qualifying Shareholders by way of the Open Offer, on the basis of four (4) Offer Shares for every one (1) Adjusted Share held on the Record Date, at the Subscription Price payable in full on application and otherwise on the terms and subject to the conditions set out in this Agreement and the Prospectus Documents.
- (D) The Company will convene a special general meeting to approve the Capital Reorganisation as soon as possible. For the avoidance of doubt, the Capital Reorganisation is not conditional upon the Open Offer, while the Open Offer is conditional, among others, upon the Capital Reorganisation becoming effective.
- (E) Subject to and upon the terms and conditions hereinafter appearing, the Underwriters have severally (but not jointly) agreed to underwrite the Underwritten Shares on the terms hereinafter appearing.

NOW IT IS HEREBY AGREED as follows:

1. DEFINITIONS

1.1 In this Agreement (including the Recitals hereto), unless the context otherwise requires, the following expressions have the following meanings:

“Adjusted Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company immediately upon the Capital Reorganisation becoming effective
“Agreement”	this underwriting agreement as amended from time to time
“Amount Payable to Shareholder”	the total principal amount from time to time owing by the Group to Achieve Prosper, which, for the avoidance of doubt, excludes any amount due under the Promissory Note
“Announcement”	the announcement to be made by the Company concerning, among other things, the Capital Reorganisation and the Open Offer substantially in the form of the draft announcement annexed hereto (subject to such amendments as the Company and the Underwriters may agree)
“Application Form(s)”	the form of application for use by the Qualifying Shareholders to apply for the Offer Shares in the agreed form
“associates”	has the meaning ascribed thereto in the Listing Rules
“Audited Accounts Date”	31 March 2015
“Board”	the board of Directors
“business day”	any day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Capital Reduction”	the proposed reduction in the issued share capital of the Company (i) by eliminating any fraction of a Consolidated Share in the issued share capital of the Company following the Share Consolidation in order to round down the total number of Consolidated Shares to a whole number, and (ii) through the cancellation of the paid-up capital of the Company to the extent of HK\$0.39 on each of the issued Consolidated

	Shares such that the nominal value of each issued Consolidated Share will be reduced from HK\$0.40 to HK\$0.01
“Capital Reorganisation”	the Capital Reduction, the Share Consolidation, the Share Sub-division and the transactions contemplated thereunder
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“Companies Act”	the Companies Act 1981 of Bermuda, as amended from time to time
“Companies Ordinance”	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong (as amended from time to time)
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong (as amended from time to time)
“Complying Applications”	valid applications under the Application Forms made in accordance with the terms of the Prospectus Documents together with cheques or cashier’s orders or other remittances for the full amount payable in respect of the Offer Shares being applied for under such Application Forms which are honoured on first or, at the discretion of the Underwriters, subsequent presentation
“Conditions Precedent”	the conditions set out in Clause 2.1
“Consolidated Share(s)”	ordinary share(s) of HK\$0.40 each in the share capital of the Company immediately after the Share Consolidation becoming effective but before the Capital Reduction
“Convertible Bonds”	the 3% convertible bonds due 2017 in the principal amount of HK\$75,000,000 issued by the Company to Achieve Prosper on 30 July 2014
“Director(s)”	director(s) of the Company for the time being
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of its delegate(s)
“Existing Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company prior to the Capital

	Reorganisation becoming effective
“Group”	collectively, the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Shareholders”	Shareholders other than (i) Achieve Prosper and its associates; (ii) the Underwriters and parties acting in concert with any of them; (iii) any other Shareholders who are involved in, or interested in, the Open Offer (save for any assured entitlement to the Open Offer as a Qualifying Shareholder), this Agreement and/or the Whitewash Waiver; and (iv) any other Shareholders who are required by the Listing Rules and/or the Takeovers Code to abstain from voting in respect of the resolution(s) relating to the Open Offer, this Agreement and the Whitewash Waiver at the SGM
“Independent Third Party”	any person or company and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons and not connected persons within the meaning of the Listing Rules
“Latest Lodging Date”	being 4:30 p.m. on Friday, 16 October 2015 or such other date and/or time as the Company and the Underwriters may agree as the latest time for lodging transfer of the existing Shares in order to qualify for the Open Offer
“Latest Time for Acceptance”	4:00 p.m. on Wednesday, 11 November 2015 (or such later time or date as may be agreed between the Company and the Underwriters in writing as the latest time for acceptance of, and payment for, the Offer Shares as described in the Prospectus)
“Latest Time for Termination”	4:00 p.m. on the fourth (4th) Business Days after the Latest Time for Acceptance or such later time or date as may be agreed between the Company and the Underwriters, being the latest time to terminate this Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Non-Qualifying Shareholders”	those Overseas Shareholders to whom the Company considers it necessary or expedient not to offer the Offer Shares based on the enquiry made pursuant to Clause 5.1
“Offer Shares”	2,920,568,484 new Adjusted Shares proposed to be offered to the Qualifying Shareholders under the Open Offer for subscription on the terms and subject to the conditions set out in this Agreement and in the Prospectus
“Open Offer”	the proposed offer for subscription by the Qualifying Shareholders for the Offer Shares at the Subscription Price on the terms and subject to the conditions set out in this Agreement and the Prospectus Documents
“Overseas Shareholders”	Shareholders with registered addresses (as shown in the register of members of the Company on the Record Date) which are outside Hong Kong
“Promissory Note”	the promissory note dated 3 August 2015 issued by the Company for a principal amount of HK\$208,276,000 (without interest and payable by the Company on demand when the Company has generated, obtained and/or raised fund for not less than HK\$200 million), the particulars of which are further described in the circular of the Company dated 29 April 2015
“Prospectus”	the prospectus to be despatched to Shareholders on the Prospectus Posting Date in connection with the Open Offer in such form as may be agreed between the Company and the Underwriters
“Prospectus Documents”	the Prospectus and the Application Form
“Prospectus Posting Date”	Wednesday, 28 October 2015 (or such later date as may be agreed between the Company and the Underwriters in writing as to the date of despatch of the Prospectus Documents to Qualifying Shareholders or the Prospectus to the Non-Qualifying Shareholders (as the case may be))
“Qualifying Shareholders”	Shareholders whose names appear on the register of members of the Company on the Record Date, other than the Non-Qualifying Shareholders

“Record Date”	Tuesday, 27 October 2015 or such other date as may be agreed between the Company and the Underwriters for the determination of the entitlements under the Open Offer
“Registrar”	the branch share registrar of the Company in Hong Kong, being Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, the branch share registrar and transfer office of the Company in Hong Kong
“Settlement Date”	Tuesday, 17 November 2015, the date being the fourth business day following (but excluding) the Latest Time for Acceptance or such later date as the Company and the Underwriters may agree
“SFC”	the Securities and Futures Commission of Hong Kong
“SGM”	the special general meeting of the Company to be convened and held for the Shareholders or the Independent Shareholders (as the case may be) to consider and approve, among other matters, the Capital Reorganisation, the Open Offer and the transactions contemplated thereunder
“SGM Circular”	the circular (together with the notice convening the SGM and the form of proxy) to be despatched to the Shareholders containing details of matters put forward to the Shareholders or the Independent Shareholders (as the case may be) for consideration at the SGM
“Share(s)”	the Existing Share(s) of HK\$0.10 each or the Adjusted Share(s) of HK\$0.01 each, as the case may be
“Share Consolidation”	the proposed consolidated of every four (4) Existing Shares into one (1) Consolidated Share
“Share Sub-division”	the proposed sub-division of every unissued Consolidated Share of HK\$0.40 each in the authorised share capital of the Company (including the unissued Consolidated Shares resulting from the Capital Reduction) into 40 Adjusted Shares of HK\$0.01 each
“Shareholder(s)”	holder(s) of issued Share(s)

“Specified Event”	an event occurring or matter arising on or after the date hereof and prior to 4:00 p.m. on the Settlement Date which if it had occurred or arisen before the date hereof would have rendered any of the warranties contained in Clause 10.1 untrue or incorrect in any material respect
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the issue price of HK\$0.086 per Offer Share at which the Offer Shares are proposed to be offered for subscription
“subsidiary”	has the same meaning ascribed thereto in section 15 of the Companies Ordinance and “subsidiaries” shall be construed accordingly
“taken up”	in relation to any Offer Shares, means those Offer Shares in respect of which Complying Applications have been received on or before the Latest Time for Acceptance and references to “take up” shall be construed accordingly
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs
“Undertakings”	the irrevocable undertakings substantially in the form agreed by the Company and the Underwriters as set out in <u>Schedule 1</u> and to be given by Achieve Prosper and Mr. Wang Xing Qiao in favour of the Company
“Underwritten Shares”	1,832,192,916 new Offer Shares which are fully and severally underwritten by the Underwriters (as to 1,377,563,494 Offer Shares by Achieve Prosper, and as to 454,629,422 Shares by Kingston Securities) on the terms hereinafter appearing
“Untaken Shares”	those (if any) of the Underwritten Shares for which Complying Applications have not been lodged for acceptance, or received, as the case may be, on the before the Latest Time for Acceptance
“Verification Notes”	the verification notes in the agreed form relating to the Prospectus to be prepared by the legal advisers to the Company as to Hong Kong law

“Whitewash Waiver”

a waiver granted by the Executive to Achieve Prosper pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of any obligation of Achieve Prosper to make a mandatory offer for all the securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company not already owned and/or agreed to be acquired by Achieve Prosper and parties acting in concert with it as a result of the underwriting of the Offer Shares under this Agreement

“HK\$”

Hong Kong dollars, the lawful currency of Hong Kong

- 1.2 References to the singular number include the plural and vice versa and references to one gender include every gender. The clause headings in this Agreement are for convenience only and have no legal effect.
- 1.3 Any reference to a document being **“in the agreed form”** means in such form as may following the date of this Agreement be agreed between the Company and the Underwriters, both acting reasonably.
- 1.4 References to Clauses and Recitals are to clauses of and recitals to this Agreement.
- 1.5 References in this Agreement to time are to Hong Kong time.

2. CONDITIONS PRECEDENT

2.1 The Open Offer is conditional upon:

- (1) the passing of the necessary resolution(s) by the Shareholders (or, where applicable, the Independent Shareholders) at the SGM approving and confirming: (i) the Capital Reorganisation; (ii) the Open Offer (including the Underwriting Agreement) and authorising the Directors to allot and issue the Offer Shares (to be voted on by the Independent Shareholders by way of poll); and (iii) the Whitewash Waiver (to be voted on by the Independent Shareholders by way of poll), each in accordance with the Bye-Laws, the Listing Rules and the Takeovers Code on or before the Record Date;
- (2) the Capital Reorganisation becoming effective;
- (3) the Executive having granted, and not having withdrawn or revoked such grant, the Whitewash Waiver, and the fulfillment of all conditions (if any) attached to the Whitewash Waiver;
- (4) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and

otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provision) Ordinance not later than the Prospectus Posting Date;

- (5) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Non-Qualifying Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Open Offer on or before the Prospectus Posting Date;
- (6) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Offer Shares by no later than the first day of their dealings;
- (7) the obligations of the Underwriters becoming unconditional and that this Agreement is not terminated in accordance with its terms;
- (8) compliance with and performance of all undertakings and obligations of the Company under this Agreement and the representations and warranties given by the Company under this Agreement remaining true, correct and not misleading in all material respects;
- (9) compliance with and performance of the Undertakings by Achieve Prosper and Wang Xing Qiao; and
- (10) the entering into of binding agreements by Kingston Securities with certain placees and/or sub-underwriters, which shall be Independent Third Parties, for placing and/or sub-underwriting the Offer Shares, such that none of the Kingston Securities together with its parties acting in concert (having the meaning under the Takeovers Code) nor any of the placees and/or sub-underwriters and their respective parties acting in concert (having the meaning under the Takeovers Code) shall be interested in 10% or more of the issued share capital of the Company as enlarged by the Open Offer.

2.2 The Company shall use all reasonable endeavours to procure the fulfillment or waiver (as the case may be) of all the Conditions Precedent (save for the fulfillment of the Condition Precedent referred in Clause 2.1(9) above shall be procured by Achieve Prosper and the Condition Precedent referred in Clause 2.1(10) above shall be procured by Kingston Securities) by the Latest Time for Termination or such other date as the Company and the Underwriters may agree in writing and in particular, the Company shall furnish such information, supply such documents, pay such fees, give such undertakings and do all such acts and things as may be necessary in connection with the listing of the Offer Shares or to give effect to the Open Offer and the arrangements contemplated in this Agreement.

2.3 The Company shall make an application to the Stock Exchange for the listing of, and permission to deal in, the Offer Shares.

2.4 The Conditions Precedent, other than Clause 2.1(8) which can only be waived by the Underwriters, are incapable of being waived. If the Conditions Precedent are not

satisfied and/or waived (as the case may be) in whole or in part by the Company or by the Underwriters by the Latest Time for Termination (or such other time and date as stipulated in Clause 2.1) or such other date as the Company and the Underwriters may agree, this Agreement shall terminate (save and except Clauses 10.2, 14 and 16 which shall remain in full force and effect) and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

3. PUBLICATION OF THE ANNOUNCEMENT

- 3.1 Subject to obtaining approval from the Stock Exchange and the SFC, the Company shall arrange for the Announcement to be published on the Stock Exchange website and its own website as soon as reasonably practicable following the signing of this Agreement.
- 3.2 The Company shall use its reasonable endeavours to procure the posting of the Prospectus Documents to the Qualifying Shareholders on or about the Prospectus Posting Date. The Company shall deliver to each Underwriter a certified copy of the resolution of the Board approving the Prospectus Documents and authorising the despatch thereof as soon as reasonably practicable and in any event within two business days from the date of despatch of the Prospectus Documents.

4. THE OPEN OFFER

- 4.1 Subject to fulfillment or waiver (as the case may be) of the Conditions Precedent:
- (1) the Company shall offer the Offer Shares to the Qualifying Shareholders at the Subscription Price, in the proportion of four (4) Offer Shares for every one (1) Adjusted Share held on the Record Date, by posting the Prospectus Documents to such Qualifying Shareholders on the Prospectus Posting Date on the basis that payment for the Offer Shares shall be made in full on application not later than the Latest Time for Acceptance;
 - (2) the Company shall, on the Prospectus Posting Date, post the Prospectus marked "**For information only**" without the Application Form, to the Non-Qualifying Shareholders; and
 - (3) the Company shall deliver to each Underwriter certified copies of the resolutions referred to in Recital (C) on or before the Prospectus Posting Date.
- 4.2 Prior to the despatch of the Prospectus Documents pursuant to Clause 4.1(1), the Company shall deliver to each Underwriter:
- (1) the Verification Notes relating to the Prospectus duly signed by or on behalf of the Directors; and
 - (2) letter(s) from the auditors or reporting accountants of the Company, as appropriate, addressed to the Company reporting on or confirming the pro forma net tangible asset value of the Group, and where necessary, sufficiency of working capital of the Group, indebtedness statement and other financial information if and as required by the Stock Exchange or the SFC to be

contained in the Prospectus and consenting to the issue of the Prospectus with the inclusion of their names and the references thereto in the form and context in which they are included.

