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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)

- (A) PROPOSED CAPITAL REORGANISATION INVOLVING SHARE CONSOLIDATION AND CAPITAL REDUCTION;**
(B) PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO RIGHTS SHARES FOR EVERY ONE ADJUSTED SHARE HELD ON THE RECORD DATE WITH BONUS ISSUE ON THE BASIS OF THREE BONUS SHARES FOR EVERY TWO RIGHTS SHARES TAKEN UP UNDER THE RIGHTS ISSUE;
(C) APPLICATION FOR WHITEWASH WAIVER;
AND
(D) RESUMPTION OF TRADING

PROPOSED CAPITAL REORGANISATION

The Board proposes to effect the Capital Reorganisation comprising:

- (a) a proposed Share Consolidation whereby every ten (10) Shares of nominal value of HK\$0.10 each in the issued share capital of the Company will be consolidated into one (1) Consolidated Share of nominal value of HK\$1.00;
- (b) a proposed Capital Reduction whereby (i) the nominal value of all the issued Consolidated Shares shall be reduced from HK\$1.00 each to HK\$0.10 each and the issued share capital of the Company shall be reduced by HK\$0.90 per Consolidated Share in issue; and (ii) any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation shall be cancelled; and
- (c) applying the credit arising from the Capital Reduction to set-off the accumulated loss of the Company.

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.

PROPOSED RIGHTS ISSUE AND BONUS ISSUE

The Company proposes to raise gross proceeds of approximately HK\$301.79 million, before expenses and subject to the possible set-off as outlined in the section “B. Proposed Rights Issue and Bonus Issue – 15. Set Off” of this announcement, by way of the Rights Issue with the Bonus Issue. The Company shall allot and issue in total 486,761,696 Rights Shares on the basis of two (2) Rights Shares for every one (1) Adjusted Share held on the Record Date at the Subscription Price of HK\$0.62 per Rights Share, and shall allot and issue in total 730,142,544 Bonus Shares on the basis of three (3) Bonus Shares for every two (2) Rights Shares taken up.

APPLICATION FOR WHITEWASH WAIVER

As at the date of this announcement, Achieve Prosper owns, controls or has direction over 1,085,755,571 Shares, representing approximately 44.61% of the existing issued share capital of the Company. Assuming: (a) Achieve Prosper subscribes for its provisional entitlement of the Rights Issue in full in accordance with the Irrevocable Undertaking; (b) not all Qualifying Shareholders (other than the Concert Group) take up the Rights Shares to which they are entitled to upon completion of the Rights Issue; 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. 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.

WARNING OF THE RISKS OF DEALINGS IN THE SHARES, ADJUSTED SHARES AND/OR RIGHTS SHARES IN NIL-PAID FORM

The Rights Issue is conditional upon the fulfillment of the conditions set out in the section “B. Proposed Rights Issue and Bonus Issue – 5. Conditions of the Rights Issue, the Bonus Issue and the Underwriting Agreement” of this announcement. In particular, the Rights Issue, the Bonus Issue and the Underwriting Agreement are conditional, among others, upon:

- (a) 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;**
- (b) the Executive granting to Achieve Prosper the Whitewash Waiver and the satisfaction of all conditions (if any) attached thereto;**
- (c) the obligations of Achieve Prosper under the Underwriting Agreement becoming unconditional and the Underwriting Agreement not being terminated by Achieve Prosper pursuant to the terms thereof prior to the Latest Time For Termination (as set out in the section “B. Proposed Rights Issue and Bonus Issue – 16. Principal terms of the Underwriting Agreement” of this announcement); and**
- (d) 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).**

If any condition of the Rights Issue and the Bonus Issue is not fulfilled or if Achieve Prosper exercises its right to terminate the Underwriting Agreement pursuant to the terms thereof, the Rights Issue and the Bonus Issue will not proceed.

Any persons contemplating buying or selling the Shares or Adjusted Shares (as the case may be) from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled, and any dealings in the Rights Shares in their nil-paid form between Friday, 19 June 2015 and Friday, 26 June 2015 (both dates inclusive), bear the risk that the Rights Issue and the Bonus Issue may not become unconditional or may not proceed.

Any Shareholders and potential investors contemplating dealing in the Shares, the Adjusted Shares and/or nil-paid Rights Shares are recommended to consult their own professional advisers.

