

Date: 25 April 2015

SHIHUA DEVELOPMENT COMPANY LIMITED

and

ACHIEVE PROSPER CAPITAL LIMITED

UNDERWRITING AGREEMENT
relating to a rights issue of Adjusted Shares of
SHIHUA DEVELOPMENT COMPANY LIMITED

TABLE OF CONTENTS

<u>CLAUSE</u>	<u>HEADING</u>	<u>PAGE</u>
1.	Definition	1
2.	Conditions	5
3.	The Rights Issue and the Bonus Issue	6
4.	Underwriting	7
4A	Undertakings	9
5.	Allotment and issue	9
6.	Remuneration and expenses	9
7.	Representations, warranties and indemnities	10
8.	Termination and force majeure	14
9.	Announcements	15
10.	Successors and assigns	15
11.	Notices	15
12.	Time	16
13.	Governing law	16
14.	Counterparts	16
15.	Acknowledgment	16

EXECUTION

THIS AGREEMENT is made on 25 April 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 (the "**Underwriter**").

WHEREAS:

- (A) The Company was incorporated in Bermuda under the Companies Act and is a public company whose issued Existing Shares are listed on the Stock Exchange. As at the date hereof the Company has an authorised share capital of HK\$500,000,000 divided into 5,000,000,000 Existing Shares, of which 2,433,808,485 Existing Shares have been issued and are fully-paid or credited as fully-paid.
- (B) The Company proposes that subject, inter alia, to the conditions set out in Clause 2.1, the Company will make the Rights Issue to raise approximately HK\$301.79 million before expenses.
- (C) Application will be made by the Company to the Listing Committee of the Stock Exchange for listings of, and permissions to deal in, the Rights Shares in their nil-paid and fully-paid forms.
- (D) As at the date of this Agreement, the Underwriter is interested in 1,085,755,571 Existing Shares, representing approximately 44.61% of the existing issued share capital of the Company.
- (E) The Underwriter have agreed to underwrite the Underwritten Shares on the terms hereinafter appearing.

NOW IT IS HEREBY AGREED as follows:

1. DEFINITION

1.1. In this Agreement, unless the context otherwise requires, the following expressions have the following meanings:

Acquisition means the proposed acquisition of a property by the Group pursuant to the Sale and Purchase Agreement for a consideration of HK\$208,276,000, as more particularly described in the announcement and the circular of the Company dated 18 March 2015 and 29 April 2015, respectively;

Adjusted Shares means ordinary shares of HK\$0.10 each in the share capital of the Company immediately upon the Share Consolidation and the Capital Reduction becoming effective;

Bonus Issue means the issue of the Bonus Shares pursuant to the terms and conditions of the Prospectus Documents;

Bonus Shares means the bonus Adjusted Shares to be issued (for no additional payment) to the first registered holders of the Rights Shares on the basis of three (3) bonus Adjusted Shares for every two (2) Rights Shares taken up under the Rights Issue subject to the terms and upon the conditions as set out in the Prospectus Documents;

Business Day a day (other than a Saturday, Sunday, public holidays and days on which a tropical typhoon warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks are open for general banking business in Hong Kong;

Bye Laws means the bye-laws of the Company;

Capital Reduction means the proposal for the reduction of the nominal value of the Consolidated Shares from HK\$1.00 each to HK\$0.10 by canceling the paid up capital to the extent of HK\$0.90 on each of the issued Consolidated Shares immediately upon the Share Consolidation becoming effective;

Capital Reorganisation means the Share Consolidation and the Capital Reduction;

CCASS means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;

CCASS Underwritten Shares means those Underwritten Shares which the Underwriter request the Company to deposit into CCASS pursuant to Clause 4.4(b);

Companies Law means the Companies Act (1981) of Bermuda (as amended);

Companies Ordinance means Companies Ordinance (Chapter 622 of the Laws of Hong Kong);

Consolidated Shares means ordinary shares of HK\$1.00 each in the share capital of the Company immediately upon the Share Consolidation becoming effective;

Excess Application Form(s) means the form(s) of application for excess Rights Shares in such form as may be agreed between the Company and the Underwriter;

Excluded Shareholder(s) means 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 Rights Shares to such Shareholders;

Existing Share(s) means ordinary share(s) of HK\$0.10 each in the share capital of the Company before the implementation of the Capital Reorganisation;

Executive means the Executive Director of the Corporate Finance Division of the SFC or any of its delegate(s);

Group means the Company and the Subsidiaries;

Hong Kong means the Hong Kong Special Administrative Region of the People’s Republic of China;

Latest Time for Acceptance means 4:00 p.m., 2 July 2015 or such other date as may be agreed between the Company and the Underwriter and described as the latest time for acceptance of the Rights Shares in the Prospectus;