- 4.3 The Offer Shares, when allotted and issued, shall rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Offer Shares, including the right to receive all dividends and distributions which may be declared, made or paid on or after such date.
- 4.4 No fractional entitlements or allotments are expected to arise as a result of the Open Offer
- 4.5 The Untaken Shares shall be subscribed by the Underwriters or subscribers procured by the Underwriters in accordance with this Agreement.

5. UNDERWRITING OBLIGATIONS AND ACCEPTANCE OF OFFER SHARES BY THE UNDERWRITERS

- 5.1 The Company shall immediately after the Latest Lodging Date but in any event before the Record Date make such enquiry regarding the legal restrictions, if any, under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange in the place where the Overseas Shareholders reside.
- 5.2 Subject to the provisions of this Agreement, the Underwriters' obligations under this Clause shall terminate if, before the Latest Time for Acceptance, Application Forms in respect of all Offer Shares have been lodged in accordance with the terms of the Prospectus Documents, together with cheques or banker's draft or cashier's orders or other remittances for the full amount payable thereunder which are honoured on first or, at the discretion of the Underwriters, subsequent presentation (the Offer Shares comprised in Application Forms which are so lodged together with such remittances are herein referred to as having been "accepted"). Offer Shares which have either been accepted are herein referred to as having been "taken up".
- 5.3 If, however, by the Latest Time for Acceptance any of the Underwritten Shares have not been taken up, the Company shall as soon as practicable thereafter and in any event before 4:00 p.m. on the first business day after the Latest Time for Acceptance notify or procure the Registrar on behalf of the Company to notify the Underwriters in writing of the number of Underwritten Shares not taken up, and the Underwriters shall severally (but not jointly) subscribe or procure subscription on the terms of the Prospectus Documents (so far as the same are applicable) for such Underwritten Shares not taken up not later than 4:00 p.m. on the Settlement Date in the following manner:
 - (1) Achieve Prosper shall subscribe for or procure subscription for the first of such number of Untaken Shares such that the shareholding interests of Achieve Prosper and its parties acting in concert (having the meaning under the Takeovers Code) in the Company taken together immediately upon its subscription of the Untaken Shares shall equal to 75% of the then issued share capital of the Company; and
 - (2) Kingston Securities shall subscribe for or procure subscription for all the

remaining Untaken Shares.

- 5.4 Subject to Clause 5.4A below, each Underwriter shall, not later than 4:00 p.m. on the Settlement Date, pay or procure payment to the Company by way of banker's draft or cashier's order drawn on a licensed bank in Hong Kong or by way of bank transfer of the aggregate Subscription Price in respect of the Underwritten Shares for which it is obliged to subscribe or procure subscription in accordance with this Clause 5, less any amounts payable to the relevant Underwriter pursuant to Clause 8.1.
- 5.4A The Company and Achieve Prosper agree to procure the set off of (i) the amount due under the Promissory Note; and (ii) the outstanding amount of the Amount Payable to Shareholder as at the Latest Time for Acceptance on a dollar-to-dollar basis against, firstly the aggregate Subscription Price which Achieve Prosper is obliged to pay to subscribe for its entitlement of the Open Offer in full pursuant to the Undertakings; and secondly the aggregate Subscription Price which Achieve Prosper is obliged to pay for the Untaken Shares under this Agreement.
- 5.5 Forthwith following receipt by the Company of payment referred to in Clause 5.4 and in any event not later than 4:00 p.m. on the Settlement Date, the Company shall arrange for delivery to each Underwriter or its nominee(s) of share certificates in respect of the fully paid Underwritten Shares for which the relevant Underwriter has subscribed or procured subscription in such names and in such denominations as the relevant Underwriter may reasonably require at the same time as share certificates are despatched generally to persons who have applied for the Offer Shares or, where the relevant Underwriter has designated an investor participant or CCASS participant stock account for deposit of all or part of the Offer Shares, evidence to the satisfaction of the relevant Underwriter that such documents and instructions required to effect the crediting of such Offer Shares have been signed or given, as the case may be.
- 5.6 In the event of Kingston Securities is being called upon to subscribe for or procure subscribers of the Untaken Shares pursuant to Clause 5.3:
- (1) Kingston Securities shall use all reasonable endeavours to procure that each of the subscribers of the Untaken Shares (including any direct and indirect sub-underwriters) shall be third party independent of, not acting in concert with (within the meaning of the Takeovers Code) and not connected with the Directors, chief executive or substantial shareholders of the Company (within the meaning of the Listing Rules) or any of its subsidiaries and their respective associates;
 - (2) Kingston Securities will not subscribe, for its own account, and will procure each of the subscribers of the Untaken Shares (including any direct and indirect sub-underwriters) and their respective associates, will not, together with any party acting in concert (within the meaning of the Takeovers Code) with it or its associates, hold 10.0% or more of the voting rights of the Company immediately upon completion of the Open Offer; and
 - (3) Kingston Securities shall use all reasonable endeavours to procure that the minimum public float requirement under Rule 8.24 of the Listing Rules be fulfilled by the Company upon completion of the Open Offer.

- 5.7 Kingston Securities confirms to the Company that it and its associates are third parties independent of, not acting in concert with and not connected with the Directors, chief executive or substantial shareholders (within the meaning of the Listing Rules) of the Company or any of its subsidiaries and their respective associates.

6. OBLIGATIONS OF THE UNDERWRITERS

- 6.1 Any transaction carried out by any of the Underwriters pursuant to Clause 5 (other than the obligation to subscribe or procure subscription for any Underwritten Shares pursuant to Clause 5.3 and the obligations contained in Clause 6.2) shall constitute a transaction carried out at the request of the Company and as its agent and not in respect of the Underwriters' own account. Each Underwriter (in relation to Clause 5) shall not be responsible for any loss or damage to any persons arising from any such transaction, except where such loss or damage arises from the breach by the relevant Underwriter of its obligations under this Agreement or the gross negligence or willful default or omission of the relevant Underwriter or any agent appointed by it for such purpose.

- 6.2 In acting as agent of the Company hereunder, the Underwriters shall comply with all applicable laws and shall not do or omit anything, the doing or omission of which shall or may cause the Company or any Directors to be in breach of any applicable laws, and in particular, but without prejudice to the generality of the foregoing, shall ensure that all offers made by it of the Offer Shares are made only in compliance with all applicable law and regulation and do not require the registration of the Prospectus Documents or any of them or any other document as a prospectus or otherwise in any jurisdiction other than Hong Kong and the Underwriters shall not make or purport to make on behalf of the Company any representation or warranty not contained in the Prospectus Documents.

- 6.3 If any Underwriter shall default in complying with its obligations under Clause 5.3, the Company is hereby irrevocably authorised to treat this Agreement as an application by the relevant Underwriter, on and subject to the terms and conditions and on the basis of the information contained in the Prospectus Documents (other than as to the time of application and payment which shall be dealt with in accordance with Clauses 5.3 and 5.4), for such Underwritten Shares which have not been taken up by it under Clause 5.3 and to allot and issue the same to the relevant Underwriter upon such terms and conditions. In such event, the relevant Underwriter shall pay to the Company the aggregate Subscription Price in respect of the Underwritten Shares for which it is obliged to subscribe or procure subscription in accordance with Clause 5.4 less any amounts payable to the relevant Underwriter pursuant to Clause 8.1 against delivery by the Company to the relevant Underwriter (or as it may direct) of such documentary evidence of entitlement to the relevant Underwritten Shares as is reasonably satisfactory to the relevant Underwriter.

7. ALLOTMENT AND ISSUE

- 7.1 Subject to the fulfillment or waiver (as the case may be) of the Conditions Precedent, the Company shall, not later than 4:00 p.m. on the Settlement Date, duly allot and issue the Offer Shares validly applied for and shall issue certificates for the Offer Shares to the relevant subscribers in accordance with the terms of the Prospectus Documents.

- 7.2 The Underwritten Shares taken up by any Underwriter or for which it has procured subscribers as provided in Clause 5.3 will be duly allotted and issued and certificates in respect thereof, or evidence that the same has been deposited into investor participant or CCASS participant stock account designated by the relevant Underwriter, will be delivered to the relevant Underwriter or as it may direct as soon as is reasonably practicable following receipt by the Company of payment as provided in Clause 5.4, in accordance with Clause 5.5.

8. FEES AND EXPENSES

- 8.1 In consideration of the Underwriters' obligations under this Agreement to underwrite the Underwritten Shares and their services in connection with the issue of the Offer Shares, the Company shall by not later than the date of despatch of the share certificates in respect of the Offer Shares make the following payments:
- (1) to each Underwriter an underwriting commission of two (2)% of the aggregate Subscription Price in respect of the maximum number of Underwritten Shares it agreed to underwrite under this Agreement;
 - (2) to Kingston Corporate Finance Limited ("**KCF**") any outstanding fee payable by the Company, pursuant to the mandate letter dated 20 August 2015 entered into between the Company and KCF; and
 - (3) to each Underwriter reasonable legal fees and other reasonable out-of-pocket expenses of each Underwriter in respect of the Open Offer.
- 8.2 The underwriting commission referred to in Clause 8.1(1) shall not be payable if this Agreement does not become unconditional or if it is terminated by the Underwriters pursuant to Clause 12. Payment of the documentation fee referred to in clause 8.1(2) and the amounts referred to in Clause 8.1(3) shall be made whether or not the obligations of the Underwriters under this Agreement become unconditional or are terminated pursuant to Clause 12.
- 8.3 Out of the commission referred to in Clause 8.1(1), the Underwriters will pay any commissions, costs and expenses incurred by it in respect of the sub-underwriting of the Underwritten Shares.
- 8.4 The amounts payable pursuant to Clause 8.1 may be withheld by any Underwriter from any payment to be made by the relevant Underwriter to the Company pursuant to Clause 5.4. In the event of any Underwriter not being called upon to subscribe or procure subscribers pursuant to Clause 5.3 and/or the amount of the subscription moneys payable by the relevant Underwriter being less than the full amount payable by the Company under Clause 8.1, the amounts payable pursuant to Clause 8.1, or the balance thereof, shall be due and payable as soon as reasonably practicable and in any event not later than the date of despatch of the share certificate in respect of the Offer Shares or such other date as may be agreed between the Company and the Underwriters.
- 8.5 The Company shall bear its own legal fees, accountancy and other professional fees, the Registrar's fees, the cost of printing and distributing the Announcement, the SGM

Circular and the Prospectus Documents and all other costs, charges and expenses relating to the issue of the Offer Shares and associated transactions (including, without limitation, all fees payable to the Stock Exchange in connection with the listing of the Offer Shares). The Company shall forthwith upon request by any Underwriter reimburse the relevant Underwriter for any such expenses as are referred to above which the relevant Underwriter may have properly paid or incurred on behalf of the Company.

9. ANNOUNCEMENTS

Save as expressly required hereunder or as otherwise required by the Stock Exchange or the SFC, no public announcement or communication to Shareholders or to the Stock Exchange or to the SFC concerning the Company and/or its subsidiaries which is material in relation to the Open Offer shall be made or despatched by the Company or each Underwriter between the date hereof and, if all the Underwritten Shares are taken up, the Latest Time for Acceptance or, in any other case, the time at which each Underwriter is obliged to make payment under Clause 5.4, without prior written approval from the Company and the Underwriters as to the content, timing and manner of making or despatch thereof which approval shall not be unreasonably withheld or delayed.

10. REPRESENTATIONS, WARRANTIES AND UNDERTAKINGS

10.1 The Company represents and warrants to and undertakes with each Underwriter in the following terms:

- (1) the facts stated in the Recitals are true and accurate in all material respects;
- (2) all statements of fact contained or to be contained in the Announcement or the SGM Circular or the Prospectus Documents are and will at the date of issue thereof be true and accurate in all material respects and not misleading and all expressions of opinion, intention and expectation expressed therein are and will be fair and made after due and careful consideration;
- (3) there will be no information not disclosed in the Prospectus Documents (a) the omission of which makes any statement therein misleading or which, in the context of the issue of the Offer Shares, might be material for disclosure therein or (b) which is necessary to enable investors to make an informed assessment of the activities, assets and liabilities, financial position, management, profits and losses and prospects of the Company and of the rights attaching to the Offer Shares;
- (4) the audited consolidated balance sheet of the Group as at the Audited Accounts Date, the audited consolidated profit and loss account of the Group for the financial year ended on such date (including the notes thereto) were prepared in accordance with the applicable law and on a basis consistent with that adopted in preparing the audited accounts for the previous two financial years in accordance with accounting principles, standards and practices generally accepted in Hong Kong so as to give (except to the extent (if any) disclosed therein) a true and fair view of the state of affairs of the Group as at the relevant dates and the profit or loss of the Group for the relevant financial

periods. There has been no material adverse change in the financial or trading position of the Group since the Audited Accounts Date;

- (5) the returns for taxation purposes, which ought to have been made by or in respect of the companies in the Group in Hong Kong and any other part of the world, have been duly made and there are no circumstances known to any company in the Group or any of their respective directors, after making due and careful enquiry, which might be the occasion of any dispute with the relevant revenue or other appropriate authorities which is material adverse to the Group and all such returns are in all material respects up to date, correct and on a proper basis and are not the subject of any material dispute with the relevant revenue or other appropriate authorities;
- (6) there are existing valid policies of insurance against all liabilities, risks and losses against which it is normal or prudent to insure in respect of all major property and assets owned by and all businesses carried on by the companies in the Group and nothing has been done or has been omitted to be done whereby any of the said policies has or may become void or is likely to be avoided;
- (7) the statements, forecasts, estimates and expressions of opinion, intention and expectation to be contained in the Announcement or the SGM Circular or the Prospectus will at the respective dates of issue thereof be made after due and proper consideration, will at the respective dates of issue thereof be fair and honest and represent reasonable expectations based on facts known or which on reasonable enquiry ought to have been known to the Company and/or the Directors or any of them;
- (8) all information necessary for the purpose of, or in the course of preparation of, the Announcement, the SGM Circular and the Prospectus, and the replies to the Verification Notes, or which ought reasonably to have been disclosed or made available by the Company or the Directors was so disclosed or made available to any Underwriter or its legal advisers fully, fairly and accurately and the replies to the Verification Notes (which will be prepared or approved by persons having appropriate knowledge and responsibility to enable them properly to provide such replies) given by the Company and the Directors will be true, accurate and complete in all material respects and will contain all material information and particulars with regard to the subject matter thereof;
- (9) each of the companies in the Group is duly incorporated in and under the laws of its place of incorporation and has full power and authority to conduct its business as now carried on;
- (10) neither the Company nor any of its subsidiaries is engaged in any litigation, arbitration, prosecution or other legal proceeding of material importance nor is there any such proceeding pending or threatened against the Company or any of its subsidiaries, nor is there any claim or fact likely to give rise to any claim which in any such case may have or has had a material adverse effect on the financial position of the Company and its subsidiaries taken as a whole or which may have or has had a material adverse effect in the context of the Open Offer;

