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**Shihua Development Company Limited**  
**實華發展有限公司**

*(Incorporated in Bermuda with limited liability)*

(Stock code: 485)

**PLACING OF NEW SHARES UNDER GENERAL MANDATE**

**Placing Agent**



**金利豐證券**

**KINGSTON SECURITIES**

**THE PLACING**

On 14 July 2015 (after trading hours), the Placing Agent and the Company entered into the Placing Agreement pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a best effort basis, up to 486,760,000 Placing Shares at the Placing Price of HK\$0.124 per Placing Share to currently expected to be not fewer than six Placers who and whose beneficial owners shall be Independent Third Parties. The Placing Shares will be allotted and issued pursuant to the General Mandate granted to the Directors at the SGM held on 22 May 2015.

Assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the completion of the Placing, the maximum number of Placing Shares under the Placing represent (i) approximately 20.00% of the existing issued share capital of the Company of 2,433,808,485 Shares as at the date of this announcement; and (ii) approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares. The aggregate nominal value of the maximum number of Placing Shares under the Placing will be HK\$48,676,000.

The Placing Price of HK\$0.124 represents a discount of approximately 15.65% to the benchmarked price of the Shares, which is the higher of (i) the closing price of HK\$0.147 as quoted on the Stock Exchange on the date of the Placing Agreement; and (ii) the average closing price of approximately HK\$0.147 in the last five trading days prior to the date of the Placing Agreement.

It is expected that the maximum gross proceeds and net proceeds from the Placing will be approximately HK\$60.4 million and HK\$59.4 million respectively. The net proceeds from the Placing are intended to be used for (i) possible opportunities for the development of renewable energy business; and (ii) general working capital of the Group.

**The Placing may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## **THE PLACING AGREEMENT**

### **Date**

14 July 2015 (after trading hours)

### **Issuer**

The Company

### **Placing Agent**

Kingston Securities Limited

The Company has conditionally agreed to place through the Placing Agent, on a best effort basis, up to 486,760,000 Placing Shares to independent Placees. The terms of the Placing Agreement were arrived at after arm's length negotiations between the Company and the Placing Agent under normal commercial terms and with reference to the prevailing market condition. The Directors are of the view that the terms of the Placing Agreement are fair and reasonable based on current market conditions.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Placing Agent and its associates are Independent Third Parties. As at the date of this announcement, the Placing Agent and its associates were not interested in any Share.

### **Placees**

The Placing Agent will, on a best effort basis, place the Placing Shares to currently expected to be not fewer than six Placees (who are independent professional, institutional or other investors), who and whose ultimate beneficial owner(s) are Independent Third Parties. If any of the Placees becomes a substantial Shareholder (as defined under the Listing Rules) after the completion of the Placing, a further announcement will be made by the Company.

## **Number of Placing Shares**

Assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the completion of the Placing, the maximum number of 486,760,000 Placing Shares under the Placing represent (i) approximately 20.00% of the existing issued share capital of the Company of 2,433,808,485 Shares as at the date of this announcement; and (ii) approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares. The aggregate nominal value of the maximum number of Placing Shares under the Placing will be HK\$48,676,000.

## **Ranking of Placing Shares**

The Placing Shares under the Placing will rank, upon issue and fully paid, *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Placing Shares.

## **Placing Price**

The Placing Price of HK\$0.124 represents a discount of approximately 15.65% to the benchmarked price of the Shares, which is the higher of (i) the closing price of HK\$0.147 as quoted on the Stock Exchange on the date of the Placing Agreement; and (ii) the average closing price of approximately HK\$0.147 in the last five trading days prior to the date of the Placing Agreement.

The Placing Price was determined with reference to the prevailing market price of the Shares and was negotiated on an arm's length basis between the Company and the Placing Agent. The Directors consider that the terms of the Placing are on normal commercial terms and are fair and reasonable based on the current market conditions. Hence, the Placing is in the interests of the Company and the Shareholders as a whole.