Latest Time for Termination means 4:00 p.m. on the first Business Day after the Latest Time For Acceptance or such later time or date as may be agreed between the Company and the Underwriter in writing;

Liaoning Shihua Property means Liaoning Shihua (Group) Property Development Company Limited (遼寧實華(集團)房地產開發有限公司);

Listing Rules means the Rules Governing the Listing of Securities on the Stock Exchange;

Overseas Letter means a letter to the Excluded Shareholders;

Overseas Shareholders means shareholders, other than the Underwriter, whose addresses as shown on the register of members of the Company on the Record Date are outside Hong Kong;

Press Announcement means the press announcement relating to, inter alia, the Capital Reorganisation, the Rights Issue, the Bonus Issue and the Whitewash Waiver;

Prospectus means a document relating to the Rights Issue and the Bonus Issue to be despatched to shareholders of the Company on the Prospectus Posting Date, in such form as may be agreed between the Company and the Underwriter;

Prospectus Documents means the Prospectus, the Provisional Allotment Letter and the Excess Application Form;

Prospectus Posting Date means 17 June 2015 or such other date as may be agreed between the Company and the Underwriter;

Provisional Allotment Letter(s) means the provisional allotment letter(s) to be used in connection with the Rights Issue in such form as may be agreed between the Company and the Underwriter;

“Purchaser” means Benxi Tongshengyuan Industry Company Limited (本溪同盛遠實業有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company;

Qualifying Shareholders means shareholders on the register of members of the Company on the Record Date, other than the Excluded Shareholders;

Record Date means 4:00 p.m., 16 June 2015 or on such other date as the Underwriter and the Company may agree;

Registrar means 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;

Remaining Untaken Shares means those (if any) Untaken Shares in excess of 75% of the voting rights of the Company which the Underwriter is called upon to take up under this Agreement;

Rights Issue means the proposed issue by way of the Rights Shares by way of rights upon the terms and conditions mentioned herein and more particularly described in the Press Announcement and the Prospectus Documents;

Rights Shares means 486,761,696 Adjusted Shares, the subject of the Rights Issue;

Sale and Purchase Agreement means the sale and purchase agreement dated 17 March 2015 (as amended and supplemented by the supplemental agreement dated 27 April 2015) entered into between Liaoning Shihua Property as vendor and the Purchaser as purchaser;

SFC means the Securities and Futures Commission of Hong Kong;

SGM means the special general meeting of the Company to be convened to consider and, if thought fit, approve the proposed Capital Reorganisation, the Rights Issue, the Bonus Issue and the Whitewash Waiver;

Share Consolidation means the consolidation of every ten (10) issued and unissued Share in the capital of Company into one (1) Consolidated Shares of HK\$1.00 each;

Stock Exchange means The Stock Exchange of Hong Kong Limited;

Subscription Price means the price of HK\$0.62 per Rights Share;

Takeovers Code means the Code on Takeovers and Mergers promulgated by the SFC;

Undertakings means the irrevocable undertakings given by the Underwriter and set out in Clause 4A;

Underwritten Shares means all the Rights Shares, other than the provisional entitlements which the Underwriter has irrevocable undertaken to take up pursuant to the Undertakings, to be underwritten by the Underwriter;

Untaken Shares means all those Underwritten Shares for which duly completed Provisional Allotment Letters or Excess Application Forms (accompanied by cheques or banker's cashier orders for the full amount payable on application 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;

Verification Notes means the verification notes to be prepared in connection with the Prospectus Documents (together with the Overseas Letters) in forms previously approved by the Underwriter; and

Whitewash Waiver means 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 the Underwriter to make a general offer for all the issued Adjusted Shares not already owned or agreed to be acquired by the Underwriter and parties acting in concert with it which may otherwise arise as a result of the subscription of the Rights Shares by the Underwriter pursuant to the Underwriting Agreement;

HK\$ means Hong Kong dollars, the lawful currency of Hong Kong.

1.2 In this Agreement, the expressions *subsidiary* and *holding company* shall have the same meanings as their respective definitions in the Companies Ordinance.

1.3 A *person* includes, unless the context otherwise requires, a reference to any individual, firm, company, corporation, body or other body corporate, government, state of agency of a state or any joint venture, association or partnership, works council or employee representative body (whether or not having separate legal personality).

1.4 References to *writing* or *written* shall include any methods of producing or reproducing words in a legible and non-transitory form and, for the avoidance of doubt, expressly excludes any form of electronic transmission record(s), including, but not limited to, electronic mail, telex and facsimile.

1.5 Unless the context requires otherwise, references to words importing the plural include the singular and *vice versa* and words importing a gender include every gender.