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Company has established the Independent Board Committee to advise the Independent Shareholders as to (i) whether the Rights Issue, the Bonus Issue, 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 appointed by the Company. The Independent Board Committee has approved 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 Rights Issue, the Bonus Issue,

the Underwriting Agreement and the Whitewash Waiver. The Independent Board Committee will formulate its views with respect to the terms of the Rights Issue, the Bonus Issue, 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 of the Company containing, among other things: (a) further details of the Capital Reorganisation, the Rights Issue, the Bonus Issue, 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 Rights Issue, the Bonus Issue, 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 Rights Issue, the Bonus Issue, 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 Monday, 18 May 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 Rights Issue; (c) the Bonus Issue; (d) the Underwriting Agreement; and (e) 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 Underwriting Agreement, the Rights Issue, the Bonus Issue 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 Rights Issue, the Bonus Issue and the Underwriting Agreement 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 27 April 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 4 May 2015.

A. PROPOSED CAPITAL REORGANISATION

1. The Capital Reorganisation

The Board proposes to effect the Capital Reorganisation comprising:

- (a) a proposed Share Consolidation whereby every ten (10) Shares of nominal value of HK\$0.10 each in the issued share capital of the Company will be consolidated into one (1) Consolidated Share of nominal value of HK\$1.00;
- (b) a proposed Capital Reduction whereby (i) the nominal value of all the issued Consolidated Shares shall be reduced from HK\$1.00 each to HK\$0.10 each and the issued share capital of the Company shall be reduced by HK\$0.90 per Consolidated Share in issue; and (ii) any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation shall be cancelled; and
- (c) applying the credit arising from the Capital Reduction to set-off the accumulated loss of the Company.

2. Conditions of the Capital Reorganisation

The implementation of the Share Consolidation and the Capital Reduction 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 the publication of a notice in relation to the Capital Reduction in Bermuda in accordance with the Companies Act; 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 2,433,808,485 Shares are in issue. Upon the proposed Share Consolidation becoming effective and based on the issued share capital as at the date of this announcement, the issued share capital of the Company will be consolidated into 243,380,848 Consolidated Shares of nominal value of HK\$1.00 each. Upon the proposed Capital Reduction becoming effective, the nominal value of all the issued Consolidated Shares shall be reduced from HK\$1.00 each to HK\$0.10 each and the issued share capital of the Company shall accordingly be reduced to the extent of HK\$0.90 per Consolidated Share in issue. Upon completion of the Share Consolidation and the Capital Reduction, the issued share capital of the Company will be reduced to HK\$24,338,084 divided into 243,380,848 Adjusted Shares of nominal value of HK\$0.10 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. The resulting Adjusted Shares of nominal value of HK\$0.10 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\$219,042,764 will arise as a result of the Capital Reduction and will be applied to set-off the accumulated loss 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 loss 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 settlement 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 Thursday, 4 June 2015 to Monday, 13 July 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 Thursday, 9 July 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.

The Shares are currently traded on the Stock Exchange in board lots of 10,000 Shares. The board lot size for trading of the Adjusted Shares will remain as 10,000 Adjusted Shares after the Capital Reorganisation becomes effective.

Based on the closing price of HK\$0.168 per Share as quoted on the Stock Exchange on the Last Trading Day, the prevailing board lot value is HK\$1,680.00 in the board lot size of 10,000 Shares and, based on the theoretical ex-entitlement price of the Adjusted Shares of approximately HK\$0.487 per Adjusted Share with reference to the closing price of HK\$0.168 per Share on the Last Trading Day, the new estimated board lot value would be approximately HK\$4,466.67 in the board lot size of 10,000 Adjusted Shares.

As from Thursday, 4 June 2015 any new share certificates will be issued in board lots of 10,000 Adjusted Shares each (except for odd lots or where the Registrar is otherwise instructed).

7. Arrangements for trading of odd lots

In order to facilitate the trading of odd lots (if any) of the Adjusted Shares arising from the Capital Reorganisation, a designated broker will be appointed to match the purchase and sale of odd lots of the Adjusted Shares at the relevant market price per Adjusted Share for the period from 9:00 a.m. on Thursday, 18 June 2015, to 4:00 p.m. on Tuesday, 14 July 2015 (both dates inclusive). Holders of odd lots of the Adjusted Shares should note that successful matching of the sale and purchase of odd lots of the Adjusted Shares is not guaranteed. Any Shareholder who is in any doubt about the odd lot arrangement is recommended to consult his/her/its own professional advisers.

8. Fractional entitlements to Adjusted Shares

Fractional Adjusted Shares to which an individual Shareholder is entitled to will not be issued by the Company to such Shareholders. Any such fractional entitlements to the Adjusted Shares will be aggregated, sold and retained for the benefit of the Company.