## **General Mandate to allot and issue the Placing Shares**

The Placing Shares will be issued under the General Mandate to allot, issue and deal with Shares granted to the Directors by resolution of the Shareholders passed at the SGM subject to the limit up to 20% of the then issued share capital of the Company as at the date of the SGM. Accordingly, the issue of the Placing Shares is not subject to the approval of the Shareholders.

Under the General Mandate, the Company is authorised to issue up to 486,761,697 Shares under the General Mandate. Up to the date of this announcement, no Share has been issued under the General Mandate.

## **Application for listing of Placing Shares**

Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Placing Shares.

## **Conditions of the Placing**

Completion of the Placing is conditional upon:

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

## **Completion of the Placing**

Completion of the Placing, in any event, will take place within four business days after the fulfillment and/or waiver of the conditions as set out in paragraph headed “Conditions of the Placing” above or such other date to be agreed between the Company and the Placing Agent in writing (the “**Completion Date**”). If the above conditions are not satisfied and/or waived (other than condition (i) above, which cannot be waived) in whole or in part by the Placing Agent on or before 5:00 p.m. on 28 July 2015 (being the tenth Business Day after the date of signing of the Placing Agreement) or such later date to be agreed between the Company and the Placing Agent in writing, the Placing Agreement will be terminated and the Placing will not proceed and all obligations and liabilities of the parties under the Placing Agreement will forthwith cease and determine and no party will have any claim against the others (save for any antecedent breaches thereof).

## **Termination and force majeure**

The Placing Agent may terminate the Placing Agreement by notice in writing prior to 9:00 a.m. on the Completion Date, if in the absolute opinion of the Placing Agent, the success of the Placing would be materially and adversely affected by any force majeure events:

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

financial or trading position or prospects of the Group as a whole or adversely prejudices the success of the placing of the Placing Shares to potential investor(s) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the Placing;  
or

- (c) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction on trading in securities) occurs which affect the success of the Placing (such success being the placing of the Placing Shares to potential investor(s)) or otherwise in the absolute opinion of the Placing Agent makes it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Placing.

If, at or prior to 9:00 a.m. on the Completion Date:

- (a) the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed or assumed under the Placing Agreement; or
- (b) any suspension in the trading of the Shares on the Stock Exchange for more than ten consecutive trading days save for the purposes of clearing of the announcement relating to the Placing Agreement; or
- (c) the Placing Agent shall become aware of the fact that any of the representations or warranties contained in the Placing Agreement was, when given, untrue or inaccurate or would in any respect be untrue or inaccurate, if repeated, the Placing Agent shall, in its absolute opinion, determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the financial or trading position or prospects of the Company taken as a whole or will otherwise likely to have a material prejudicial effect on the Placing,

the Placing Agent shall be entitled (but not bound) by notice in writing to the Company to elect to treat such matter or event as releasing and discharging the Placing Agent from its obligations under the Placing Agreement.

Upon giving of notice pursuant to the paragraph above, all obligations of the Placing Agent under the Placing Agreement 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 the Placing Agreement, save for any antecedent breaches.

The Directors are not aware of the occurrence of any of such events as at the date of this announcement.

**The Placing may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## **REASONS FOR THE PLACING AND USE OF PROCEEDS**

The Group is principally engaged in the design, manufacture and sale of a wide range of electronic products, properties investment and securities trading. The maximum gross proceeds and net proceeds from the Placing will be approximately HK\$60.4 million and HK\$59.4 million respectively. The net proceeds raised per Placing Share will be approximately HK\$0.122 per Placing Share.

The Group intends to use the net proceeds from the Placing for (i) possible opportunities for the development of renewable energy business in order to broaden the revenue stream of the Group; and (ii) the general working capital of the Group. In view of growing environmental concerns over global warming and climate change risks associated with the energy generation using fossil fuel, the Directors believe that the importance of renewable energy for the global energy consumption will continue to increase and expansion into the renewable energy business may benefit the Group in the long run. However, as at the date of announcement, no target company has been identified, and no letter of intent, agreement or similar arrangement has been entered into by the Group. Should such opportunities materialise, further announcement(s) will be made by the Company in accordance with the Listing Rules.