1.6 Headings are inserted for convenience only and shall not affect the construction of this Agreement.

1.7 A clause, paragraph or Schedule, unless the context otherwise requires, is a reference to a clause or paragraph of, or Schedule to, this Agreement.

1.8 The Schedules to this Agreement are and form part of this Agreement as if they were included in the body of this Agreement.

1.9 Reference to a time of the day is to Hong Kong time.

2. CONDITIONS

2.1 This Agreement is conditional on:

(a) 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) in accordance with section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance as having been approved by resolutions of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules, the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the Companies (Winding Up and Miscellaneous Provisions) Ordinance not later than the Prospectus Posting Date;

(b) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus to the Excluded Shareholders, if any, for information purposes only, on or before the Prospectus Posting Date;

(c) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and the permission to deal in, the Adjusted Shares, the Rights Shares (in both nil-paid and fully-paid forms) and the Bonus Shares by no later than the first day of their dealings;

(d) the obligations of the Underwriter under this Agreement becoming unconditional and this Agreement not being terminated by the Underwriter pursuant to the terms hereof prior to the Latest Time For Termination;;

(e) the Acquisition has been approved at the special general meeting of the Company to be held on 22 May 2015 (or any adjourned meeting thereof);

(f) 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 Rights Issue, the Bonus Issue and this Agreement and the transactions contemplated thereunder (including this Agreement) and authorising the Directors to allot and issue the Rights Shares (in their nil-paid and fully-paid forms) and the Bonus 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;

(g) the Executive granting to the Underwriter the Whitewash Waiver and the satisfaction of all conditions (if any) attached thereto;

(h) the Capital Reorganisation having become effective ;

(i) the compliance with and performance of all undertakings and obligations of the Underwriter, or any of its associates, under the Underwriting Agreement; and

(j) if necessary, the obtaining of the consent or permission from the Bermuda Monetary Authority in respect of the issue of the Rights Shares and the Bonus Shares.

and so that in the event of the said conditions not being fulfilled or waived on or before the respective dates aforesaid (or such later date or dates as may be agreed between the Company and the Underwriter) or if this Agreement shall be rescinded pursuant to Clause 8 all obligations and liabilities of the parties hereunder will forthwith cease and determine and no party will have any claim against the others (save for any antecedent breaches hereof).

2.2 The Company agrees to use its best endeavours to procure fulfillment of all the conditions mentioned in Clause 2.1 and to do all such other acts and things as may be required to carry into effect the Rights Issue. The Underwriter shall give the Company all necessary assistance in this connection.

3. THE RIGHTS ISSUE AND THE BONUS ISSUE

Subject to fulfillment of the conditions set out in Clause 2.1:

(a) the Company will provisionally allot the Rights Shares nil-paid to the Qualifying Shareholders (other than the Excluded Shareholders) in the proportion of nine (9) Rights Share for every one (1) Adjusted Shares held at the close of business on the Record Date so that the Rights Shares which, but for this Clause 3, would be provisionally allotted to the Excluded Shareholders will be dealt with as mentioned below and that no fractions of Rights Shares shall be allotted but such fractions will be dealt with as mentioned below;

(b) the Company will offer the Rights Shares to the Qualifying Shareholders (other than the Excluded Shareholders) at the Subscription Price by posting the Prospectus Documents to such holders on the Prospectus Posting Date, on the basis that payment for each Rights Share will be made in full on acceptance not later than 4:00 p.m. on the Latest Time for Acceptance;

(c) the Company will provisionally allot the Rights Shares which but for Clause 3(a) would be provisionally allotted in nil-paid form to Excluded Shareholders to a nominee of the Company which will arrange for the sale of such nil-paid rights as soon as practicable after the commencement of dealings on the Stock Exchange in Rights Shares in nil-paid form if a net premium can be obtained therefor, and, if and to the extent that such rights can be so sold, the nominee will thereafter account to the Company for

the net proceeds of sale (after deducting the expenses of sale if any), which will be distributed by the Company in Hong Kong dollars to the Excluded Shareholders pro rata (but rounded down to the nearest cent) to their shareholdings on the Record Date, except that individual amounts of less than HK\$100 shall not be so distributed but shall be retained for the benefit of the Company;

(d) the Company will on the Prospectus Posting Date post the Overseas Letters to the Excluded Shareholders accompanied by a copy of the Prospectus stamped "For Information Only" in accordance with the requirements of the Companies Ordinance; and

(e) the Rights Shares provisionally allotted but not accepted and any Rights Shares representing entitlements of Excluded Shareholders the rights to which are not sold pursuant to Clause 3(c), will be offered to the Qualifying Shareholders (other than Excluded Shareholders) by means of the Excess Application Forms.