B. PROPOSED RIGHTS ISSUE AND BONUS ISSUE

1. The Rights Issue and the Bonus Issue

The Company proposes to raise gross proceeds of approximately HK\$301.79 million, before expenses and subject to the Set Off as outlined in the section “B. Proposed Rights Issue and Bonus Issue – 15. Set Off” of this announcement, by way of the Rights Issue with the Bonus Issue. The Company shall allot and issue in total 486,761,696 Rights Shares at the Subscription Price of HK\$0.62 per Rights Share and allot and issue in total 730,142,544 Bonus Shares for the Rights Shares taken up. After deducting for expenses associated with the Rights Issue and the Bonus Issue (including the commission fee payable to Achieve Prosper as the underwriter of the Rights Issue) of approximately

HK\$9.0 million, the net proceeds to the Company of each Rights Share will be approximately HK\$0.60. The Rights Issue (excluding the Rights Shares subject to the Irrevocable Undertaking) is fully underwritten by Achieve Prosper and is conditional on, among other things, the Capital Reorganisation becoming effective.

2. Issue Statistic

Basis of the Rights Issue	:	Two (2) Rights Shares for every one (1) Adjusted Share held on the Record Date, together with three (3) Bonus Shares for every two (2) Rights Shares taken up
Subscription Price	:	HK\$0.62 per Rights Share payable in full on acceptance
Number of Shares in issue as at the date of this announcement	:	2,433,808,485 Shares
Number of Adjusted Shares in issue upon completion of the Capital Reorganisation	:	243,380,848 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 Rights Shares to be issued pursuant to the Rights Issue	:	486,761,696 Adjusted Shares
Number of Bonus Shares to be issued pursuant to the Bonus Issue	:	730,142,544 Bonus Shares to be issued to the first registered holders of the Rights Shares on the basis of three (3) Bonus Shares for every two (2) Rights Shares taken up under the Rights Issue
Total number of Adjusted Shares in issue upon completion of the Rights Issue and the Bonus Issue	:	1,460,285,088 Adjusted Shares

Assuming the conversion right attaching to the Convertible Bonds has been exercised in full at the conversion price of HK\$0.1720 per Share, a maximum of 426,046,511 new Shares will be issued. Pursuant to the Underwriting Agreement, 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.

The total number of 1,216,904,240 Adjusted Shares to be issued pursuant to the Rights Issue and the Bonus Issue represent:

- (a) 500% 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 83.33% of the Company's issued share capital as enlarged by the issue of the Rights Shares and the Bonus Shares.

3. Bonus Issue

Subject to the satisfaction of the conditions of the Rights Issue, the Bonus Shares will be issued to the first registered holders of the Rights Shares on the basis of three (3) Bonus Shares for every two (2) Rights Shares taken up under the Rights Issue. On the basis of 486,761,696 Rights Shares to be issued under the Rights Issue, 730,142,544 Bonus Shares will be issued.

4. Subscription Price

The Subscription Price is HK\$0.62 per Rights Share, payable in full on application. The Subscription Price represents:

- (a) a discount of approximately 63.10% to the adjusted closing price of HK\$1.680 per Adjusted Share, based on the closing price of HK\$0.168 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 62.83% to the adjusted average closing price of HK\$1.668 per Adjusted Share, based on the average closing price of HK\$0.1668 as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (c) a premium of approximately 27.31% to the theoretical ex-entitlement price of approximately HK\$0.487 per Adjusted Share after the Rights Issue and the Bonus Issue, based on the closing price of HK\$0.168 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 premium of approximately 69.70% to the unaudited net asset value per Adjusted Share of approximately HK\$0.33 as at 30 September 2014 as adjusted for the Capital Reorganisation.

The Subscription Price was arrived at after arm's length negotiation between the Company and Achieve Prosper with reference to the market price of the Shares and the prevailing market conditions. The Directors consider that the discount would encourage Shareholders to participate in the Rights Issue and accordingly maintain their shareholdings in the Company and participate in the future growth of the Group. In view of the prevailing market conditions of the capital market in Hong Kong and the benefits of the Rights Issue, the Directors (excluding the non-executive Director and the independent non-executive Directors whose opinion will be set forth in the circular to be despatched to the Shareholders in relation to, inter alia, the Capital Reorganisation, the Rights Issue, the Bonus Issue, the Underwriting Agreement and the Whitewash Waiver, after having been advised by the Independent Financial Adviser) consider that the terms of the Rights Issue and the Bonus Issue are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

5. Conditions of the Rights Issue, the Bonus Issue and the Underwriting Agreement

The Rights Issue, the Bonus Issue and the Underwriting Agreement are subject to the following conditions:

- (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 Achieve Prosper under the Underwriting Agreement becoming unconditional and the Underwriting Agreement not being terminated by Achieve Prosper pursuant to the terms thereof 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, the Underwriting Agreement and the transactions contemplated thereunder 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 Achieve Prosper 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 Achieve Prosper, 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.