The Directors have considered various ways of raising funds and believe that the Placing represents an opportunity to raise capital for the Company while broadening its Shareholder and capital base. It also signifies the confidence of the Placees in the potential of the Company and demonstrates their willingness to support the Company. Accordingly, the Directors are of the view that the Placing is in the best interest of the Company and its Shareholders as a whole.

## **FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS**

The Company has not conducted any fund raising activities for the twelve months immediately before the date of this announcement.

## **EFFECTS ON SHAREHOLDING STRUCTURE**

The existing shareholding structure of the Company and the effect on the shareholding structure of the Company upon completion of the Placing is set out as below:

<b>Substantial Shareholder</b>	<b>At the date of this announcement</b>		<b>Shareholding immediately after completion of the Placing (Assuming that the maximum number of Placing Shares are placed and there will be no change in the issued share capital of the Company between the date of this announcement and the completion of the Placing)</b>	
	<i>No. of Shares</i>	<i>Approx. %</i>	<i>No. of Shares</i>	<i>Approx. %</i>
Achieve Prosper Capital (Note 1)	1,085,755,571	44.61	1,085,755,571	37.18
<b>Public Shareholders</b>				
The Placees	–	–	486,760,000	16.67
Other public Shareholders	<u>1,348,052,914</u>	<u>55.39</u>	<u>1,348,052,914</u>	<u>46.15</u>
<b>Total</b>	<u><u>2,433,808,485</u></u>	<u><u>100.00</u></u>	<u><u>2,920,568,485</u></u>	<u><u>100.00</u></u>

*Notes:*

- As at 31 March 2014, Achieve Prosper Capital Limited was beneficially and wholly-owned by Hong Kong Shihua Holdings Limited, which was in turn wholly-owned by Liaoning Shihua (Group) Property Development Company Limited (遼寧實華(集團)房地產開發有限公司) (“Liaoning Shihua Property”). Mr. Wang Jing held 82.84% interest in Liaoning Shihua Property and Ms. Hu Bao Qin was his spouse. By virtue of the above, Hong Kong Shihua Holdings Limited, Liaoning Shihua Property, Mr. Wang Jing and Ms. Hu Bao Qin were deemed to be interested in the said 1,085,755,571 shares and underlying shares held by Achieve Prosper Capital Limited.
- The percentages are subject to round figures.

**GENERAL**

The Placing Shares will be issued under the General Mandate and therefore the Placing will not be subject to any Shareholders’ approval. Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Placing Shares.

## TERMS AND DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meaning ascribed to them below:

“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday, public holiday, or days on which a typhoon signal No. 8 or black rainstorm signal is hoisted in Hong Kong at 10:00 a.m.) on which banks are generally open for business in Hong Kong;
“Company”	Shihua Development Company Limited, a company incorporated in Bermuda whose shares are listed on the Stock Exchange (stock code: 485)
“connected person(s)”	the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the board of the Company
“General Mandate”	the mandate granted to the Directors by the Shareholders at the SGM to allot, issue and deal with up to 20% of the then issued share capital of the Company as at the date of the SGM
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) independent of, not connected or acting in concert (as defined in the Hong Kong Code on Takeovers and Mergers) with any directors, chief executive or substantial shareholder(s) of the Company or its subsidiaries and their respective associates (as defined under as defined under the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placee(s)”	any professional, institutional or other investor(s) or any of their respective subsidiaries or associates procured by the Placing Agent to subscribe for any of the Placing Shares pursuant to the Placing Agent’s obligations under the Placing Agreement



“Placing”	the placing of up to 486,760,000 Placing Shares on a best effort basis pursuant to the terms of the Placing Agreement
“Placing Agent”	Kingston Securities Limited, a licensed corporation to carry on business in type 1 regulated activity (dealing in securities) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreement”	the conditional placing agreement entered into between the Company and the Placing Agent dated 14 July 2015 in relation to the Placing
“Placing Price”	HK\$0.124 per Placing Share
“Placing Share(s)”	up to 486,760,000 new Shares to be placed pursuant to the Placing Agreement
“SGM”	the special general meeting of the Company held on 22 May 2015
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board  
**Shihua Development Company Limited**  
**WANG Jing**  
*Chairman*

Hong Kong, 14 July 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 non-executive Directors.*

*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.*