4. UNDERWRITING

4.1 Subject to the provisions of this Agreement, if and to the extent that at Latest Time for Acceptance, there shall remain any of the Underwritten Shares in respect of which valid acceptances of Provisional Allotment Letters or valid applications on Excess Application Forms, accompanied by remittances for the relevant amounts payable on acceptance or application, have not by then been received either on acceptances of Provisional Allotment Letters or on applications on Excess Application Forms, then the Underwriter shall subscribe or procure subscribers for the same on the terms of the Prospectus Documents save as regards the time for acceptance and payment and shall pay or procure to be paid to the Company the amount due on acceptance in respect thereof, subject to and in accordance with the provisions of Clause 4.3 and subject to the following:

(a) in the event of the Underwriter is called upon to subscribe for the Untaken Shares, the Underwriter shall not subscribe, for its own account, for such number of Untaken Shares which will result in the shareholding of the Underwriter and parties acting in concert with it in the Company to exceed 75% of the voting rights of the Company upon the completion of the Rights Issue and the Bonus Issue; and

(b) the Underwriter shall, as soon as practicable and in any event no later than the date of despatch of the Prospectus Documents (or such other time the Company and the Underwriter may agree), procure sub-underwriters for the Remaining Undertaken Shares, and shall use its best endeavours to ensure that each of sub-underwriters for the Remaining Untaken Shares procured by it and (if any) the subscribers procured by such sub-underwriters (i) shall be third party independent of, not acting in concert (within the meaning of the Takeovers Code) with and not connected with the Directors or chief executive of the Company or substantial shareholders of the Company or their respective associates and concert parties; and (ii) shall not, together with any party acting in concert with such sub-underwriters and (if any) subscribers, hold 10% or more of the voting rights of the Company upon completion of the Rights Issue and the Bonus Issue.

The Company hereby undertakes with the Underwriter to accept applications on Excess Application Forms which shall have been submitted in accordance with the terms and conditions set out in the Prospectus Documents before calling on the Underwriter to perform its obligations imposed by this Clause 4.1.

4.2 In acting as agent of the Company hereunder, the Underwriter shall comply fully with all relevant laws and shall not do or omit anything the doing or omission of which shall or might cause the Company or any of its directors to be in breach of any relevant laws and in particular, but without

prejudice to the generality of the foregoing, shall ensure that all offers made by it of the Rights Shares are made only in compliance with all relevant securities legislation 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 Bermuda and the Underwriter shall not make or purport to make on behalf of the Company any representation or warranty not contained in the Prospectus Documents herein.

4.3 The Company undertakes to keep the Underwriter regularly informed of the number of Rights Shares validly accepted or applied for during the period up to the Latest Time for Acceptance and shall notify the Underwriter in writing as soon as practicable thereafter of the total number of the Untaken Shares (if any), and the Underwriter shall, if there exists any Untaken Shares, subscribe or procure subscribers as aforesaid and pay or procure the payment of the aggregate Subscription Price in respect thereof less any amount payable to the Underwriter pursuant to Clause 6, by not later than 5:00 p.m. on the second Business Day following the Latest Time for Acceptance.

4.3A The Company (for itself and on behalf of the Purchaser) and the Underwriter (for itself and on behalf of Liaoning Shihua Property) have agreed to set off the consideration of the Acquisition of HK\$208,276,000 payable by the Purchaser to Liaoning Shihua Property on a dollar-to-dollar basis and at the equivalent amount of Hong Kong dollars against, firstly the aggregate Subscription Price which the Underwriter is obliged to pay to subscribe for its provisional entitlement of the Rights Issue in full pursuant to the Undertaking; and secondly the aggregate Subscription Price which the Underwriter is obliged to pay for the Untaken Shares under this Agreement.

4.4 The Underwritten Shares dealt with as provided in Clauses 4.1 and 4.3 shall be duly allotted and issued and either:

(a) the allottees thereof shall be duly entered on the register of members of the Company in respect of the Rights Shares so allotted and certificates in respect thereof shall be issued in such names and in such denominations as the Underwriter may reasonably require and the same shall be delivered to the Underwriter or as they may direct; or

(b) in respect of those Underwritten Shares which the Underwriter request the Company to deposit into CCASS, the Company shall credit to the Underwriter's account with CCASS and provide sufficient evidence or confirmation of the same to the Underwriter. If any of the CCASS Underwritten Shares are not accepted into CCASS by 10 July 2015, certificates in respect of such CCASS Underwritten Shares shall be issued in respect thereof on the basis set out in Clause 4.4(a),

as soon as practicable upon receipt by the Company of payment as aforesaid. Following payment as aforesaid, all obligations and liabilities of the Underwriter under this Agreement shall cease.