The conditions are incapable of being waived. If any of the above conditions is not satisfied at or prior to the respective time stipulated therein, the Rights Issue and the Bonus Issue will not proceed and the Underwriting Agreement shall be terminated and none of the parties shall have any claim against the other.

The Company will seek the approval for the Acquisition at the special general meeting of the Company to be held on 22 May 2015 (or any adjourned meeting thereof). **If the Company fails to obtain the necessary approval for the Acquisition at the special general meeting of the Company to be held on 22 May 2015 (or any adjourned meeting thereof), the Rights Issue and the Bonus Issue will not proceed and the Underwriting Agreement shall be terminated.** If the Company obtains the approval for the Acquisition but fails to obtain the approval of the Shareholders (or the Independent Shareholders, as the case may be) for the Capital Reorganisation, the Rights Issue, the Bonus Issue and the Whitewash Waiver, the consideration of the Acquisition of HK\$208,276,000 shall be satisfied by the issue of promissory note by the Company as described in the circular of the Company dated 29 April 2015.

6. Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company and not being Excluded Shareholders on the Record Date. In order to be registered as members of the Company on 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. (Hong Kong time) on Monday, 8 June 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 Forms), for information only, to the Excluded Shareholders on the Prospectus Posting Date. The Excluded Shareholders will be entitled to attend and vote at the SGM. The Company will ascertain whether there are any Overseas Shareholders on 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 Rights Shares and the Bonus Shares to the Overseas Shareholders in compliance with the Listing Rules.

7. Rights of the Excluded Shareholders

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the Rights Shares in their nil-paid form commence and before dealings in the Rights Shares in their nil-paid form end, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, will be paid to the Excluded Shareholders pro-rata to their shareholdings held on the Record Date. In light of the administrative costs, the Company will retain individual amounts of HK\$100 or less for its own benefit. Any unsold entitlement of Excluded Shareholders to the Rights Shares, together with any unsold Rights Shares created by adding together fractions of the Rights Shares and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares, will be made available for excess applications by the Qualifying Shareholders.

8. Application for excess Rights Shares

Qualifying Shareholders are entitled to apply for any unsold entitlements of the Excluded Shareholders, any unsold Rights Shares created by adding together fractions of the Rights Shares and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders.

Application may be made by completing the EAF and lodging the same with a separate remittance for the excess Rights Shares. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis and on a pro-rata basis to the excess Rights Shares applied for by the Qualifying Shareholders. However, no preference will be given to topping-up odd lots to whole board lots.

For Shareholders whose Shares are held by their nominee(s) (including HKSCC Nominees Limited) and who would like to have their names registered on the register of members of the Company, they must lodge all necessary documents with the Registrar, being Tricor Secretaries Limited, for completion of the relevant registration not later than 4:30 p.m. on Tuesday, 23 June 2015.

9. Closure of register of members

The register of members of the Company, in relation to the Rights Issue, will be closed from Tuesday, 9 June 2015 to Tuesday, 16 June 2015, both dates inclusive. No transfer of Shares will be registered during this period.

10. Status of the Rights Shares and the Bonus Shares

The Rights Shares and the Bonus 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 Rights Shares and the Bonus Shares. Holders of the Rights Shares and the Bonus 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 Rights Shares and the Bonus Shares. Dealings in the Rights Shares and the Bonus Shares will be subject to payment of stamp duty in Hong Kong.

11. Certificates of the Rights Shares and the Bonus Shares

Subject to fulfillment of the conditions of the Rights Issue and the Bonus Issue, share certificates for the Rights Shares and the Bonus Shares are expected to be sent on or before Friday, 10 July 2015, to those entitled thereto by ordinary post at their own risk.

12. Fractions of the Rights Shares and the Bonus Shares

Fractional entitlements to the Rights Shares and the Bonus Shares will not be allotted and will not be issued.

13. 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 Rights Shares (in both nil-paid and fully-paid forms) and the Bonus 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 Rights Shares in both nil-paid and fully-paid forms and the Bonus 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.