- (11) except as has been disclosed by the Company by public announcement to Shareholders, neither the Company nor any of its subsidiaries has entered into any contract or commitment of an unusual or onerous nature which, in the context of Open Offer, might be material for disclosure;
- (12) the Company and its subsidiaries has carried on its business in the ordinary and usual course and there has been no material adverse change in the financial or trading position of the Company or any of its subsidiaries which has not been fully and properly disclosed by the Company in the form of an announcement in accordance with the Listing Rules or otherwise as required by the Listing Rules;
- (13) no order has been made and no resolution has been passed for the winding up of, or for a provisional liquidator to be appointed in respect of, the Company or any of its subsidiaries, and no petition has been presented and no meeting has been convened for the purpose of winding up any of the same; no receiver has been appointed in respect of the Company or any of its subsidiaries or all or any of its assets; none of the Company or any of its subsidiaries is insolvent, or unable to pay its debts within the meaning of section 178 of the Companies Ordinance, or has stopped paying its debts as they fall due; and no unsatisfied judgment which is material adverse to the condition of the Company is outstanding against the Company or any of its subsidiaries;
- (14) the Prospectus Documents will contain all particulars and information required by, and will be in accordance with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Listing Rules, the rules and regulations of the Stock Exchange and all other relevant statutory provisions and governmental regulations in Hong Kong and Bermuda and shall not involve any breach of or default under any agreement, trust deed or instrument to which any member of the Group is a party;
- (15) no material outstanding indebtedness or guarantee or indemnity of any liability of the Company or any of its subsidiaries has become payable by reason of default by the Company or any of its subsidiaries and no event has occurred or is pending which with the lapse of time or the fulfillment or waiver (as the case may be) of any condition or the giving of notice or the compliance with any other formality may result in any such indebtedness or guarantee or indemnity of any liability becoming so payable;
- (16) the Company shall not from the date hereof until after the Latest Time for Acceptance issue any Shares or issue or grant any options or other securities convertible into, exchangeable for or which carry rights to acquire Shares;
- (17) on the date of issue of the Offer Shares, the Company will have the power under its memorandum of association and bye-laws, will have taken all necessary corporate or other action to enable it to, and no other consents, actions, authorisations or approvals are necessary to enable or authorise it other than the obtaining the consents and approvals referred to in Clause 2.1:
 - (a) to issue and allot the Offer Shares in accordance with the Prospectus

Documents without any sanction; and

- (b) to enter into and perform its obligations under this Agreement and to make the Open Offer.
 - (18) the Offer Shares, when allotted and issued, will be issued free from all liens, charges, encumbrances and third party rights, interests or claims of any nature whatsoever and will rank pari passu in all respects among themselves and with the Shares then in issue on the date of allotment and issue of the Offer Shares; and
 - (19) the obligations of the Company under this Agreement constitute legally valid and binding obligations of the Company enforceable in accordance with the terms herein.
- 10.2 The Company undertakes to use all reasonable endeavours not to cause or permit any Specified Event to occur prior to the Latest Time for Termination. Each of the representations, warranties and undertaking contained in Clause 10.1 shall be construed separately and shall not be limited or restricted by reference to or inference from the terms of any other of the representations, warranties and undertaking or any other terms of this Agreement. If this Agreement is not rescinded pursuant to Clause 10, all such warranties, representations and undertakings as are contained in Clause 10.1 above shall be deemed to have been repeated as at the Latest Time for Termination with reference to the facts and circumstances then subsisting.
- 10.3 If any Specified Event shall occur or come to the knowledge of the Company prior to the Latest Time for Termination, it shall forthwith give notice to the Underwriters of the same.
- 10.4 The foregoing provisions of this Clause 10 will continue in full force and effect notwithstanding the completion of the Open Offer.

11. INDEMNITY

- 11.1 The Company shall on demand indemnify the Underwriters and shall on demand hold the Underwriters indemnified against all loss or liability of any nature (including, without limitation, claims, costs, charges and expenses) whatsoever arising from or in respect of any material breach by the Company of any provision of this Agreement, or any claim which may be brought or threatened to be brought against the relevant Underwriter (whether or not such claim is successfully compromised or settled) in each case arising out of or in relation to or by reason of the performance by the relevant Underwriter of its obligations hereunder (and provided that such loss or liability is not connected with any failure by the relevant Underwriter to comply with its obligations under Clause 5.3 and Clause 6.2), by any subscriber or sub-underwriter of any of the Offer Shares or any subsequent purchaser or transferee thereof or any other person claiming that he has suffered loss in respect of them as a result of:
- (1) the Announcement, the SGM Circular and the Prospectus Documents not containing all the information required by law or the Listing Rules or pursuant to the rules of the Stock Exchange or other relevant authority or body to be stated therein or on the grounds that any statement, estimate or forecast

contained in the Prospectus Documents is untrue, inaccurate or misleading in any material respect;

- (2) the Announcement, the SGM Circular and the Prospectus Documents failing or being alleged to fail to disclose sufficient information necessary to enable an informed assessment to be made by a sophisticated investor of the assets and liabilities, financial position, profits and losses, and prospects of the Group or of the rights attaching to the Offer Shares;
- (3) any claims and proceedings arising out of matters which constitute a material breach of the representations and warranties in Clause 10;
- (4) other than non-compliance or breach by the Underwriters of their obligations under this Agreement, any breach of the laws or regulations of any country resulting from the allotment or issue of the Offer Shares or the distribution of the Prospectus Documents;
- (5) any material misrepresentation by either the Company or any of the Directors of the Company in connection with the Open Offer; or
- (6) the allotment or issue of the Offer Shares,

including in any such case (but without prejudice to the generality of the foregoing) all reasonable costs, charges and expenses of whatever nature which the relevant Underwriter may properly incur or bear in disputing any such claim made against it or establishing any claim on its part under this Clause 11 provided that this indemnity shall not relate to any claims, proceedings, costs or expenses arising from any gross negligent act, willful omission or default on the part of the relevant Underwriter and that the conduct of the defence (including any settlement of any such claim) shall be carried out by the relevant Underwriter after, and on the basis of, regular consultation with the Company.

- 11.2 The Company shall not make any claim against any Underwriter to recover any damages which the Company may suffer arising out of the performance by the relevant Underwriter of its obligations hereunder, provided that such damages do not arise from any gross negligent act, willful omission or default on the part of the relevant Underwriter.
- 11.3 If any Underwriter becomes aware of any claim relevant for the purposes of Clause 11.1, it shall forthwith give notice in writing thereof to the Company and shall take such action as the Company may reasonably request to avoid, dispute, resist, defend or appeal against the claim and any adjudication in respect thereof but subject to the relevant Underwriter being fully indemnified and secured to its satisfaction against all losses and expenses to which it might thereby render themselves liable to suffer and incur including, without limitation, legal expenses properly incurred by its legal advisers.

12. RESCISSION AND TERMINATION

- 12.1 Any of the Underwriters shall be entitled by a notice in writing to the Company, served prior to the Latest Time for Termination, to terminate this Agreement if:

- (1) in the absolute opinion of any of the Underwriter, the success of the Open Offer would be materially and adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of any Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; 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 or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of any Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the absolute opinion of any Underwriter is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (3) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of any Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (4) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (5) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (6) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of any Underwriter, a material omission in the context of the Open Offer; or

(7) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten (10) consecutive business days, excluding any suspension in connection with the clearance of the Announcement, the SGM Circular or the Prospectus Documents or other announcements or circulars in connection with the Open Offer.

12.2 Any of the Underwriters shall be entitled by notice in writing to rescind this Agreement if prior to 4:00 p.m. on the Settlement Date:

(1) any material breach of any of the representations, warranties or undertakings contained in Clause 10.1 above comes to the knowledge of any Underwriter; or

(2) any Specified Event comes to the knowledge of any Underwriter.

Any such notice shall be served by the relevant Underwriter prior to 4:00 p.m. on the Settlement Date.

12.3 If prior to 4:00 p.m. on the Settlement Date any such notice as is referred to above is given by any Underwriter, the obligations of all parties under this Agreement (save and except this Clause 12.3 and Clauses 11, 14 and 16 which shall remain in full force and effect and save further that the Company shall pay the fees and expenses specified in Clause 8.1(2) shall terminate forthwith and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches. For the avoidance of doubt, the Underwriters shall not be entitled to give a notice pursuant to Clause 12.1 or Clause 12.2 at any time after its obligations under Clause 5.3 have terminated pursuant to Clause 5.2.

12.4 If this Agreement is terminated by any Underwriter at such time before 4:00 p.m. on the Settlement Date but after any Underwriter has in accordance with Clause 5.4 paid or procured payment to the Company of the aggregate Subscription Price in respect of the Underwritten Shares for which the relevant Underwriter is obliged to subscribe or procure subscription under the provisions of Clause 5.3, the Company shall, not later than the end of the second business day after (but not including) the date of receipt of the notice of termination issued by any Underwriter pursuant to Clause 12.1 or Clause 12.2, remit to the relevant Underwriter such amount of aggregate Subscription Price which it has received from the relevant Underwriter. For the avoidance of doubt, notwithstanding the payment of any sum by or to the Company, Clause 8.2 shall apply and the amount referred to in Clause 8.1(1) in any event shall not be payable.

12.5 Rescission or termination of this Agreement under this Clause 12 shall be without prejudice to any rights of any party in respect of any breach by the other prior to such rescission or termination.

13. TIME OF THE ESSENCE

Any time, date or period mentioned in this Agreement may be extended by mutual agreement between the parties hereto, but as regards any time, date or period originally fixed or any time, date or period so extended as aforesaid, time shall be of the essence.

14. NOTICES

- 14.1 Any notice required to be given hereunder will be deemed to be duly served if left at or sent by hand, by telex or facsimile transmission or pre-paid post to the registered office or to the following addresses and facsimile numbers and marked for the attention of the following persons:

<u>Party</u>	<u>Address</u>	<u>Facsimile number</u>
The Company	Rooms 05-15, 13A/F., South Tower, World Finance Centre, Harbour City, 17 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong	2208 6006
Achieve Prosper	Rooms 05-15, 13A/F., South Tower, World Finance Centre, Harbour City, 17 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong	2208 6006
Kingston Securities	Suite 2801, 28 th Floor One International Finance Centre 1 Harbour View Street, Hong Kong	2295-0682

- 14.2 Any such notice will be deemed to be served if sent by facsimile on receipt of answerback, if sent by hand at the time when the same is handed to or left at the address of the party to be served, and if sent by post on the day (excluding Sundays or Hong Kong public holidays) after the day of posting.
- 14.3 The Company shall issue a written notice to the Underwriters if there is any change in the timetable in respect of the Open Offer.

15. MISCELLANEOUS

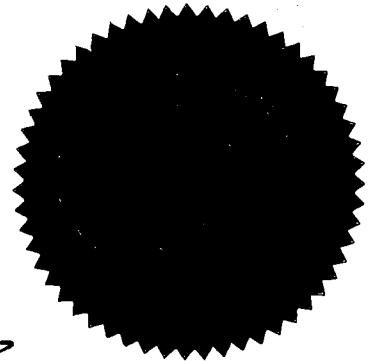
- 15.1 This Agreement may be executed in any number of counterparts which when executed and delivered is an original, but all the counterparts together constitute the same document.
- 15.2 Any liability of any party hereunder to any other party may in whole or in part be released, compounded or compromised and time or indulgence may be given by any party hereunder as regards any other party under such liability without prejudicing that party's rights against any other person under the same or a similar liability.

16. GOVERNING LAW AND JURISDICTION

- 16.1 This Agreement shall be governed by and construed in accordance with the laws of Hong Kong.
- 16.2 The parties hereby irrevocably submit to the non-exclusive jurisdiction of the courts of Hong Kong but this Agreement may be enforced in any other court in competent jurisdiction.

IN WITNESS whereof this Agreement has been entered into the day and year first above written.

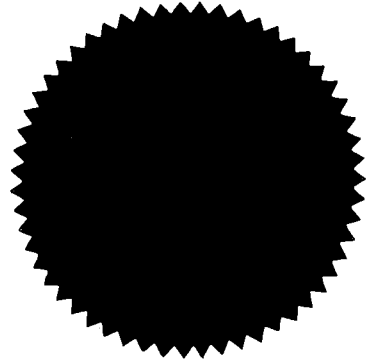
SIGNED by)
as authorised representative for)
SHIHUA DEVELOPMENT)
COMPANY LIMITED)
in the presence of:)



Pisc)
.....)
Signature of witness)
Wai Tsui Yee)
.....)
Name of witness (block letters))
Rooms 05-15, 13A/F., South Tower, World)
Finance, Harbour City, 17 Canton Road,)
Tsim Sha Tsui, Kowloon, Hong Kong.....)
Address of witness)
.....)
Secretary)
.....)
Occupation of witness)

[Handwritten Signature])
.....)
By executing this agreement the)
signatory warrants that the signatory)
is duly authorised to execute this agreement)
on behalf of SHIHUA DEVELOPMENT)
COMPANY LIMITED)

SIGNED by)
as authorised representative for)
ACHIEVE PROSPER CAPITAL)
LIMITED)
in the presence of:)



D.S.

.....)
Signature of witness)

Wai Tsui Yee)

.....)
Name of witness (block letters))

Rooms 05-15, 13A/F., South Tower, World)
Finance Centre, 17 Canton Road, Tsim)
Sha Tsui, Kowloon, Hong Kong.....)

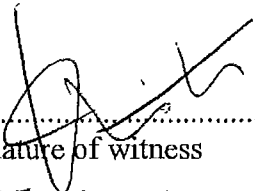
Address of witness)

Secretary.....)

Occupation of witness)

[Handwritten Signature])
.....)
By executing this agreement the)
signatory warrants that the signatory)
is duly authorised to execute this agreement)
on behalf of **ACHIEVE PROSPER**)
CAPITAL LIMITED)

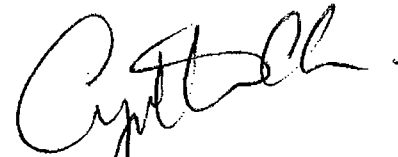
SIGNED by
as authorised representative for
KINGSTON SECURITIES LIMITED
in the presence of:


.....
Signature of witness

LI KA HANG
.....
Name of witness (block letters)

Suit 2801, 28/F, One IFC, 1 Harbour View St, H.K.
.....
Address of witness

Executive
.....
Occupation of witness


.....