4.5 The Underwriter shall not be responsible for any loss or damage to any person arising from any such transaction which is carried out in accordance with Clause 4.2 or from any alleged insufficiency of any dealing price at which any of the Underwritten Shares in their nil-paid form may be sold or for the timing of any such sale except in so far as any such loss or damage arises from the material breach by the Underwriter of its obligations under this Agreement or the gross negligence of the Underwriter.

4.6 If the Underwriter shall default in complying with its obligations under Clause 4.1, the Company is hereby irrevocably authorised to treat this Agreement as an application by the 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 acceptance and payment) for the Untaken Shares and to allot and issue the same to the Underwriter upon such terms and conditions. In such event, the Underwriter shall pay to the Company the full amount in respect of the Untaken Shares less any amount payable to the

Underwriter pursuant to Clause 6 against delivery by the Company to the Underwriter (or as it may direct) of documentary evidence of entitlement to the relevant Untaken Shares reasonably satisfactory to the Underwriter.

4.7 In any event that the public float of the Company shall fall below the prescribed percentage applicable to the Company under the Listing Rules, the Underwriter hereby undertakes to place out sufficient Rights Shares that will be required to be underwritten by it under this Agreement to independent third parties not connected or associated with the directors, substantial shareholders or chief executive of the Company and its subsidiaries, or any of their respective associates (has the meanings ascribed to it under the Listing Rules) as soon as practicable after the Latest Time for Acceptance in order to restore the public float of the Company to not less than the prescribed percentage applicable to the Company under the Listing Rules.

4A. UNDERTAKINGS

The Underwriter irrevocably undertakes to the Company as follows:

- (a) it will subscribe for the 217,151,114 Rights Shares (with entitlement to the Bonus Shares) to which it will be entitled to pursuant to the terms of the Rights Issue;
- (b) the Shares or the Adjusted Shares (as the case may be) comprising its current shareholding will remain registered in the names of the Underwriter at the close of business at the Record Date as they are on the date of this Agreement;
- (c) it will procure that the applications in respect of the 217,151,114 Rights Shares (with entitlement to the Bonus Shares), being its entitlements under the Rights Issue will be lodged with the Registrar, with payment in full therefor in cash, by no later than the Latest Time for Acceptance and otherwise in accordance with the instructions printed on the Provisional Allotment Letter(s); and
- (d) it will not exercise the conversion right attaching to the Convertible Bonds from the date of this Agreement to the Record Date.

5. ALLOTMENT AND ISSUE

5.1 As soon as reasonably practicable following the determination of the basis of allocation of the Rights Shares and performance by the Underwriter of its obligations under Clause 4 (if called upon to do so), the Company will duly allot and issue the Rights Shares validly accepted or validly applied for as soon as practicable after the Latest Time for Acceptance and will issue certificates for the Rights Shares to the respective subscribers in accordance with the terms of the Prospectus Documents.

5.2 The Rights Shares taken up by the Underwriter as provided in Clause 4 will be duly allotted and issued and certificates in respect thereof will be issued in such names and in such denominations as the Underwriter may require and the same will be delivered to the Underwriter or as it may direct, as soon as is practicable following receipt by the Company of payment as aforesaid.

6. REMUNERATION AND EXPENSES

6.1 In consideration of the Underwriter's services and provided the Rights Issue, the Bonus Issue and this Agreement shall have become unconditional and the Rights Issue and the Bonus Issue shall have been completed in accordance with their terms and the Underwriter shall have fulfilled all its material

obligations hereunder (whether or not the Underwriter is called upon to subscribe or procure subscribers for the Untaken Shares pursuant to Clause 4), the Company will pay to the Underwriter an underwriting commission of an amount equal to two and a half (2.5) per cent of the total Subscription Price on the Underwritten Shares underwritten by the Underwriter.

6.2 The Underwriter will be at liberty to deduct the amount of underwriting commission from the amount of any subscription moneys payable pursuant to Clause 4 but in the event that the said commission is not discharged by deduction as aforesaid, the same will be paid by the Company to the Underwriter by not less than five Business Days after the Latest Time for Acceptance. Out of the said commission the Underwriter will pay its own sub-underwriting commission (if any) it may incur in respect of the Rights Shares.

6.3 The Company will by not less than five Business Days after the Latest Time for Acceptance pay all other costs, charges and expenses howsoever of or incidental to the Rights Issue and the arrangements hereby contemplated including printing and translation charges, capital duty, the fees and disbursements of the Company's auditors, solicitors, registrars and receiving bankers to the Rights Issue (if any) and the fees payable to the Stock Exchange and the Registrar of Companies.