14. Irrevocable Undertaking

As at the date of this announcement, Achieve Prosper is interested in 1,085,755,571 Shares, representing approximately 44.61% of the existing issued share capital of the Company. Achieve Prosper has given the Irrevocable Undertaking, in favour of the Company, among other things, that: (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 Achieve Prosper at the close of business at the Record Date as they are on the date of the Underwriting 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 PAL(s); and (d) it will not exercise the conversion right attaching to the Convertible Bonds from the date of the Underwriting Agreement to the Record Date.

15. Set Off

Pursuant to the terms of the Underwriting Agreement, the Company, Achieve Prosper, Liaoning Shihua Property and the Purchaser 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 Achieve Prosper is obliged to pay to subscribe for its provisional entitlement of the Rights Issue in full pursuant to the Irrevocable Undertaking; and secondly the aggregate Subscription Price which Achieve Prosper is

obliged to pay for the Untaken Shares under the Underwriting Agreement. The remaining balance of the consideration of the Acquisition, if any, will be settled by the Company by cash by using the proceeds of the Rights Issue.

16. Principal terms of the Underwriting Agreement

- Date** : 25 April 2015
- Parties** : The Company and Achieve Prosper as underwriters
- Total number of Underwritten Shares** : 269,610,582 Rights Shares, being the difference between the total number of Rights Shares to be issued by the Company and the total number of Rights Shares to be subscribed and paid for by Achieve Prosper pursuant to the Irrevocable Undertaking and on the basis that no further Share or Adjusted Share will be issued or repurchased on or before the Record Date
- Undertaking for maintaining minimum public float** :
- (a) in the event of Achieve Prosper is called upon to subscribe for the Untaken Shares, Achieve Prosper shall not subscribe, for its own account, for such number of Untaken Shares which will result in the shareholding of the Concert Group 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) Achieve Prosper 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 Achieve Prosper may agree), procure sub-underwriters for the Remaining Untaken 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 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 any 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.

Commission : 2.5% of the aggregate Subscription Price in respect of the number of Underwritten Shares on the Record Date

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

Conditions : Please refer to the section "B. Proposed Rights Issue and Bonus Issue – 5. Conditions of the Rights Issue, the Bonus Issue and the Underwriting Agreement" of this announcement

Termination

Achieve Prosper reserves the right to terminate the arrangements set out in the Underwriting Agreement by notice in writing given by Achieve Prosper to the Company at any time prior to the Latest Time for Termination if:-

- (a) it has come to the notice of Achieve Prosper:
 - (i) that any statement, considered reasonably by Achieve Prosper 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 Achieve Prosper to be material; or

- (iii) any breach of the warranties in accordance with the terms of the Underwriting Agreement reasonably considered by Achieve Prosper to be material; or
 - (iv) any event, act or omission which in the reasonable opinion of Achieve Prosper 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 Achieve Prosper, 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.

17. Changes in the shareholding structure of the Company arising from the Capital Reorganisation, the Rights Issue and the Bonus Issue

The changes in the shareholding structure of the Company arising from the Capital Reorganisation, the Rights Issue and the Bonus Issue are illustrated as follows:

	As at the date of this announcement		Immediately after the Share Reorganisation but before completion of the Rights Issue and the Bonus Issue		Immediately after completion of the Rights Issue and the Bonus Issue (all Rights Shares are subscribed by the Qualifying Shareholders)		Immediately after completion of the Rights Issue and the Bonus Issue (except Achieve Prosper, none of the Rights Shares are subscribed by the Qualifying Shareholders) and Achieve Prosper subscribes for all Untaken Shares (Note 1 and 2)		Immediately after completion of the Rights Issue and the Bonus Issue (except Achieve Prosper, none of the Rights Shares are subscribed by the Qualifying Shareholders) and Achieve Prosper subscribes for up to 75% of the issued share capital of the Company (Note 2)	
	Shares	%	Adjusted Shares	%	Adjusted Shares	%	Adjusted Shares	%	Adjusted Shares	%
The Concert Group	1,085,755,571	44.61	108,575,557	44.61	651,453,342	44.61	1,325,479,797	90.77	1,095,213,816	75.00
Public Shareholders	1,348,052,914	55.39	134,805,291	55.39	808,831,746	55.39	134,805,291	9.23	365,071,272	25.00
Total:	<u>2,433,808,485</u>	<u>100.00</u>	<u>243,380,848</u>	<u>100.00</u>	<u>1,460,285,088</u>	<u>100.00</u>	<u>1,460,285,088</u>	<u>100.00</u>	<u>1,460,285,088</u>	<u>100.00</u>

Notes:

1. This scenario is for illustration purpose only and will never occur. Pursuant to the Underwriting Agreement:
 - (a) in the event of Achieve Prosper is called upon to subscribe for the Untaken Shares, Achieve Prosper shall not subscribe, for its own account, for such number of Untaken Shares which will result in the shareholding of the Concert Group 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) Achieve Prosper 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 Achieve Prosper may agree), procure sub-underwriters for the Remaining Untaken 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 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 any 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.