By executing this agreement the
signatory warrants that the signatory
is duly authorised to execute this agreement
on behalf of **KINGSTON SECURITIES
LIMITED**

SCHEDULE 1

Irrevocable Undertakings from Achieve Prosper and Wang Xing Qiao

[Date]

To: Shihua Development Company Limited (the “Company”)

Dear Sirs,

We, Achieve Prosper Capital Limited and Wang Xing Qiao, refer to the proposed open offer (the “**Open Offer**”) of 2,920,568,484 new Adjusted Shares (the “**Offer Shares**”) of HK\$0.01 each (the “**Shares**”) on the basis of four (4) Offer Share for every one (1) Adjusted Share held, and an underwriting agreement (the “**Underwriting Agreement**”) proposed to be made between the Company and the Underwriters in respect of the Open Offer.

Terms defined in the Underwriting Agreement have the same meanings in this Undertaking Letter.

We hereby agree to the terms of this letter as follows :-

1. We hereby represent and warrant to you that as at the date hereof, we are the beneficial owner, directly or indirectly, of an aggregate of 1,088,375,571 Existing Shares (the “**Relevant Shares**”), and 1,085,755,571 Existing Shares are registered in the name Achieve Prosper Capital Limited and 2,620,000 Existing Shares are registered in the name of Wang Xing Qiao.
2. We irrevocably undertake to the Company as follows:
 - (i) that the Relevant Shares shall remain registered in our respective name, up to and including the close of business on the Record Date;
 - (ii) we will not to transfer or otherwise dispose of, or create any rights in respect of, any of the Relevant Shares or any interests therein, or acquire any Shares or any interest therein, up to the Record Date;
 - (iii) we will accept our respective entitlements to the Offer Shares (the “**Undertaken Shares**”) derived from the Relevant Shares pursuant to the terms of the Open Offer; and
 - (iv) we will lodge the Application Form in respect of the Undertaken Shares, pay the aggregate subscription price (where the subscription price payable by Achieve Prosper Capital Limited shall be set off, on a dollar to dollar basis, against the amount due under the Promissory Note and the outstanding balance of the Amount Payable to Shareholder as at the Latest Time for Acceptance) and otherwise comply with the procedures for such acceptance and application as described in the Prospectus Documents prior to the Latest Time for Acceptance.

3. Achieve Prosper Capital Limited further irrevocably undertake to the Company that it will not exercise the conversion right attaching to the Convertible Bonds from the date of the Underwriting Agreement to the Record Date;
 4. We hereby further represent, warrant and undertake to the Company that:
 - (a) we have the requisite power and authority to enter into and perform our obligations hereby undertaken;
 - (b) this letter constitutes and any other documents required to be executed by us pursuant to the provisions of this letter will, when executed, constitute valid and binding obligations of us in accordance with their respective terms; and
 - (c) the execution and delivery of, and the performance by us of our obligations under this letter will not:
 - (i) result in a breach of any provision of our memorandum or articles of association of Achieve Prosper Capital Limited;
 - (ii) result in a breach of, or constitute a default under, any instrument to which we are a party or by which we are bound;
 - (iii) result in a breach of any order, judgment or decree of any court or governmental agency to which we are a party or by which we are bound; or
 - (iv) require the consent of our shareholders or of any other person,
- to the intent that all of the foregoing are true and not misleading as at the date of this letter with respect to the facts and circumstances subsisting as at the date hereof and shall in addition be deemed to be repeated on and as at the Prospectus Posting Date and the Latest Time for Termination, in each case with reference to the facts and circumstances then subsisting.
5. We undertake to indemnify the Company against any loss, damage, claim, expenses, costs, fees which may be suffered or incurred by any of the Company arising out of or in connection with any of the following:
 - (a) the settlement of any claim arising from the fact that any of the representations, warranties and undertakings set out in this Undertaking Letter is untrue or misleading or has been breached; or
 - (b) any legal proceedings in which the Company claims that any of the representations, warranties and undertakings set out in this Undertaking Letter is untrue or misleading or has been breached and in which judgment is given to the Company; or
 - (c) the enforcement of any settlement referred to in paragraph 5(a) above or any judgment referred to in paragraph 5(b) above.
 6. In the event that the Open Offer is terminated, upon such termination, this Undertaking Letter shall automatically lapse and be of no further force and effect and

we shall have no claim against the Company, and the Company shall have no claim against us save for any antecedent breach.

This Undertaking Letter is governed by and shall be construed in accordance with the laws of Hong Kong. We hereby irrevocably submit to the non-exclusive jurisdiction of the Hong Kong courts.

IN WITNESS whereof this irrevocable undertaking has been executed the day and year first above mentioned.

THE COMMON SEAL of)
ACHIEVE PROSPER CAPITAL)
LIMITED)
is affixed in accordance with its articles of)
association in the presence of:)

.....)
Signature of witness)

.....)
Signature of authorised person)

.....)
Name of witness (block letter))

.....)
Office held)

.....)
Address of witness)

.....)
Name of authorised person (block letters))

IN WITNESS whereof this irrevocable undertaking has been executed the day and year first above mentioned.

SIGNED, SEALED AND DELIVERED)
by **WANG XING QIAO**)
in the presence of:)

.....)
Signature of witness)

.....)
Name of witness (block letter))

.....)
Address of witness)

.....

EXHIBIT
ANNOUNCEMENT

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

Note 5
to
R13.52

This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities in Shihua Development Company Limited.

R13.28(1)
R13.51(A)

[logo]

Shihua Development Company Limited

實華發展有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 485)

- (A) PROPOSED CAPITAL REORGANISATION;**
- (B) CHANGE IN BOARD LOT SIZE;**
- (C) PROPOSED OPEN OFFER IN THE PROPORTION OF FOUR (4) OFFER SHARES FOR EVERY ONE (1) ADJUSTED SHARE HELD ON THE RECORD DATE;**
- (D) APPLICATION FOR THE WHITEWASH WAIVER; AND**
- (E) RESUMPTION OF TRADING**

Joint financial advisers to the Company

[Kingston Corporate Finance's logo]

[Euto Capital Partners Limited's logo]

Underwriters to the Open Offer

[Kingston Securities' logo]

Achieve Prosper Capital Limited

PROPOSED CAPITAL REORGANISATION

The Board proposes to effect the Capital Reorganisation comprising:

- (a) the consolidation of every four (4) issued and unissued Shares of HK\$0.10 each in the authorised share capital of the Company into one (1) Consolidated Share of HK\$0.40;
- (b) the reduction of the issued share capital of the Company (i) by eliminating any fraction of a Consolidated Share in the issued share capital of the Company following the Share Consolidation in order to round down the total number of Consolidated Shares to a whole number, and (ii) through a cancellation of the paid up capital of the Company to the

extent of HK\$0.39 on each of the issued Consolidated Shares such that the nominal value of each issued Consolidated Share will be reduced from HK\$0.40 to HK\$0.01;

- (c) the subdivision of every unissued Consolidated Share of HK\$0.40 in the authorised share capital of the Company (including the unissued Consolidated Shares resulting from the Capital Reduction) into forty (40) Adjusted Shares of HK\$0.01 each;
- (d) the transfer of the credit arising from the Capital Reduction to the contributed surplus account of the Company such that the Directors may apply such surplus in any manner permitted by the laws of Bermuda and the Bye-Laws including but not limited to offsetting against the balance of the accumulated losses of the Company up to the date on which the Capital Reorganisation becomes effective.

The Capital Reorganisation is subject to, among other things, the passing of a special resolution by the Shareholders approving the same at the SGM. No Shareholder is required to abstain from voting in this respect.

CHANGE IN BOARD LOT SIZE

The Board announces that the board lot size of the Shares for trading on the Stock Exchange will be changed from 10,000 Shares to [20,000] Adjusted Shares with effect from 9:00 a.m. on [Wednesday, 14 October] 2015 upon the Capital Reorganisation becoming effective. The Company will arrange odd lot matching services in order to facilitate the trading of odd lots (if any).

PROPOSED OPEN OFFER

The Board proposes to raise approximately HK\$[251.2] million before expenses and subject to the Set Off as outlined in “C. The Open Offer – 13. Set Off” of this announcement, by issuing [2,920,568,484] Offer Shares at the Subscription Price of HK\$[0.086] per Offer Share on the basis of four (4) Offer Shares for every one (1) Adjusted Share held on the Record Date.

APPLICATION FOR THE WHITEWASH WAIVER

As at the date of this announcement, the Concert Group owns, controls or has direction over [1,088,375,571] Shares, representing approximately [37.27]% of the existing issued share capital of the Company.

Assuming (a) Achieve Prosper and Wang Xing Qiao subscribe for their respective entitlement of the Open Offer in full in accordance with the Undertakings; (b) not all Qualifying Shareholders (other than the Concert Group) take up the Offer Shares to which they are entitled to upon completion of the Open Offer; and (c) Achieve Prosper takes up such number of Untaken Shares under the Underwriting Agreement which will have the effect of increasing the voting rights of the Concert Group in the Company by more than 2% from the lowest percentage holding of the Concert Group in the Company in the 12-month period ending on and inclusive of the date of

taking up of such number of Untaken Shares, the Concert Group will, as a result of this acquisition of voting rights in the Company, incur an obligation to make a mandatory offer for all the Adjusted Shares other than those held or agreed to be acquired by the Concert Group, unless the Whitewash Waiver is granted.

The grant of the Whitewash Waiver is a condition precedent to the underwriting obligations of the Underwriters, which may not be waived. If the Whitewash Waiver is not granted, the Underwriting Agreement will not become unconditional and the Open Offer will not proceed.

An application will be made by Achieve Prosper to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code.

Shareholders and potential investors should be aware that there is a possibility that, upon completion of the Open Offer, Achieve Prosper may hold more than 50% of the voting rights of the Company. Hence, Achieve Prosper may increase its holdings of voting rights of the Company without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer.

TC
Sch VI 4(c)

WARNING OF THE RISKS OF DEALINGS IN THE SHARES AND THE ADJUSTED SHARES

The Open Offer is conditional upon the fulfillment of the conditions set out in “C. Proposed Open Offer - 4. Conditions of the Open Offer and the Underwriting Agreement” of this announcement. If the conditions of the Open Offer are not fulfilled or if the Underwriters exercises its right to terminate the Underwriting Agreement pursuant to the terms thereof, the Open Offer will not proceed.

Shareholders and potential investors should therefore exercise caution when dealing in Shares, and if they are in any doubt about their positions, they should consult their professional advisers.

Shareholders should note that Shares will be dealt in on an ex-entitlement basis commencing from [Thursday, 15 October] 2015 and that dealings in Shares will take place while the conditions to which the Open Offer is subject remain unfulfilled. Any Shareholder or other person dealing in Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled, will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares who is in any doubt about his/her/its position is recommended to consult his/her/its own professional adviser.

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Company [will establish] the Independent Board Committee to advise the Independent

Shareholders as to (i) whether the Open Offer, the Underwriting Agreement and the Whitewash Waiver are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and (ii) voting by the Independent Shareholders, taking into account the recommendations of the Independent Financial Adviser to be appointed by the Company. The Independent Board Committee [will approve] the appointment of the Independent Financial Adviser as the independent financial adviser of the Company to advise the Independent Board Committee and the Independent Shareholders on the terms of the Open Offer, the Underwriting Agreement and the Whitewash Waiver. The Independent Board Committee will formulate its views with respect to the terms of the Open Offer, the Underwriting Agreement and the Whitewash Waiver after obtaining and considering the advice of the Independent Financial Adviser.

THE CIRCULAR AND THE SGM

The Circular containing, among other things: (a) further details of the Capital Reorganisation, the Open Offer, the Underwriting Agreement, the Whitewash Waiver and the transactions contemplated thereunder; (b) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Open Offer, the Underwriting Agreement and the Whitewash Waiver as to (i) whether they are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and (ii) voting by the Independent Shareholders; (c) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Open Offer, the Underwriting Agreement and the Whitewash Waiver as to (i) whether they are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and (ii) voting by the Independent Shareholders; and (d) a notice convening the SGM is expected be despatched to the Shareholders on or before [Friday, 18 September] 2015.

The SGM will be convened and held for the Shareholders (or the Independent Shareholders, where appropriate) to consider and, if thought fit, to approve, among other things: (a) the Capital Reorganisation; (b) the Open Offer; (c) the Underwriting Agreement; and (d) the Whitewash Waiver, each in accordance with the Bye-Laws, the Listing Rules and the Takeovers Code.

Upon the approval of the Capital Reorganisation, the Open Offer, the Underwriting Agreement and the Whitewash Waiver by the Shareholders (or Independent Shareholders, as the case may be) at the SGM, the Prospectus Documents setting out, among other things, details of the Underwriting Agreement and the Open Offer will be despatched to the Qualifying Shareholders as soon as practicable and the Prospectus will be despatched to the Excluded Shareholders for information purposes only.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was halted from 9:00 a.m. on [21 August] August 2015 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on [*] 2015.

A. PROPOSED CAPITAL REORGANISATION

1. The Capital Reorganisation

The Board proposes to effect the Capital Reorganisation comprising:

- (i) the consolidation of every four (4) issued and unissued Shares of HK\$0.10 each in the authorised share capital of the Company into one (1) Consolidated Share of HK\$0.40;
- (ii) the reduction of the issued share capital of the Company (a) by eliminating any fraction of a Consolidated Share in the issued share capital of the Company following the Share Consolidation in order to round down the total number of Consolidated Shares to a whole number, and (b) through a cancellation of the paid up capital of the Company to the extent of HK\$0.39 on each of the issued Consolidated Shares such that the nominal value of each issued Consolidated Share will be reduced from HK\$0.40 to HK\$0.01;
- (iii) the subdivision of every unissued Consolidated Share of HK\$0.40 each in the authorised share capital of the Company (including the unissued Consolidated Shares resulting from the Capital Reduction) into forty (40) Adjusted Shares of HK\$0.01 each;
- (iv) the transfer of the credit arising from the Capital Reduction to the contributed surplus account of the Company such that the Directors may apply such surplus in any manner permitted by the laws of Bermuda and the Bye-Laws including but not limited to offsetting against the balance of the accumulated losses of the Company up to the date on which the Capital Reorganisation becomes effective.