7. REPRESENTATIONS, WARRANTIES AND INDEMNITIES

7.1 The Company hereby represents, warrants and undertakes to the Underwriter that, subject as provided herein:

- (a) Recitals (A) and (C) to this Agreement are true and accurate in all material respects;
- (b) the information relating to the Group supplied to the Underwriter by the Company or its advisers for the purpose of the Rights Issue and the Bonus Issue has been prepared after due and proper consideration, is fair and reasonable and represents reasonable expectations based on assumptions referred to therein and facts known to the Company and its directors and such assumptions are fair and reasonable and there are no other assumptions on which such information is based (other than the assumptions referred to therein);
- (c) all statements of fact contained or to be contained in the Prospectus Documents (other than those made by the Underwriter) are or shall when made be true and accurate in all material respects and are not or shall not be misleading in any material respect and shall not, in the reasonable opinion of the Underwriter after full consultation with the Company, be materially adverse to the success of the Rights Issue and the Bonus Issue and there are no facts, which are known or on reasonable enquiry could have been known to the Company and its directors and which have not been disclosed to the Underwriter and shall not be disclosed in the Prospectus Documents, the omission of which could make any statement in the Prospectus Documents misleading or which in the context of the Rights Issue and the Bonus Issue are material for disclosure therein;
- (d) the statements and the expressions of opinion, intention and expectation of the Company and its directors to be contained in the Prospectus Documents or in the documents referred to therein have been, or shall be, made after due and proper consideration, are fair and reasonable and based on facts known to the Company and its directors and shall not contain anything which, in the opinion of the Underwriter after full consultation with the Company, is materially adverse to the success of the Rights Issue and the Bonus Issue;
- (e) the Prospectus Documents shall contain all material particulars required to comply with all Hong Kong statutory and other provisions so far as applicable and the requirements of the Stock Exchange and

the issue of the Rights Shares and the Bonus Shares in accordance with the Prospectus Documents shall comply with the Companies Ordinance, the Companies Act, the requirements of the Stock Exchange and all other relevant regulations in Hong Kong 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;

(f) subject to fulfillment of the conditions set out in Clause 2.1, the Company has power under its memorandum of association and bye-laws to, and has taken all necessary corporate or other action to enable it to, enter and perform its obligations under this Agreement and to make the Rights Issue and the Bonus Issue, to allot and issue the Rights Shares and the Bonus Shares and to deal with the Rights Shares attributable to the Excluded Shareholders as may be specified in the Prospectus Documents and no other consents, actions, authorisations or approvals are necessary to enable or authorise it to do any of the aforesaid;

(g) the obligations of the Company contained in this Agreement constitute the legal, valid and binding obligations of each of them respectively enforceable in accordance with the terms herein;

(h) the returns for taxation purposes, which ought to have been made by or in respect of each 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 such dispute which is material 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;

(i) the Company shall have available for issue sufficient Adjusted Shares to permit to be issued the Rights Shares and the Bonus Shares;

(j) there has been no adverse change or any development in the financial condition, or operations or prospectus of any company in the Group since 31 March 2014 which would be considered material in the context of the Rights Issue and the Bonus Issue;

(k) 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 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;

(l) 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;

(m) each of the companies in the Group has since 31 March 2014 or the respective dates to which the latest audited accounts of such companies were made up to (where applicable) carry on business in the ordinary and usual course and since such date has not entered into any material contracts or commitments of an unusual or onerous nature;

(n) no company in the Group has any material capital commitment other than arising in the ordinary course of its business;

(o) no litigation or arbitration proceedings of a material nature involving any company in the Group are in progress or are threatened or pending and there are no circumstances known to any of the companies in the Group or any of their respective director which are likely to give rise to any such litigation or arbitration proceedings;

(p) no circumstance has arisen such that any person is now or shall be entitled (or would with the giving of notice be entitled) to require payment of any material indebtedness, or guarantee or indemnity of any liability, of any company in the Group by reason of default or otherwise by any such company or any other person or otherwise;

(q) the Company shall take all steps as may be necessary to procure that listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms and the Bonus Shares, are granted by the Stock Exchange in all cases prior to 19 June 2015 being the expected date of commencement of dealings in the Rights Shares in nil-paid form (or such other date as may be agreed between the Company and the Underwriter) and not thereafter revoked including (without limitation) by procuring that all relevant applications, documents and information, in an appropriate form, are submitted or provided to the Stock Exchange;

(r) the audited consolidated accounts of the Group in respect of the financial year ended 31 March 2014; are accurate in all material respects and are not misleading and give a true and fair view of the state of affairs, financial position, assets and liabilities of the Group and, in particular, contain full provisions as at 31 March 2014, for all actual liabilities, proper provision for all material contingent liabilities and adequate provision for doubtful debts of the Group;

(s) the Rights Shares and the Bonus Shares, when fully-paid, shall rank pari passu in all respects with the Adjusted Shares then in issue, including as to the right to receive all dividends and distributions which may be declared, made or paid on or after the date of allotment of the Rights Shares and the Bonus Shares; and

(t) the Prospectus Documents shall contain all information with regard to the Group which is or might be material for disclosure to a potential holder of the Rights Shares and the Bonus Shares to enable it to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Group and of the rights attaching to the Rights Shares and the Bonus Shares.