2. The Company will ensure the compliance with the public float requirements under Rule 8.08 of the Listing Rules upon completion of the Rights Issue and the Bonus Issue.

18. Reasons for the Rights Issue and the Bonus Issue

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

The estimated expenses in relation to the Rights Issue and the Bonus Issue, including financial, legal and other professional advisory fees, underwriting commission, printing and translation expenses will be borne by the Company. 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 Rights Issue allows the Group to strengthen its balance sheet without facing the increasing interest rates. The Board considers that the Rights Issue 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. In addition, the Bonus Issue will be an additional incentive for the Shareholders to take part into the Rights Issue. **However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled should note that their shareholdings in the Company will be diluted.**

The Directors (excluding the non-executive Director and the independent non-executive Directors whose opinion will be set forth in the circular to be despatched to the Shareholders in relation to, inter alia, the Share Reorganisation, the Rights Issue, the Bonus Issue, the Underwriting Agreement and the Whitewash Waiver, after having been advised by the Independent Financial Adviser) consider that the Rights Issue and the Bonus Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

19. Use of proceeds

The gross proceeds and the estimated net proceeds from the Rights Issue will be approximately HK\$301.79 million and approximately HK\$292.79 million respectively. The estimated net proceeds to the Company of each Rights Share will be approximately HK\$0.60.

Pursuant to the Set Off, the consideration of the Acquisition of approximately HK\$208.28 million payable by the Purchaser to Liaoning Shihua Property will set off against the aggregate Subscription Price which Achieve Prosper is obliged to pay to subscribe for its provisional entitlement under the Rights Issue in full pursuant to the Irrevocable Undertaking; and the aggregate Subscription Price which Achieve Prosper is obliged to pay for the Untaken Shares under the Underwriting Agreement. Assuming all Rights Shares are subscribed by the Qualifying Shareholders, the sum of approximately HK\$121.60 million, being aggregate Subscription Price payable by Achieve Prosper under the Irrevocable Undertaking, will be set off against the consideration of the Acquisition. The remaining balance of the consideration of the Acquisition of approximately HK\$86.68 million will be settled by the Company by cash by using the proceeds of the Rights Issue. Assuming none of the Rights Shares are subscribed by the Qualifying Shareholders and Achieve Prosper (together with the sub-underwriters procured by it) takes up all Untaken Shares pursuant to the Underwriting Agreement, the whole consideration of the Acquisition of approximately HK\$208.28 million will be set off against the aggregate Subscription Price payable by Achieve Prosper of approximately HK\$301.79 million. The remaining balance of the aggregate Subscription Price of approximately HK\$93.53 million will be paid by Achieve Prosper by cash.

The net proceeds of the Rights Issue to the Company of approximately HK\$84.51 million, after the set off of the whole consideration of the Acquisition of approximately HK\$208.28 million, are intended to be used for the Group's property investment business.

20. Possible adjustment to the conversion price of the Convertible Bonds

The proposed Share Reorganisation, Rights Issue and Bonus Issue 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.

21. Previous fund raising exercise in the prior 12-month period

The Company has not conducted any fund raising activities in the twelve (12) months before the date of this announcement.

22. Implications under the Listing Rules

As the Rights Issue will result in an increase in the Company's issued share capital by more than 50%, the Rights Issue 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 Rights Issue. As at the date of this announcement, Achieve Prosper is the controlling shareholder of the Company.

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

The Company has established the Independent Board Committee to advise the Independent Shareholders as to (i) whether the Rights Issue, the Bonus Issue, 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 has approved 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 Rights Issue, the Bonus Issue, the Underwriting Agreement and the Whitewash Waiver. The Independent Board Committee will formulate its views with respect to the terms of the Rights Issue, the Bonus Issue, the Underwriting Agreement and the Whitewash Waiver after obtaining and considering the advice of the Independent Financial Adviser.