2. Conditions of the Capital Reorganisation

The implementation of the Share Consolidation, the Capital Reduction and the Share Subdivision are inter-conditional on each other. The implementation of the Capital Reorganisation is conditional upon, among other things:

- (a) the passing of a special resolution approving the Capital Reorganisation by the Shareholders at the SGM;

- (b) compliance with the Companies Act to effect the Capital Reduction, which includes publication of a notice in relation to the Capital Reduction in Bermuda in accordance with the Companies Act and the Directors being satisfied that on the date the Capital Reduction is to take effect, there are no reasonable grounds for believing that the Company is, or after the Capital Reduction would be, unable to pay its liabilities as they become due; and
- (c) the Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the Adjusted Shares.

Assuming the above conditions are fulfilled, the Capital Reorganisation is expected to become effective on the next business day after the date of passing of the relevant resolution approving the Capital Reorganisation at the SGM. Subject to the fulfillment of the above conditions, the Capital Reorganisation will comply with the relevant laws of Bermuda and the Bye-Laws.

3. Effects of the Capital Reorganisation

As at the date of this announcement, the authorised share capital of the Company is HK\$500,000,000 divided into 5,000,000,000 Shares, of which [2,920,568,485] Shares are in issue. Upon the proposed Share Consolidation becoming effective and based on the issued share capital of the Company as at the date of this announcement, the issued share capital of the Company will be consolidated into [730,142,121] Consolidated Shares with a nominal value of HK\$0.40 each. Upon the proposed Capital Reduction becoming effective, the nominal value of all the issued Consolidated Shares shall be reduced from HK\$0.40 to HK\$0.01 and the issued share capital of the Company shall accordingly be reduced to the extent of HK\$0.39 per Consolidated Share in issue.

Upon completion of the Capital Reorganisation, the issued share capital of the Company will be reduced to HK\$[7,301,421.21] divided into [730,142,121] Adjusted Shares with a nominal value of HK\$0.01 each.

Any fractional Consolidated Shares to which an individual Shareholder is entitled to will not be issued by the Company to such Shareholders, but will be aggregated, sold and retained for the benefit of the Company. Any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation shall be cancelled pursuant to the Capital Reduction. The resulting Adjusted Shares of nominal value of HK\$0.01 each will rank *pari passu* in all respects with each other in accordance with the Bye-Laws.

Assuming no further Share will be issued or repurchased between the date of this announcement and the date on which the Capital Reorganisation becomes effective, a credit of approximately HK\$[284.8] million will arise as a result of the Capital Reduction and will be applied to set-off the accumulated losses of the Company.

Other than the relevant expenses incurred, the implementation of the Capital Reorganisation will have no effect on the consolidated net asset value of the Group, nor will it alter the underlying assets, business, operations, management or financial position of the Group or the interests of the Shareholders as a whole, save for any fractional Consolidated Shares (if any) to which the Shareholders would otherwise be entitled to. The Board believes that the Capital Reorganisation will not have any material adverse effect on the financial position of the Company and that on the date the Capital Reorganisation is to become effective, there are no reasonable grounds for believing that the Company is, or after the Capital Reorganisation would be, unable to pay its liabilities as they become due. The Capital Reorganisation will not involve any diminution of any liability in respect of any unpaid capital of the Company or the repayment to the Shareholders of any unpaid capital of the Company, nor will it result in any change in the relevant rights of the Shareholders.

4. Reasons for the Capital Reorganisation

As a result of the Capital Reorganisation, the Company's share capital and reserves will more closely reflect the available net assets of the Company. In addition, the Capital Reorganisation will provide greater flexibility for equity fund-raising of the Company in the future. The credit arising from the Capital Reduction will be applied to set-off the accumulated losses of the Company.

In view of the above, the Board considers that the Capital Reorganisation is in the interests of the Company and the Shareholders as a whole.

5. Listing and dealings

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Adjusted Shares.

Subject to the granting of the listing of, and the permission to deal in, the Adjusted Shares on the Stock Exchange, the Adjusted Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Adjusted Shares on the Stock Exchange or such

other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

6. Free exchange of Share certificates

Subject to the Capital Reorganisation becoming effective, the Shareholders may submit certificates for the existing Shares to the Registrar during normal business hours from [Wednesday, 14 October] 2015 to [Friday, 20 November] 2015 (both dates inclusive) to exchange for the new certificates of the Adjusted Shares at the expenses of the Company. Thereafter, certificates for the existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) for each share certificate of the existing Shares submitted for cancellation or each new share certificate issued for the Adjusted Shares, whichever number of certificates cancelled or issued is higher. The existing certificates will be valid for trading and settlement up to 4:00 p.m. on [Wednesday, 18 November] 2015, being the latest time and date for trading in board lot of [10,000] Adjusted Shares in the form of existing certificates (or such other date which will be announced by the Company) and will continue to be good evidence of legal title after the Capital Reorganisation has become effective and may be exchanged for certificates of the Adjusted Shares at any time in accordance with the foregoing.

As from [Wednesday, 14 October] 2015 any new share certificates will be issued in board lots of [20,000] Adjusted Shares each (except for odd lots or where the Registrar is otherwise instructed).

7. Arrangements for trading of odd lots

Please refer to the arrangements set out in “B. Change in Board Lot Size” of this announcement.

B. CHANGE IN BOARD LOT SIZE

The Board announces that the board lot size of the Shares for trading on the Stock Exchange will be changed from 10,000 Shares to [20,000] Adjusted Shares with effect from 9:00 a.m. on [Wednesday, 14 October] 2015 upon the Capital Reorganisation becoming effective..

The Change in Board Lot Size will not result in any change in the relative rights of the Shareholders. The Board is of the opinion that the Change in Board Lot Size is in the interests of the Company and its Shareholders as a whole.

Based on the theoretical ex-entitlement price of approximately HK\$[0.167] per Adjusted Share (calculated based on the closing price of HK\$[0.123] per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation), the market value of each existing board lot is HK\$[418] and the estimated market value of each proposed new board lot is HK\$[3,344].

To alleviate the difficulties in trading odd lots of the Adjusted Shares arising from the Share Consolidation and Change in Board Lot Size, the Company will appoint a designated agent to provide matching services, on a best effort basis, to the Shareholders who wish to top up or sell their holdings of odd lots of the Adjusted Shares. Details of the odd lots matching arrangement will be set out in the Circular. Holders of the Adjusted Shares in odd lots should note that successful matching of the sale and purchase of odd lots of the Adjusted Shares is not guaranteed. The Shareholders are recommended to consult their professional advisers if they are in doubt about the above facility.

C. PROPOSED OPEN OFFER

1. The Open Offer

The Board proposes to raise approximately HK\$[251.2] million before expenses and subject to the Set Off as outlined in “C. Proposed Open Offer – 13. Set Off” of this announcement, by issuing [2,920,568,484] Offer Shares at the Subscription Price of HK\$[0.086] per Offer Share on the basis of four (4) Offer Shares for every one (1) Adjusted Share held on the Record Date.

2. Issue Statistic

Basis of the Open Offer:	: Four (4) Offer Shares for every one (1) Adjusted Share held on the Record Date	R13.28(2) A1b 18(2)
Subscription Price	: HK\$[0.086] per Offer Share payable in full on acceptance	
Number of Shares in issue as at the date of this announcement	: [2,920,568,485] Shares	
Number of Adjusted Shares in issue upon completion of the Capital Reorganisation	: [730,142,121] Adjusted Shares (assuming that no Share is issued or repurchased between the date of this announcement and the date on which the Capital Reorganisation becomes effective)	
Number of Offer Shares to be issued pursuant to the	: [2,920,568,484] Offer Shares	

Open Offer

Total number of Adjusted Shares in issue upon completion of the Open Offer : [3,650,710,605] Adjusted Shares

As at the date of this announcement, the Company has outstanding Convertible Bonds which are held by Achieve Prosper and convertible into a maximum of 436,046,511 new Shares at the conversion price of HK\$0.1720 per Shares (subject to adjustment). Pursuant to the Undertakings, Achieve Prosper has undertaken not to exercise the conversion right attaching to the Convertible Bonds from the date of the Underwriting Agreement to the Record Date. Save for the Convertible Bonds, as at the date of this announcement, the Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

TC 3.5(d)

The total number of [2,920,568,484] Offer Shares to be issued pursuant to the Open Offer represent:

- (a) [400]% of the number of the Adjusted Shares immediately upon completion of the Capital Reorganisation (based on the Company's existing issued share capital as at the date of this announcement); and
- (b) approximately [80]% of the Company's issued share capital as enlarged by the issue of the Offer Shares.

3. Subscription Price

The Subscription Price is HK\$[0.086] per Offer Share, payable in full on application. The Subscription Price represents:

R13.28(4)

- (a) a discount of approximately [82.52]% to the adjusted closing price of HK\$[0.492] per Adjusted Share, based on the closing price of HK\$[0.123] per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (b) a discount of approximately [83.33]% to the adjusted average closing price of HK\$[0.516] per Adjusted Share, based on the average closing price of HK\$[0.129] as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (c) a discount of approximately [48.56]% to the theoretical ex-entitlement price of approximately HK\$[0.167] per Adjusted Share after the Open Offer, based on the

R13.28(8)

closing price of HK\$[0.123] per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation; and

- (d) a discount of approximately [35.47]% to the audited net asset value per Adjusted Share of approximately HK\$[0.133] as at 31 March 2015 as adjusted for the Capital Reorganisation.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriters with reference to, among other things, the prevailing market price of the Shares and the working capital requirements of the Company. In view of the working capital requirements of the Group and taking into consideration of the theoretical price per Share, in order to increase the attractiveness of the Open Offer to the Qualifying Shareholders, the Directors (excluding the independent non-executive Directors who will give their view after taking into consideration of the advice of the Independent Financial Adviser) consider that the proposed discount of the Subscription Price is appropriate.

R13.28(4)

The Directors (excluding the independent non-executive Directors who will give their view after taking into consideration of the advice of the Independent Financial Adviser) consider the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

4. Conditions of the Open Offer and the Underwriting Agreement

R7.26A(2)
R13.28(14)
TC3.5(e)

The Open Offer and the Underwriting Agreement are subject to the following conditions:

- (a) the passing of the necessary resolution(s) by the Shareholders (or, where applicable, the Independent Shareholders) at the SGM approving and confirming:
 - (i) the Capital Reorganisation; (ii) the Open Offer (including the Underwriting Agreement) and authorising the Directors to allot and issue the Offer Shares (to be voted on by the Independent Shareholders by way of poll); and (iii) the Whitewash Waiver (to be voted on by the Independent Shareholders by way of poll), each in accordance with the Bye-Laws, the Listing Rules and the Takeovers Code on or before the Record Date;
- (b) the Capital Reorganisation having become effective;
- (c) the Executive having granted, and not having withdrawn or revoked such grant, the Whitewash Waiver, and the fulfillment of all conditions (if any) attached to the Whitewash Waiver;
- (d) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the

Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provision) Ordinance not later than the Prospectus Posting Date;

- (e) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Excluded Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Open Offer on or before the Prospectus Posting Date;
- (f) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment), and not having withdrawn or revoked listing of and permission to deal in the Offer Shares by no later than the first day of their dealings;
- (g) the obligations of the Underwriters becoming unconditional and that the Underwriting Agreement is not terminated in accordance with its terms;
- (h) compliance with and performance of all undertakings and obligations of the Company under the Underwriting Agreement and the representations and warranties given by the Company under the Underwriting Agreement remaining true, correct and not misleading in all material respects;
- (i) compliance with and performance of the Undertakings by Achieve Prosper and Wang Xing Qiao; and
- (j) the entering into of binding agreements by Kingston Securities with certain placees and/or sub-underwriters, which shall be Independent Third Parties, for placing and/or sub-underwriting the Offer Shares, such that none of the Kingston Securities together with its parties acting in concert (having the meaning under the Takeovers Code) nor any of the placees and/or sub-underwriters and their respective parties acting in concert (having the meaning under the Takeovers Code) shall be interested in 10% or more of the issued share capital of the Company as enlarged by the Open Offer.

The conditions (save for the condition (h) above) are incapable of being waived. If any of the above conditions is not satisfied at or prior to the respective time stipulated therein, the Open Offer will not proceed and the Underwriting Agreement shall be terminated and none of the parties shall have any claim against the other.

5. Qualifying Shareholders

To qualify for the Open Offer, a Shareholder must be registered as a member of the Company and not being Excluded Shareholders at the Record Date. In order to be registered as members of the Company at the Record Date, all transfers of the Shares must be lodged (together with the relevant share certificate(s)) with the Company's branch share registrar in Hong Kong by 4:30 p.m. on [Friday, 16 October] 2015. The Company's branch share registrar and transfer office in Hong Kong is:

**Tricor Secretaries Limited
Level 22, Hopewell Centre,
183 Queen's Road East,
Hong Kong**

The Company will send the Prospectus Documents to the Qualifying Shareholders and will send the Prospectus (without the application form in respect of the allotment of Offer Shares), for information only, to the Excluded Shareholders on the Prospectus Posting Date. Excluded Shareholders who are also Independent Shareholders will be entitled to attend and vote at the SGM. The Company will ascertain whether there are any Overseas Shareholders at the Record Date. In determining whether there will be Excluded Shareholders, the Company will make enquiry regarding the legal restrictions (if any) under the laws of the relevant places and the requirements of the relevant regulatory bodies or stock exchanges in relation to the Company's offering of the Offer Shares to the Overseas Shareholders in compliance with the Listing Rules.

6. No application for excess Offer Shares

R7.26A(1)

Considering that the Open Offer will give the Qualifying Shareholders an equal and fair opportunity to maintain their respective pro rata shareholding interests in the Company and is negotiated on an arm's length basis with the Underwriters, if application for excess Offer Shares is arranged, the Company will be required to put in additional effort and costs to administer the excess application procedures. Accordingly, no excess Offer Shares will be offered to the Qualifying Shareholders and any Offer Shares not taken up by the Qualifying Shareholders will be underwritten by the Underwriters.

A1b 18(1)

7. Closure of register of members

The register of members of the Company, in relation to the Open Offer, will be closed from [Monday, 19 October] 2015 to [Tuesday, 27 October] 2015, both dates inclusive. No transfer of Shares will be registered during this period.

A1b 18(2)

8. Status of the Offer Shares

The Offer Shares (when allotted, fully paid or credited as fully paid and issued) will rank pari passu in all respects with the Adjusted Shares in issue on the date of allotment and issue of the Offer Shares. Holders of the Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Offer Shares. Dealings in the Offer Shares will be subject to payment of stamp duty in Hong Kong.

9. Certificates of the Offer Shares

Subject to fulfillment of the conditions of the Open Offer, share certificates for the Offer Shares are expected to be sent on or before [Thursday, 12 November], to those entitled thereto by ordinary post at their own risk.

10. Fractions of the Offer Shares

A1b 18(2)

No fractional entitlements or allotments are expected to arise as a result of the Open Offer.

11. Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares. No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

Dealings in the Offer Shares which are registered in the branch register of members of the Company in Hong Kong will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

12. The Undertakings

TC 3.5(c)(iii)

Achieve Prosper holds in aggregate [1,085,755,571] Shares, representing approximately [37.18]% of the existing issued share capital of the Company as at the date of this announcement.

Wang Xing Qiao holds in aggregate [2,620,000] Shares, representing approximately [0.09]% of the existing issued share capital of the Company as at the date of this announcement.

Pursuant to the Undertakings, Achieve Prosper and Wang Xing Qiao has irrevocably undertaken to the Company that:

- (a) the [1,085,755,571] Shares and [2,620,000] Shares held by them respectively shall remain registered in their respective name up to and including the close of business on the Record Date;
- (b) they will not transfer or otherwise dispose of, or create any rights in respect of, any of the [1,085,755,571] Shares and [2,620,000] Shares held by them respectively or any interests therein, or acquire any Shares or any interests therein, up to the Record Date;
- (c) they will accept their respective entitlement to the assured allotment of [1,085,755,568] Offer Shares and [2,620,000] Offer Shares respectively derived from the [1,085,755,571] Shares and [2,620,000] Shares held by them respectively pursuant to the terms of the Open Offer; and
- (d) they will each lodge the Application Form in respect of the Offer Shares referred to (c) above, pay the subscription price (where the subscription price payable by Achieve Prosper shall be set off, on a dollar-to-dollar basis, against the amount due to it under the Promissory Note and the Amount Payable to Shareholder as at the Latest Time for Acceptance) and otherwise comply with the procedures for such acceptance and application as described in the Prospectus Documents prior to the Latest Time for Acceptance.

Achieve Prosper has also irrevocably undertaken not to exercise the conversion right attaching to the Convertible Bonds from the date of the Underwriting Agreement to the Record Date.

Save for the Undertakings, the Company has not received any information or irrevocable undertaking from any substantial shareholders (as defined in the Listing Rules) of the Company of their intention in relation to the Offer Shares to be allotted to them under the Open Offer as at the date of this announcement.

A1b 18(3)

13. Set Off

Pursuant to the terms of the Underwriting Agreement, the Company and Achieve Prosper have agreed to procure the set off of (i) the amount due under the Promissory Note (being

HK\$208,276,000); and (ii) the Amount Payable to Shareholder as at the Latest Time for Acceptance on a dollar-to-dollar basis against, firstly the aggregate Subscription Price which Achieve Prosper is obliged to pay to subscribe for its entitlement of the Open Offer in full pursuant to the Undertakings; and secondly the aggregate Subscription Price which Achieve Prosper is obliged to pay for the Untaken Shares under the Underwriting Agreement.

14. Principal terms of the Underwriting Agreement

R7.26A(2)
R13.28(10)
TC 3.5(b)

Date : [20] August 2015

Parties : (1) The Company
(2) Achieve Prosper, as underwriter
(3) Kingston Securities, as underwriter

R14A.92
(2)(b)

Total number of Underwritten Shares : [1,832,192,916] Offer Shares, being the difference between the total number of Offer Shares to be issued by the Company and the total number of Offer Shares to be subscribed and paid for by Achieve Prosper and Wang Xing Qiao pursuant to the Undertakings and on the basis that no further Share or Adjusted Share will be issued or repurchased on or before the Record Date

Allocation of underwriting obligations between the Achieve Prosper and Kingston Securities :

The Underwriters shall severally (but not jointly) subscribe or procure subscription for the Untaken Shares in the following manner:

(1) Achieve Prosper shall subscribe for or procure subscription for the first of such number of Untaken Shares such that the shareholding interests of the Concert Group in the Company taken together immediately upon Achieve Prosper's subscription of the Untaken Shares shall equal to 75% of the issued share capital of the Company; and

(2) Kingston Securities shall subscribe for or procure subscription for all the remaining Untaken Shares.

Kingston Securities will not subscribe, for its own account, and will procure each of the subscribers of the Untaken Shares (including any direct and indirect sub-underwriters) and their respective associates, will

not, together with any party acting in concert (within the meaning of the Takeovers Code) with it or its associates, hold 10.0% or more of the voting rights of the Company immediately upon completion of the Open Offer.

Kingston Securities shall use all reasonable endeavours to procure that the minimum public float requirement under Rule 8.24 of the Listing Rules be fulfilled by the Company upon completion of the Open Offer.

Commission : [2]% of the aggregate Subscription Price in respect of the number of Underwritten Shares at the Record Date

The commission payable to the Underwriters was determined after arm's length negotiations between the Company and the Underwriters with reference to current prevailing market rate

Conditions : Please refer to "C. Proposed Open Offer - 4. Conditions of the Open Offer and the Underwriting Agreement" of this announcement

Termination

Any of the Underwriters shall be entitled by a notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement if:

- (1) in the absolute opinion of any of the Underwriters, the success of the Open Offer would be materially and adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of any Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; 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 or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of any Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or

- (2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the absolute opinion of any Underwriter is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (3) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of any Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (4) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (5) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (6) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of any Underwriter, a material omission in the context of the Open Offer; or
- (7) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten (10) consecutive business days, excluding any suspension in connection with the clearance of the

Announcement, the Circular or the Prospectus Documents or other announcements or circulars in connection with the Open Offer.

Any of the Underwriters shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

- (1) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of any Underwriter; or
- (2) any event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect, which comes to the knowledge of any Underwriter.

If at or prior to the Latest Time for Termination any such notice referred to above is given by any Underwriter, the obligations of all parties under the Underwriting Agreement shall cease and determine and no party to the Underwriting Agreement shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided however that the Company shall remain liable to pay the costs, charges and expenses howsoever of or incidental to the Open Offer.

If the Underwriting Agreement is terminated by any Underwriter prior to the Latest Time for Termination or does not become unconditional, the Open Offer will not proceed. A further announcement will be made by the Company if the Underwriting Agreement is terminated by any Underwriter.

15. Changes in the shareholding structure of the Company arising from the Capital Reorganisation and the Open Offer R7.26A(2)

The changes in the shareholding structure of the Company arising from the Capital Reorganisation and the Open Offer are illustrated as follows:

<p>As at the date of this announcement</p>	<p>Immediately after the Capital Reorganisation but before completion of the Open Offer</p>	<p>Immediately after the completion of the Open Offer assuming that all Shareholders have fully subscribed for their entitlements under the Open Offer</p>	<p>Immediately after the completion of the Open Offer assuming that, except for Achieve Prosper and Wang Xing Qiao, no Shareholders subscribe for their entitlements under the Open Offer <i>(Notes 1 and 2)</i></p>	<p>Immediately after the completion of the Open Offer assuming that, except for Achieve Prosper and Wang Xing Qiao, no Shareholders subscribe for their entitlements under the Open Offer and Achieve Prosper subscribes for such number of Offer Shares so that the public float of 25% of the issued share capital of the Company is maintained <i>(Notes 1 and 2)</i></p>
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	Shares	%	Adjusted Shares	%	Adjusted Shares	%	Adjusted Shares	%	Adjusted Shares	%
The Concert Group										
<i>Achieve Prosper</i>	1,085,755,571	37.18	271,438,892	37.18	1,357,194,460	37.18	3,189,387,376	87.36	2,734,757,954	74.91
<i>Wang Xing Qiao</i>	2,620,000	0.09	655,000	0.09	3,275,000	0.09	3,275,000	0.09	3,275,000	0.09
Sub-total	1,088,375,571	37.27	272,093,892	37.27	1,360,469,460	37.27	3,192,662,376	87.45	2,738,032,954	75.00
Public Shareholders	1,832,192,914	62.73	458,048,229	62.73	2,290,241,145	62.76	458,048,229	12.55	912,677,651	25.00
Total	2,920,568,485	100.00	730,142,121	100.00	3,650,710,605	100.00	3,650,710,605	100.00	3,650,710,605	100.00

Notes:

1. This scenario is for illustration purpose only and will never occur. Pursuant to the Underwriting Agreement, Achieve Prosper shall subscribe for or procure subscription for the first of such number of Untaken Shares such that the shareholding interests of the Concert Group in the Company taken together immediately upon Achieve Prosper's subscription of the Untaken Shares shall equal to 75% of the issued share capital of the Company, and Kingston Securities shall subscribe for or procure subscription for all the remaining Untaken Shares.
2. Kingston Securities will not subscribe, for its own account, and will procure each of the subscribers of the Untaken Shares (including any direct and indirect sub-underwriters) and their respective associates, will not, together with any party acting in concert (within the meaning of the Takeovers Code) with it or its associates, hold 10.0% or more of the voting rights of the Company immediately upon completion of the Open Offer. Kingston Securities shall use all reasonable endeavours to procure that the minimum public float requirement under Rule 8.24 of the Listing Rules be fulfilled by the Company upon completion of the Open Offer.

16. Reasons for the Open OfferR13.28(6)
R7.24(5)

The Group is engaged in the business of design and sale of a wide range of electronic products, investment in properties and securities trading.

Having considered other fund raising alternatives for the Group, such as bank borrowings and placing of new Shares, and taking into account the benefits and cost of each of the alternatives, the Open Offer allows the Group to strengthen its balance sheet without facing the increasing interest rates. The Board considers that the Open Offer is in the interests of the Company and the Shareholders as a whole as it offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of

the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company and continue to participate in the future development of the Company should they wish to do so. **However, those Qualifying Shareholders who do not take up the Offer Shares to which they are entitled should note that their shareholdings in the Company will be diluted.**

The Directors (excluding the independent non-executive Directors whose opinion will be set forth in the Circular after having been advised by an independent financial adviser) consider that the Open Offer are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

17. Use of Proceeds

The gross proceeds and the estimated net proceeds from the Open Offer will be approximately HK\$[251.2] million and approximately HK\$[244.5] million respectively. The estimated net proceeds to the Company of each Offer Share will be approximately HK\$[0.084].

R13.28(3)
R13.28(5)
R7.24(5)

[The net proceeds of the Open Offer to the Company of approximately HK\$[244.5] million are intended to be used as follows:

- (i) approximately HK\$[208.3] million for repaying the whole amount due to Achieve Prosper under the Promissory Note;
- (ii) approximately HK\$[20.0] million for repaying the outstanding balance of the Amount Payable to Shareholder as at the Latest Time for Acceptance (as at [17 August] 2015, the Amount Payable to Shareholder was approximately HK\$[19.4] million); and
- (iii) the remaining balance as the Group's property investment business and general working capital.

Pursuant to the Set Off, the amount due under the Promissory Note (being HK\$208,276,000) and the outstanding balance of the Amount Payable to Shareholder as at the Latest Time for Acceptance will set off, on a dollar-to-dollar basis, against (i) the aggregate Subscription Price which Achieve Prosper is obliged to pay to subscribe for its entitlement under the Open Offer in full pursuant to the Undertakings; and (ii) the aggregate Subscription Price which Achieve Prosper is obliged to pay for the Untaken Shares under the Underwriting Agreement.

Assuming all Offer Shares are subscribed by the Qualifying Shareholders, the sum of approximately HK\$[93.4] million, being aggregate Subscription Price payable by Achieve Prosper under the Undertakings, will partially set off against the amount due under the Promissory Note. After the Set Off, the remaining balance of amount due under the Promissory Note of approximately HK\$[114.9] million and the outstanding balance of the Amount Payable to Shareholder as at the Latest Time for Acceptance (estimated to be approximately HK\$20 million) will be settled by the Company by cash using the proceeds of the Open Offer.

Assuming none of the Offer Shares are subscribed by the Qualifying Shareholders (except that Achieve Prosper and Wang Xing Qiao will subscribe for their respective entitlement under the Open Offer in full pursuant to the Undertakings), and Achieve Prosper and Kingston Securities (together with the sub-underwriters procured by it) take up all Untaken Shares pursuant to the Underwriting Agreement, the aggregate Subscription Price payable by Achieve Prosper of approximately HK\$[211.8] million will set off against the full amount due under the Promissory Notice of approximately HK\$[208.3] million and part of the outstanding balance of the Amount Payable to Shareholder of approximately HK\$[3.6] million. After the Set Off, the remaining outstanding balance of the Amount Payable to Shareholder as at the Latest Time for Acceptance (estimated to be approximately HK\$16.4 million) will be settled by the Company by cash using the proceeds of the Open Offer.

18. Possible Adjustment to the Conversion Price of the Convertible Bonds

The proposed Capital Reorganisation and Open Offer may lead to adjustments to the exercise price and/or the number of Shares or Adjusted Shares (as the case may be) to be issued upon exercise of the Convertible Bonds. The Company will notify the holder(s) of Convertible Bonds regarding adjustments to be made (if any) pursuant to the terms of the Convertible Bonds.

19. Previous Fund Raising Exercise in the prior 12-Month Period

R7.24(5)
R13.28(9)

The following are fund raising activities of the Company during the past 12 months immediately preceding the date of this announcement:

Date of announcement	Event	Estimated net proceeds	Intended use of proceeds	Actual use of proceeds as at the date of this announcement
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14 July 2015	Placing of new shares under general mandate	Approximately HK\$59.4 million	Possible opportunities for the development of renewable energy business and the general working capital of the Group.	Approximately HK\$[1.3] million has been used as general working capital of the Group. The remaining will be used as intended.
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20. Implications under the Listing Rules

R13.28(11)
R7.24(5)(a)
R7.26A(2)

As the Open Offer will result in an increase in the Company's issued share capital by more than 50%, the Open Offer is subject to, among other things, the approval by the Independent Shareholders at the SGM. Pursuant to Rule 7.19(6) of the Listing Rules, any controlling shareholder of the Company and his associates, or where there is no such controlling shareholder of the Company, the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates will need to abstain from voting in favour of the resolution relating to the Open Offer. As at the date of this announcement, Achieve Prosper is the controlling shareholder of the Company.

Under the Listing Rules, Achieve Prosper is regarded as a connected person of the Company. Accordingly, the transactions contemplated under the Underwriting Agreement (including the payment of the underwriting commission to Achieve Prosper) constitute a connected transaction of the Company but are exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

R14A.92
(2)(b)

21. Establishment of Independent Board Committee and appointment of Independent Financial Adviser

The Company [will establish] the Independent Board Committee to advise the Independent Shareholders as to (i) whether the Open Offer, the Underwriting Agreement and the Whitewash Waiver are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and (ii) voting by the Independent Shareholders, taking into account the recommendations of the Independent Financial Adviser. The Independent Board Committee [will approve] the appointment of the Independent Financial Adviser as the independent financial adviser of the Company to advise the Independent Board Committee and the Independent Shareholders on the terms of the

Open Offer, the Underwriting Agreement and the Whitewash Waiver. The Independent Board Committee will formulate its views with respect to the terms of the Open Offer, the Underwriting Agreement and the Whitewash Waiver after obtaining and considering the advice of the Independent Financial Adviser.