7.2 The representations and warranties contained in Clause 7.1 are given as at the date hereof. In addition, they shall be deemed to be repeated on the Prospectus Posting Date with respect (where relevant) to the Prospectus Documents in their final form and on the Latest Time for Acceptance, in each case with reference to the facts and circumstances then subsisting. The Company accepts that the Underwriter is entering into this Agreement in reliance on such representations and warranties. The Company shall not do or omit to do (and shall procure that no subsidiary or associated company of the Company shall do or omit to do) any act or thing whereby any of the representations or warranties in Clause 7.1 would be untrue in any material respect on the Prospectus Posting Date or on the Latest Time for Acceptance and the Company undertakes to notify the Underwriter of any matter or even coming to its attention prior to the despatch of the Prospectus Documents or prior to the Latest Time for Acceptance which shows any representation or warranty to be or to have at any relevant time been untrue or inaccurate in any material respect or which, had the representations and warranties contained in Clause 7.1 been repeated on each day prior to the Latest Time for Acceptance, would have shown any representation or warranty to be or to have at any relevant time been untrue or inaccurate in any material respect.

7.3 If, prior to the despatch of the Prospectus Documents or on or prior to the Latest Time for Acceptance, any matter or event comes to the attention of the Company, as a result of which any representation or warranty, if repeated immediately after the occurrence thereof, would be untrue or inaccurate in any material respect or which would or might render untrue, inaccurate in any material respect or misleading any statement, whether of fact or opinion, contained in the Prospectus Documents if the same were issued immediately after such occurrence, the Company (as appropriate) shall forthwith notify the Underwriter thereof and, but without prejudice to the rights of the Underwriter pursuant to

Clause 8, the Company and the Underwriter shall forthwith consult with a view to agreeing what steps should be taken (including without limitation notifying the Stock Exchange and the SFC and taking any steps necessary to avoid a false market in the Rights Shares and the Bonus Shares, what changes, if any, should be made to the Prospectus Documents or, if the Prospectus Documents have already been despatched, what announcement or circular, if any, should be made or despatched). The Company agrees not to make any such changes or announcements or despatch any such circular without the prior written consent of the Underwriter, such consent not to be unreasonably withheld.

7.4 The Company shall on demand indemnify the Underwriter and shall on demand hold the Underwriter 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 breach by the Company of any provision of this Agreement, or any claim which may be brought or threatened to be brought against the 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 Underwriter of its obligations hereunder (and provided that such loss or liability is not connected with any failure by the Underwriter to comply strictly with its obligations under Clause 4.1), by any subscriber or sub-underwriter of any of the Rights 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:-

- (a) the Prospectus Documents not containing all the information required 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;
- (b) 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 Rights Shares;
- (c) against any claims and proceedings arising out of matters which constitute a material breach of the representations and warranties in Clause 7.1;
- (d) other than a non-compliance or breach by the Underwriter's obligations pursuant to Clause 4.2, any breach of the laws or regulations of any country resulting from the allotment or issue of the Rights Shares or the Bonus Shares or the distribution of the Prospectus Documents;
- (e) any misrepresentation by either the Company or any of the directors of the Company or any employee of the Company in connection with the Rights Issue and the Bonus Issue; or
- (f) the allotment or issue of the Rights Shares and the Bonus 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 Underwriter may properly incur or bear in disputing any such claim made against it or establishing any claim on its part under the foregoing provisions of this Clause 7.4 provided that this indemnity shall not relate to any claims or proceedings costs or expenses arising from any negligent act, omission or default, on the part of the Underwriter and that the conduct of the defence (including any settlement of any such claim) shall be carried out by the Underwriter after, and on the basis of, regular consultation with the Company.

7.5 The Company shall not make any claim against the Underwriter to recover any damages which the Company may suffer arising out of the performance by the Underwriter of its obligations hereunder, provided that such damages do not arise from any negligent act, omission or wilful default, on the part of the Underwriter.

7.6 If the Underwriter becomes aware of any claim relevant for the purposes of Clause 7.4, the Underwriter shall 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 Underwriter being indemnified and secured to its reasonable satisfaction against all losses and expenses to which it might thereby render itself liable to suffer and incur including without limitation reasonable legal expenses properly incurred by its legal advisers.