C. APPLICATION FOR THE WHITEWASH WAIVER

1. Implications under the Takeovers Code

As at the date of this announcement, the Concert Group owns, controls or has direction over 1,085,755,571 Shares, representing approximately 44.61% of the existing issued share capital of the Company. Assuming the conversion right attaching to the Convertible Bonds has been exercised in full at the conversion price of HK\$0.1720 per Share, a maximum of 426,046,511 new Shares will be issued. Pursuant to the Underwriting Agreement, 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, 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 has given the Irrevocable Undertaking in favour of the Company, among other things, that: (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 its name at the close of business at the Record Date as they are on the date of the Underwriting Agreement; and (c) it will procure that the applications in respect of the 217,151,114 Rights Shares (with entitlement to the Bonus Shares) comprising 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 PAL(s); and (d) it will not 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 Rights Issue, the Bonus Issue and the Underwriting Agreement is 1,095,213,816 Adjusted Shares.

Assuming:

- (a) Achieve Prosper subscribes for its provisional entitlement of the Rights Issue in full in accordance with the Irrevocable Undertaking;
- (b) not all Qualifying Shareholders (other than the Concert Group) take up the Rights Shares to which they are entitled to upon completion of the Rights Issue; 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 Achieve Prosper, which may not be waived. If the Whitewash Waiver is not granted, the Underwriting Agreement will not become unconditional and the Rights Issue and the Bonus Issue will not proceed.

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 Underwriting Agreement and/or the Whitewash Waiver, will abstain from voting in respect of all resolution(s) related to the Rights Issue, the Bonus Issue, the Underwriting Agreement and the Whitewash Waiver.

Completion of the Rights Issue and the Bonus Issue is conditional upon, among other things, the granting of the Whitewash Waiver by the Executive. If the Whitewash Waiver is not granted by the Executive, the Rights Issue and the Bonus Issue will not proceed.

3. Further information on Achieve Prosper

As at the date of this announcement:

- (a) 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 Rights Issue, the Bonus Issue, the Underwriting Agreement or the Whitewash Waiver at the SGM;
- (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 Rights Issue, the Bonus Issue or the Whitewash Waiver;
- (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 Rights Issue, the Bonus Issue or the Whitewash Waiver; and
- (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.

D. EXPECTED TIMETABLE

Event	Timeline
Expected despatch date of the circular of the Company with notice of the SGM	Monday, 18 May 2015
Latest time for lodging proxy forms for the SGM	10:00 a.m. on Monday, 1 June 2015
Expected date and time of the SGM	10:00 a.m. on Wednesday, 3 June 2015
Announcement of results of the SGM	Wednesday, 3 June 2015
Effective date and time of the Capital Reorganisation . .	9:00 a.m. on Thursday, 4 June 2015
Commencement of dealings in the Adjusted Shares	9:00 a.m. on Thursday, 4 June 2015

Original counter for trading in Shares in existing share certificates in board lots of 10,000 Shares temporarily closes 9:00 a.m. on Thursday, 4 June 2015

Temporary counter for trading in Adjusted Shares in board lots of 1,000 Adjusted Shares (in the form of existing share certificates) opens 9:00 a.m. on Thursday, 4 June 2015

First day of free exchange of existing certificates for the Shares into new certificates for the Adjusted Shares Thursday, 4 June 2015

Last day of dealings in Adjusted Shares on a cum-rights basis Thursday, 4 June 2015

First day of dealings in Adjusted Shares on an ex-rights basis 9:00 a.m. on Friday, 5 June 2015

Latest time for the Shareholders to lodge transfer of Adjusted Shares in order to qualify for the Rights Issue 4:30 p.m. on Monday, 8 June 2015

Closure of register of members of the Company (both dates inclusive) Tuesday, 9 June 2015 to Tuesday, 16 June 2015

Record Date and time for determining entitlements to the Rights Issue 4:00 p.m. on Tuesday, 16 June 2015

Register of members of the Company re-opens Wednesday, 17 June 2015

Despatch of Prospectus Documents Wednesday, 17 June 2015

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, 18 June 2015

Original counter for trading in the Adjusted Shares in board lots of 10,000 Adjusted Shares (in the form of new certificates) re-opens 9:00 a.m. on Thursday, 18 June 2015

Parallel trading in Adjusted Shares
(in the form of both existing certificates
in board lots of 1,000 Adjusted Shares
and new certificates in board lots of 10,000
Adjusted Shares) commences 9:00 a.m. on Thursday, 18 June 2015

First day of dealings in nil-paid Rights Shares 9:00 a.m. on Friday, 19 June 2015

Latest time for splitting nil-paid Rights Shares 4:30 p.m. on Tuesday, 23 June 2015

Last day of dealings in nil-paid Rights Shares Friday, 26 June 2015

Latest time for acceptance of, and payment for,
the Rights Shares and the applications
for excess Rights Shares 4:00 p.m. on Thursday, 2 July 2015