D. APPLICATION FOR THE WHITEWASH WAIVER

TC3.5(b)
TC3.5(c)(i)
TC3.5(c)(ii)
TC3.5(c)(iv)

1. Implications under the Takeovers Code

As at the date of this announcement, the Concert Group owns, controls or has direction over [1,088,375,571] Shares, representing approximately [37.27]% of the existing issued share capital of the Company. In addition to the above, Achieve Prosper also holds the outstanding Convertible Bonds which are convertible into a maximum of 436,046,511 new Shares at the conversion price of HK\$0.1720 per Shares (subject to adjustment) as at the date of this announcement. Save for the Convertible Bonds, the Concert Group did not hold any outstanding convertible securities, options, warrants or derivative of the Company which confer any right to subscribe for, convert or exchange into Shares as at the date of this announcement.

Achieve Prosper and Wang Xing Qiao has given the Undertakings in favour of the Company, among other things, that: (a) they will subscribe for the [1,085,755,568] Offer Shares and [2,620,000] Offer Shares respectively to which they will be entitled to pursuant to the terms of the Open Offer; (b) the Shares or the Adjusted Shares (as the case may be) comprising their current shareholding will remain registered in their respective name at the close of business at the Record Date as they are on the date of the Underwriting Agreement; and (c) they will procure that the applications in respect of the [1,085,755,568] Offer Shares and [2,620,000] Offer Shares respectively comprising its entitlements under the Open Offer will be lodged with the Registrar by no later than the Latest Time for Acceptance and otherwise comply with the procedures for such acceptance and application as described in the Prospectus Documents.

Achieve Prosper has also undertaken not to exercise the conversion right attaching to the Convertible Bonds from the date of the Underwriting Agreement to the Record Date.

The maximum number of Adjusted Shares which could be taken up by the Concert Group under the Open Offer and the Underwriting Agreement is [3,192,662,376] Adjusted Shares.

Assuming:

- (a) Achieve Prosper and Wang Xing Qiao subscribes for its entitlement of the Open Offer in full in accordance with the Undertakings;
- (b) not all Qualifying Shareholders (other than the Concert Group) take up the Offer Shares to which they are entitled to upon completion of the Open Offer; and
- (c) Achieve Prosper takes up such number of Untaken Shares under the Underwriting Agreement which will have the effect of increasing the voting rights of the Concert Group in the Company by more than 2% from the lowest percentage holding of the Concert Group in the Company in the 12-month period ending on and inclusive of the date of taking up of such number of Untaken Shares,

the Concert Group will, as a result of this acquisition of voting rights in the Company, incur an obligation to make a mandatory offer for all the Adjusted Shares other than those held or agreed to be acquired by the Concert Group, unless the Whitewash Waiver is granted.

2. **Application for the Whitewash Waiver**

An application will be made by Achieve Prosper to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval by the Independent Shareholders at the SGM by way of poll, whereby the Concert Group, and those who are interested in, or involved in, the Open Offer (save for any assured entitlement to the Open Offer as a Qualifying Shareholder), the Underwriting Agreement and/or the Whitewash Waiver, will abstain from voting in respect of all resolution(s) related to the Open Offer, the Underwriting Agreement and the Whitewash Waiver.

The grant of the Whitewash Waiver is a condition precedent to the underwriting obligations of the Underwriters, which may not be waived. If the Whitewash Waiver is not granted, the Underwriting Agreement will not become unconditional and the Open Offer will not proceed.

Shareholders and potential investors should be aware that there is a possibility that, upon completion of the Open Offer, Achieve Prosper may hold more than 50% of the voting rights of the Company. Hence, Achieve Prosper may increase its holdings of voting rights of the Company without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer.

3. Further information on Achieve Prosper

As at the date of this announcement:

- (a) Save for the purchase by Wang Xing Qiao of 2,620,000 Shares on the Stock Exchange at an average price of HK\$0.119 per Share on 6 July 2015 (which is before any negotiation, discussions or the reaching of any understandings or agreements with the Directors in relation to the Open Offer), the Concert Group has no dealings in any securities of the Company in the 6-month period preceding the date of this announcement;
- (b) the Concert Group has not received any irrevocable commitment to vote for or against the proposed resolution approving the Open Offer, the Underwriting Agreement and/or the Whitewash Waiver at the SGM; TC 3.5(e)(iii)
- (c) save for the transactions contemplated under the Underwriting Agreement, there is no arrangement (whether by way of option, indemnity or otherwise) under Note 8 to Rule 22 of the Takeovers Code in relation to the Shares or the Adjusted Shares or the shares of Achieve Prosper and which maybe material to the Open Offer, the Underwriting Agreement and/or the Whitewash Waiver; TC 3.5(f)
- (d) save for the Underwriting Agreement, there is no arrangement or agreement to which the Concert Group is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a condition to the Open Offer, the Underwriting Agreement and/or the Whitewash Waiver; and TC 3.5(g)
- (e) there is no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Concert Group has borrowed or lent. TC 3.5(h)

E. EXPECTED TIMETABLE

Event	2015
Expected despatch date of the Circular with notice of the SGM	Friday, 18 September
Latest time for lodging proxy forms for the SGM	[10:00 a.m.] on Friday, 9 October
Expected date and time of the SGM	[10:00 a.m.] on Tuesday, 13 October
Announcement of results of the SGM	Tuesday, 13 October
Effective date and time of the Capital Reorganisation	9:00 a.m. on

	Wednesday, 14 October	
Commencement of dealings in the Adjusted Shares	9:00 a.m. on Wednesday, 14 October	
Effective date of the new board lot size of [20,000] Adjusted Shares	9:00 a.m. on Wednesday, 14 October	
Original counter for trading in Shares in existing share certificates in board lots of 10,000 Shares temporarily closes	9:00 a.m. on Wednesday, 14 October	
Temporary counter for trading in Adjusted Shares in board lots of [2,500] Adjusted Shares (in the form of existing share certificates) opens	9:00 a.m. on Wednesday, 14 October	
First day of free exchange of existing certificates for the Shares into new certificates for the Adjusted Shares	Wednesday, 14 October	
Last day of dealings in Adjusted Shares on a cum-rights basis	Wednesday, 14 October	
First day of dealings in Adjusted Shares on an ex-rights basis	9:00 a.m. on Thursday, 15 October	
Latest time for the Shareholders to lodge transfer of Adjusted Shares in order to qualify for the Open Offer	4:30 p.m. on Friday, 16 October	A1b 18(2)
Closure of register of members of the Company (both dates inclusive)	Monday, 19 October to Tuesday, 27 October	
Record Date and time for determining entitlements to the Open Offer	4:00 p.m. on Tuesday, 27 October	R7.25 A1b 18(1)
Register of members of the Company re-opens	Wednesday, 28 October	
Despatch of Prospectus Documents	Wednesday, 28 October	
Designated broker starts to stand in the market to provide matching service for the sale and purchase of odd lots of Adjusted Shares	9:00 a.m. on Thursday, 29 October	
Original counter for trading in the Adjusted Shares in board lots of [20,000] Adjusted Shares (in the form of new certificates) re-opens	9:00 a.m. on Thursday, 29 October	

Parallel trading in Adjusted Shares (in the form of both existing certificates in board lots of [2,500] Adjusted Shares and new certificates in board lots of [20,000] Adjusted Shares) commences	9:00 a.m. on Thursday, 29 October	
Latest time for acceptance of, and payment for, the Offer Shares	4:00 p.m. on Wednesday, 11 November	A1b 18(1)
Latest time to terminate the Underwriting Agreement and for the Open Offer to become unconditional	4:00 p.m. on Tuesday, 17 November	
Announcement of results of the Open Offer	Wednesday, 18 November	
Temporary counter for trading in Adjusted Shares in board lots of [2,500] Adjusted Shares (in the form of existing certificates) closes	4:00 p.m. on Wednesday, 18 November	
Parallel trading in the Adjusted Shares (represented by both existing certificates in board lots of [2,500] Adjusted Shares and new certificates in board lots of [20,000] Adjusted Shares) ends	4:00 p.m. on Wednesday, 18 November	
Designated broker ceases to stand in the market to provide matching service	4:00 p.m. on Wednesday, 18 November	
Certificates for fully-paid Offer Shares to be despatched on or before	Thursday, 19 November	
Commencement of dealings in fully-paid Offer Shares	9:00 a.m. on Friday, 20 November	
Last day of free exchange of existing certificates for the new certificates	Friday, 20 November	

Note: All references to time in this announcement are references to Hong Kong time.

Dates or deadlines specified in this announcement are indicative only and may be varied by agreement between the Company and the Underwriters. Any consequential changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.

F. WARNING OF THE RISKS OF DEALINGS IN THE SHARES AND ADJUSTED SHARES

The Open Offer is conditional upon the fulfillment of the conditions set out in “C. Proposed Open Offer - 4. Conditions of the Open Offer and the Underwriting Agreement” of this announcement. If the conditions of the Open Offer are not fulfilled or if any Underwriter exercises its right to terminate the Underwriting Agreement pursuant to the terms thereof, the Open Offer will not proceed.

Shareholders and potential investors should therefore exercise caution when dealing in Shares, and if they are in any doubt about their positions, they should consult their professional advisers.

Shareholders should note that Shares will be dealt in on an ex-entitlement basis commencing from [Thursday, 15 October] 2015 and that dealings in Shares will take place while the conditions to which the Open Offer is subject remain unfulfilled. Any Shareholder or other person dealing in Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled, will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares who is in any doubt about his/her/its position is recommended to consult his/her/its own professional adviser.

G. GENERAL

1. The Circular

The Circular containing, among other things:

- (a) further details of the Capital Reorganisation, the Open Offer, the Underwriting Agreement, the Whitewash Waiver and the transactions contemplated thereunder;
- (b) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Open Offer, the Underwriting Agreement and the Whitewash Waiver as to (i) whether they are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and (ii) voting by the Independent Shareholders on the relevant resolutions in the SGM;
- (c) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Open Offer, the Underwriting Agreement and the Whitewash Waiver as to (i) whether they are fair and reasonable and in the interests of the Company and the Shareholders as a

whole, and (ii) voting by the Independent Shareholders on the relevant resolutions in the SGM; and

- (d) a notice convening the SGM,

is expected to be despatched to the Shareholders on or before [Friday, 18 September] 2015.

2. The SGM

The SGM will be convened and held for the Shareholders (or the Independent Shareholders, where appropriate) to consider and, if thought fit, to approve, among other things:

- (a) the proposed Capital Reorganisation;
- (b) the Underwriting Agreement;
- (c) the Open Offer; and
- (d) the Whitewash Waiver,

each in accordance with the Bye-Laws, the Listing Rules and the Takeovers Code.

Upon the approval of the Capital Reorganisation, the Open Offer, the Underwriting Agreement and the Whitewash Waiver by the Shareholders (or Independent Shareholders, as the case may be) at the SGM, the Prospectus Documents setting out, among other things, details of the Underwriting Agreement and the Open Offer will be despatched to the Qualifying Shareholders as soon as practicable and the Prospectus will be despatched to the Excluded Shareholders for information purposes only.

H. RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was halted from 9:00 a.m. on [21] August 2015 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on [*] 2015.

DEFINITIONS

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

“Achieve Prosper”	Achieve Prosper Capital Limited, a company incorporated in Samoa with limited liability on 21 November 2013 and is wholly and beneficially owned by Hong Kong Shihua
“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“Adjusted Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company upon the Capital Reorganisation becoming effective
“Amount Payable to Shareholder”	the total principal amount from time to time owing by the Group to Achieve Prosper, which, for the avoidance of doubt, excludes any amount due under the Promissory Note (as at [17 August] 2015, the outstanding balance of the Amount Payable to Shareholder was to approximately HK\$[19.4] million)
“Application Forms”	the form(s) of application for use by Qualifying Shareholders to apply for their assured allotments of the Offer Shares under the Open Offer
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Bye-Laws”	the bye-laws of the Company
“Board”	board of Directors
“Capital Reduction”	the proposed reduction of the Company’s issued share capital whereby: (i) any fractional Consolidated Share in the issued share capital of the Company resulting from the Share Consolidation shall be cancelled; and (ii) the nominal value of all the issued Consolidated Shares shall be reduced from HK\$0.40 each to HK\$0.01 each and the issued share capital of the Company shall accordingly be reduced to the extent of HK\$0.39 per Consolidated Share in issue
“Capital Reorganisation”	the proposed reorganisation of the Company’s issued share capital as more particularly described in “Proposed Capital Reorganisation - The Capital Reorganisation” of this announcement
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Change in Board Lot Size”	the proposed change in board lot size of the Shares for trading on the Stock Exchange from 10,000 Shares to 20,000 Adjusted Shares

“Circular”	the circular (together with the notice convening the SGM and the form of proxy) of the Company to be despatched to the Shareholders containing details of matters put forward to the Shareholders or the Independent Shareholders (as the case may be) for consideration at the SGM
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)
“Companies Act”	the Companies Act 1981 of Bermuda
“Company”	Shihua Development Company Limited (實華發展有限公司), a company incorporated in Bermuda whose shares are listed on the Stock Exchange
“Concert Group”	means, Achieve Prosper, Mr. Wang Jing, Mr. Wang Xing Qiao and parties acting in concert with any of them
“Consolidated Share(s)”	means ordinary share(s) of HK\$0.40 each in the issued share capital of the Company immediately upon the Share Consolidation becoming effective
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Convertible Bonds”	3% convertible bonds due 2017 in the principal amount of HK\$75,000,000 issued by the Company to Achieve Prosper on 30 July 2014 as more particularly described in the circular of the Company dated 24 May 2014
“Director(s)”	the director(s) of the Company
“Excluded Shareholder(s)”	the Overseas Shareholder(s) whose registered addresses in the Company’s register of members as at the Record Date are in places where the Directors, after making enquiries, consider it necessary or expedient on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place not to offer the Offer Shares to such Shareholders
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of its delegate(s)
“Group”	the Company and its subsidiaries