7.7 The undertakings, representations, warranties and indemnities in this Agreement shall remain in full force and effect notwithstanding completion of the Rights Issue and all matters and arrangements referred to in or contemplated by this Agreement.

8. TERMINATION AND FORCE MAJEURE

8.1 The Underwriter reserve the right to terminate the arrangements set out in this Agreement by notice in writing given by the Underwriter to the Company at any time prior to the Latest Time for Termination if:

(a) it has come to the notice of the Underwriter:

(i) that any statement, considered reasonably by the Underwriter to be material, contained in the Prospectus Documents was when the Prospectus Documents were issued, or has become untrue, incorrect or misleading in any material respect; or

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the Prospectus Posting Date, constitute an omission therefrom reasonably considered by the Underwriter to be material; or

(iii) any breach of the warranties in accordance with the terms of the Underwriting Agreement reasonably considered by the Underwriter to be material; or

(iv) any event, act or omission which in the reasonable opinion of the Underwriter gives or is likely to give rise to any material liability of the Company pursuant to the terms of the Underwriting Agreement; or

(v) any material breach of any material obligations or undertakings of the Company contained in the Underwriting Agreement; or

(vi) any adverse change in the business or in the financial or trading position of any member of the Group which is material in the context of the Rights Issue and the Bonus Issue; or

(b) in the sole opinion of the Underwriter, the success of the Rights Issue and the Bonus Issue would be materially and adversely affected by:

(i) 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 materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

(ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic, currency or other nature (whether or not sui 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 market which 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 Rights Issue and the Bonus Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue and the Bonus Issue;

(c) any change in market conditions (including without limitation suspension or material restriction on trading in securities) occurs which is likely to materially and adversely affect the success of the Rights Issue and the Bonus Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue and the Bonus Issue; or

(d) any change in the circumstances of the Company or any members of the Group which will materially and adversely affect the prospects of the Company.

8.2 Upon the giving of notice pursuant to Clause 8.1, all obligations of the Underwriter hereunder shall cease and determine and no party shall have any claim against any other parties in respect of any matter or thing arising out of or in connection with this Agreement, provided however that the Company shall remain liable to pay to the Underwriter as specified in Clauses 6.3 and that Clauses 7.4 and 11 shall remain in full force and effect.

9. ANNOUNCEMENTS

Subject as required by law or by the Stock Exchange or by the SFC, the Company shall not issue any announcement or circular relating to the Rights Issue and the Bonus Issue from the date hereof up to and including the completion of the Rights Issue and the Bonus Issue without prior consultation with the Underwriter as to the contents thereof and the timing and manner of the making or despatch thereof, and the Company will take into account all reasonable requirements on the part of the Underwriter in relation thereto.

10. SUCCESSORS AND ASSIGNS

10.1 This Agreement shall be binding on and enure for the benefit of each party's personal representatives, successors and (where permitted) assigns.

10.2 No part of this Agreement may be assigned by any party without the prior written consent of the other parties hereto.

11. NOTICES

Any notice or other communication to be given under this Agreement shall be in writing but may also be given or made by facsimile or post. Any such notice or communication shall be sent to the party to whom it is addressed and must contain sufficient reference and/or particulars to render it readily identifiable with the subject matter of this Agreement. If so given by facsimile, such notice or communication shall be deemed received on the date of despatch and if so sent by post (or, if sent to an address outside of Hong Kong, so sent by first class air-mail) shall be deemed received three Business Days after the date of despatch.

12. TIME

Time shall be of the essence of this Agreement.

13. GOVERNING LAW

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


14. COUNTERPARTS

This Agreement may consist of a number of counterparts and the counterparts taken together constitute one and the same instrument.

15. ACKNOWLEDGMENT

The Underwriter hereby acknowledges that Locke Lord only acts for the Company in connection with the Rights Issue and the Bonus Issue and in particular this Agreement and the Underwriter have been duly advised to seek independent legal advice and to obtain separate legal representations.

SIGNED by)
as authorised 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 agreement the
signatory warrants that the signatory
is duly authorised to execute this agreement
on behalf of Shihua Development Company
Limited

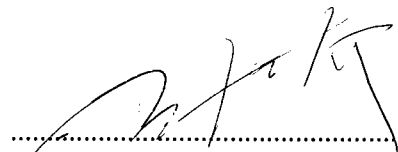
SIGNED by)
as authorised representative for)
ACHIEVE PROSPER CAPITAL LIMITED)
in the presence of:)

.....)
Signature of witness)

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

.....)
Address of witness)

.....)
Occupation of witness)


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