“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong Shihua”	Hong Kong Shihua Holdings Limited, a company incorporated in Hong Kong with limited liability on 12 December 2013, the entire issued share capital of which is legally and beneficially owned by Liaoning Shihua Property
“Independent Board Committee”	an independent committee of the Board comprising the non-executive Director and all of the three independent non-executive Directors formed for the purpose of advising the Independent Shareholder(s) on the Open Offer, the Underwriting Agreement and the Whitewash Waiver
“Independent Financial Adviser”	the independent financial adviser to be appointed to advise the Independent Board Committee and the Independent Shareholders on the Open Offer, the Underwriting Agreement and the Whitewash Waiver
“Independent Shareholder(s)”	the Shareholder(s), other than: (i) Achieve Prosper and its associates, and (ii) members of the Concert Group and Shareholders who are involved in, or interested in, the Open Offer, the Underwriting Agreement, and/or the Whitewash Waiver
“Kingston Securities”	Kingston Securities Limited, a corporation licensed to conduct type 1 regulated activity (dealing in securities) under the Securities and Futures Ordinance
“Liaoning Shihua Property”	遼寧實華（集團）房地產開發有限公司 (Liaoning Shihua (Group) Property Development Company Limited*), a company established in the PRC on 12 January 1998 with limited liability which is controlled as to 82.8% of its equity interest by Mr. Wang Jing, the Chairman of the Board and an executive Director, and his family members
“Last Trading Day”	[20] August 2015, being the last trading day for the Shares on the Stock Exchange before the release of this announcement
“Latest Time For Acceptance”	4:00 p.m. on [Wednesday, 11 November] 2015, or such later time or date as may be agreed between the Company and the Underwriters, being the latest time for acceptance of, and payment for, the Offer Shares as described in the Prospectus Documents
“Latest Time For	4:00 p.m. on the [fourth] business day after the Latest Time For

Termination”	Acceptance or such later time or date as may be agreed between the Company and the Underwriters in writing, being the latest time to terminate the Underwriting Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Offer Share(s)”	[2,920,568,484] Adjusted Shares to be allotted and issued pursuant to Open Offer
“Open Offer”	the proposed issue of Offer Shares on the basis of four (4) Offer Shares for every one (1) Adjusted Share held on the Record Date to Qualifying Shareholders pursuant to the terms and conditions of the Prospectus Documents and the Underwriting Agreement
“Overseas Shareholder(s)”	the Shareholder(s) whose address(es) on the register of members of the Company on the Record Date are outside Hong Kong
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, Taiwan and the Macau Special Administrative Region of the People’s Republic of China
“Promissory Note”	the promissory note dated 3 August 2015 issued by the Company for a principal amount of HK\$208,276,000 (without interest and payable by the Company on demand when the Company has generated, obtained and/or raised fund for not less than HK\$200 million), the particulars of which are further described in the circular of the Company dated 29 April 2015
“Prospectus”	the prospectus to be despatched to the Shareholders on the Prospectus Posting Date in connection with the Open Offer in such form as may be agreed between the Company and the Underwriters
“Prospectus Documents”	the Prospectus and the Application Form;
“Prospectus Posting Date”	[Wednesday, 28 October] 2015, or such other day as may be agreed between the Company and the Underwriters, being the date of despatch of the Prospectus Documents
“Qualifying Shareholder(s)”	the Shareholder(s), whose names appear on the register of members of the Company as at the Record Date, other than the Excluded Shareholders
“Record Date”	4:00 p.m. on [Tuesday, 27 October] 2015, being the date by reference to which entitlements to the Open Offer will be determined

R13.38(2)

“Registrar”	the Company’s branch share registrar and transfer office in Hong Kong, which is Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“Set Off”	the setting off of the amount due under the Promissory Note, as more particularly described in “C. Proposed Open Offer – 13. Set Off” of this announcement
“SGM”	the special general meeting of the Company to be convened and held to consider and approve, among other things, the Capital Reorganisation, the Open Offer, the Underwriting Agreement and the Whitewash Waiver
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	The Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong), as amended from time to time
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Share Consolidation”	the consolidation of share(s) in the issued and unissued share capital of the Company whereby every four (4) Shares with a nominal value of HK\$0.10 each will be consolidated into one (1) Consolidated Share with a nominal value of HK\$0.40
“Share Subdivision”	the subdivision of every unissued Consolidated Share of HK\$0.40 in the authorised share capital of the Company (including the unissued Consolidated Shares resulting from the Capital Reduction) into forty (40) Adjusted Shares of HK\$0.01 each;
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price in respect of each Offer Share, being of HK\$[0.086]
“subsidiaries”	has the meaning ascribed thereto under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules

“Takeovers Code”	The Code on Takeovers and Mergers promulgated by the SFC
“Underwriters”	Achieve Prosper and Kingston Securities
“Underwriting Agreement”	the underwriting agreement dated [20] August 2015 entered into between the Company and the Underwriters in relation to the Open Offer
“Undertakings”	an irrevocable undertakings provided by Achieve Prosper and Wang Xing Qiao to the Company as described in “C. Proposed Open Offer – 12. Undertakings” of this announcement
“Underwritten Shares”	all the Offer Shares in excess of [1,832,192,916] Offer Shares that will be allotted to and subscribed for by Achieve Prosper and Wang Xing Qiao pursuant to the Undertakings which are fully underwritten by the Underwriters pursuant to the terms and subject to the conditions of the Underwriting Agreement
“Untaken Shares”	all those Underwritten Shares for which duly completed Application Forms (accompanied by cheques or banker’s cashier order for the full amount payable on the applications which are honoured on first, or at the option of the Company, subsequent presentation) have not been lodged for acceptance by Qualifying Shareholders, or received, as the case may be, on or before the Latest Time For Acceptance
“Wang Xing Qiao”	Mr. Wang Xing Qiao, an executive Director and the Chief Executive Officer of the Company, being the son of Mr. Wang Jing, the Chairman of Company
“Whitewash Waiver”	a waiver to be granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligation of Achieve Prosper to make a general offer for all the issued Adjusted Shares not already owned or agreed to be acquired by the Concert Group which may otherwise arise as a result of the subscription of the Offer Shares by Achieve Prosper pursuant to the Underwriting Agreement
“%”	per cent.

By Order of the Board
Shihua Development Company Limited
WANG Jing
Chairman

Hong Kong, [•] August 2015

As at the date of this announcement, the Board comprises Mr. Wang Jing, Mr. Wang Xing Qiao, Mr. Chen Wan Jin and Mr. Zhao Shuang as executive Directors; Mr. Li Jun as non-executive Director; and Mr. Yang Xin Hua, Mr. Wang Ping and Mr. Cheng Tai Kwan Sunny as independent nonexecutive Directors. R2.14

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading. TC9.3

** For identification purpose only*

SIDE LETTER

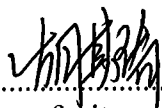
We, the undersigned, being all the parties to the underwriting agreement (the “**Underwriting Agreement**”) dated 20 August 2015 and entered into between Shihua Development Company Limited (the “**Company**”), Achieve Prosper Capital Limited (“**Achieve Prosper**”) and Kingston Securities Limited (“**Kingston Securities**”, and together with Achieve Prosper, the “**Underwriters**” and “**Underwriter**” shall mean any of them) in relation to the underwriting arrangement in respect of the Open Offer (as defined in the Underwriting Agreement), at the request of the Company and in consideration of each of the parties agreeing to enter into this side letter, hereby agree that:

1. In clause 1.1 of the Underwriting Agreement:
 - (i) the definition of the “**Latest Lodging Date**” shall be amended as 4:30 p.m. on Wednesday, 25 November 2015 instead of Friday, 16 October 2015;
 - (ii) the definition of the “**Latest Time for Acceptance**” shall be amended as 4:00 p.m. on Friday, 18 December 2015 instead of Wednesday, 11 November 2015;
 - (iii) the definition of the “**Prospectus Posting Date**” shall be amended as Friday, 4 December 2015 instead of Wednesday, 28 October 2015; and
 - (iv) the definition of the “**Record Date**” shall be amended as Thursday, 3 December 2015 instead of Tuesday, 27 October 2015;
 - (v) the definition of the “**Settlement Date**” shall be amended as Thursday, 24 December 2015 instead of Tuesday, 17 November 2015;
2. This side letter shall be supplemental to the Underwriting Agreement.
3. All the provisions of the Underwriting Agreement, as varied by this side letter, and the rights and obligations of each of the parties under the Underwriting Agreement, as so varied, shall continue to remain in full force and effect and are enforceable in accordance with their respective terms.
4. Unless otherwise defined herein or the context otherwise requires, words and expressions used in this side letter shall have the same meanings respectively given to them in the Underwriting Agreement.
5. This side letter shall be governed by and construed in accordance with the laws of Hong Kong.

IN WITNESS whereof the parties hereto have caused this side letter to be executed on 7 October 2015.

EXECUTION PAGE

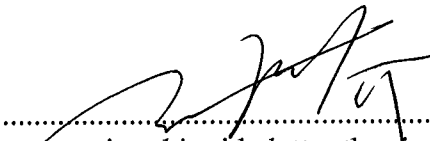
SIGNED by WANG XING QIAO)
as authorised representative for)
SHIHUA DEVELOPMENT)
COMPANY LIMITED)
in the presence of:)


.....)
Signature of witness)


.....)
Name of witness (block letters))
Xiang Yang Street, Huanren Town, Huanren)
Manchu Autonomous County, China)

.....)
Address of witness)

.....)
Secretary)
Occupation of witness)

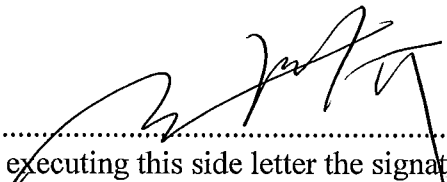

.....)
By executing this side letter the signatory)
warrants that the signatory is duly)
authorised to execute this side letter on)
behalf of Shihua Development Company)
Limited)

SIGNED by WANG XING QIAO
as authorised representative for
**ACHIEVE PROSPER CAPITAL
LIMITED**
in the presence of:

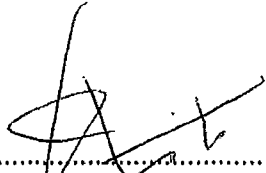

.....
Signature of witness

HU Qiqi
.....
Name of witness (block letters)
Xiang Yang Street, Huanren Town, Huanren
Manchu Autonomous County, China
.....
Address of witness

Secretary
.....
Occupation of witness


.....
By executing this side letter the signatory
warrants that the signatory is duly
authorised to execute this side letter on
behalf of Achieve Prosper Capital Limited

SIGNED by CHU, NICHOLAS YUK-YUI
as authorised representative for
KINGSTON SECURITIES LIMITED
in the presence of:



.....
Signature of witness

LI KA HANG

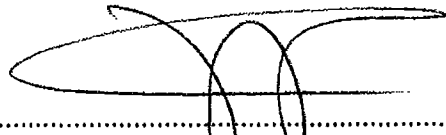
.....
Name of witness (block letters)

Suit 2801, 28/F, One I.F.O., 1 Harbour View St, HK

.....
Address of witness

Assistant Manager

.....
Occupation of witness



.....
By executing this side letter the signatory
warrants that the signatory is duly
authorised to execute this side letter on
behalf of Kingston Securities Limited

SIDE LETTER

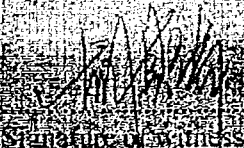
We, the undersigned, being all the parties to the underwriting agreement (the “**Underwriting Agreement**”) dated 20 August 2015 and entered into between Shihua Development Company Limited (the “**Company**”), Achieve Prosper Capital Limited (“**Achieve Prosper**”) and Kingston Securities Limited (“**Kingston Securities**”, and together with Achieve Prosper, the “**Underwriters**” and “**Underwriter**” shall mean any of them) in relation to the underwriting arrangement in respect of the Open Offer (as defined in the Underwriting Agreement) and the side letter dated 7 October 2015 (the “**First Side Letter**”), at the request of the Company and in consideration of each of the parties agreeing to enter into this side letter, hereby agree that:

1. In clause 1.1 of the Underwriting Agreement:
 - (i) the definition of the “**Latest Lodging Date**” shall be amended as 4:30 p.m. on Tuesday, 29 December 2015 instead of Friday, 16 October 2015;
 - (ii) the definition of the “**Latest Time for Acceptance**” shall be amended as 4:00 p.m. on Thursday, 21 January 2016 instead of Wednesday, 11 November 2015;
 - (iii) the definition of the “**Prospectus Posting Date**” shall be amended as Thursday, 7 January 2016 instead of Wednesday, 28 October 2015; and
 - (iv) the definition of the “**Record Date**” shall be amended as Wednesday, 6 January 2016 instead of Tuesday, 27 October 2015;
 - (v) the definition of the “**Settlement Date**” shall be amended as Wednesday, 27 January 2016 instead of Tuesday, 17 November 2015;
2. This side letter shall be supplemental to the Underwriting Agreement and supersede the First Side Letter.
3. All the provisions of the Underwriting Agreement, as varied by this side letter, and the rights and obligations of each of the parties under the Underwriting Agreement, as so varied, shall continue to remain in full force and effect and are enforceable in accordance with their respective terms.
4. Unless otherwise defined herein or the context otherwise requires, words and expressions used in this side letter shall have the same meanings respectively given to them in the Underwriting Agreement.
5. This side letter shall be governed by and construed in accordance with the laws of Hong Kong.

IN WITNESS whereof the parties hereto have caused this side letter to be executed on 25 November 2015.

EXECUTION PAGE

SIGNATURE: WANG XING QIAO
as authorized representative for
SHIHUA DEVELOPMENT
COMPANY LIMITED
in the presence of:

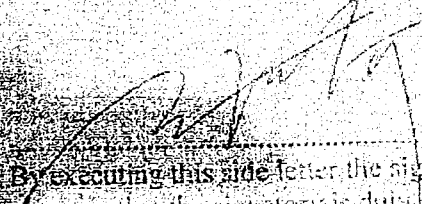


Signature of witness

Name of witness (block letters)

Address of witness

Occupation of witness



By executing this side letter the signatory
warrants that the signatory is duly
authorized to execute this side letter on
behalf of Shihua Development Company
Limited.

SIGNED BY WANG XING QIAO

in his capacity as representative for

ACHIEVE PROSPER CAPITAL

in the presence of

Signature of witness

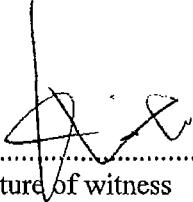
Name of witness (block letters)

Date of witness

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By executing this side letter the signatory warrants that the signatory is duly authorized to execute this side letter on behalf of Achieve Prosper Capital Limited

SIGNED by CHU, NICHOLAS Yuk-Yui)
as authorised representative for)
KINGSTON SECURITIES LIMITED)
in the presence of:)



.....)
Signature of witness)

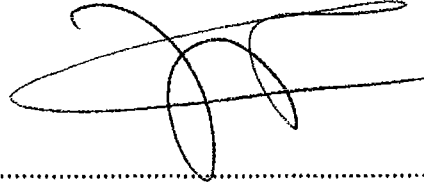
LI KA HANG)

.....)
Name of witness (block letters))

Suit. 2801 28/F, One IFC, 1 Harbour View St, HK)
.....)
Address of witness)

Assistant Manager)

.....)
Occupation of witness)



.....)
By executing this side letter the signatory)
warrants that the signatory is duly)
authorised to execute this side letter on)
behalf of Kingston Securities Limited)