Latest time to terminate the Underwriting Agreement
and for the Rights Issue to become unconditional 4:00 p.m. on Friday, 3 July 2015

Announcement of results of the Rights Issue Thursday, 9 July 2015

Temporary counter for trading in Adjusted Shares
in board lots of 1,000 Adjusted Shares
(in the form of existing certificates) closes 4:00 p.m. on Thursday, 9 July 2015

Parallel trading in the Adjusted Shares
(represented by both existing certificates
in board lots of 1,000 Adjusted Shares
and new certificates in board lots of 10,000
Adjusted Shares) ends 4:00 p.m. on Thursday, 9 July 2015

Refund cheques to be despatched in relation
to wholly or partially unsuccessful
applications for excess Rights Shares on or before Friday, 10 July 2015

Certificates for fully-paid Rights Shares
and Bonus Shares to be despatched on or before Friday, 10 July 2015

Commencement of dealings in fully-paid
Rights Shares and Bonus Shares 9:00 a.m. on Monday, 13 July 2015

Last day of free exchange of existing certificates
for the new certificates Monday, 13 July 2015

Designated broker ceases to stand in the market

to provide matching service 4:00 p.m. on Tuesday, 14 July 2015

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 Achieve Prosper. Any consequential changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.

E. WARNING OF THE RISKS OF DEALINGS IN THE SHARES, ADJUSTED SHARES AND/OR RIGHTS SHARES IN NIL-PAID FORM

The Rights Issue is conditional upon the fulfillment of the conditions set out in the section “B. Proposed Rights Issue and Bonus Issue – 5. Conditions of the Rights Issue, the Bonus Issue and the Underwriting Agreement” of this announcement. In particular, the Rights Issue, the Bonus Issue and the Underwriting Agreement are conditional, among others, upon:

- (a) 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;**
- (b) the Executive granting to Achieve Prosper the Whitewash Waiver and the satisfaction of all conditions (if any) attached thereto;**
- (c) the obligations of Achieve Prosper under the Underwriting Agreement becoming unconditional and the Underwriting Agreement not being terminated by Achieve Prosper pursuant to the terms thereof prior to the Latest Time For Termination (as set out in the section “B. Proposed Rights Issue and Bonus Issue – 16. Principal terms of the Underwriting Agreement” of this announcement); and**
- (d) 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).**

If any condition of the Rights Issue and the Bonus Issue is not fulfilled or if Achieve Prosper exercises its right to terminate the Underwriting Agreement pursuant to the terms thereof, the Rights Issue and the Bonus Issue will not proceed.

Any persons contemplating buying or selling the Shares or Adjusted Shares (as the case may be) from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled, and any dealings in the Rights Shares in their nil-paid form

between Friday, 19 June 2015 and Friday, 26 June 2015 (both dates inclusive), bear the risk that the Rights Issue and the Bonus Issue may not become unconditional or may not proceed.

Any Shareholders and potential investors contemplating dealing in the Shares, the Adjusted Shares and/or nil-paid Rights Shares are recommended to consult their own professional advisers.

F. GENERAL

1. The circular

The circular of the Company containing, among other things:

- (a) further details of the Capital Reorganisation, the Rights Issue, the Bonus Issue, 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 Rights Issue, the Bonus Issue, 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 Rights Issue, the Bonus Issue, 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 to be despatched to the Shareholders on or before Monday, 18 May 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 Capital Reorganisation;
- (b) the Underwriting Agreement;

- (c) the Rights Issue;
- (d) the Bonus Issue; and
- (e) 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 Underwriting Agreement, the Rights Issue, the Bonus Issue 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, the Rights Issue and the Bonus Issue 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.

G. 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 27 April 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 4 May 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
“Acquisition”	the proposed acquisition of a property by the Group from Liaoning Shihua Property pursuant to the Purchase Agreement for a consideration of HK\$208,276,000, as more particularly described in the announcements of the Company dated 18 March 2015 and 27 April 2015 and the circular of the Company dated 29 April 2015
“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“Adjusted Share(s)”	the ordinary share(s) of HK\$0.10 each in the share capital of the Company upon the Capital Reorganisation becoming effective
“Application Forms”	collectively, the EAF(s) and the PAL(s)

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	board of Directors
“Bonus Issue”	the issue of the Bonus Shares pursuant to the terms and conditions of the Prospectus Documents
“Bonus Shares”	the bonus Adjusted Shares to be issued (for no additional payment) to the first registered holders of Rights Shares on the basis of three (3) Bonus Shares for every two (2) Rights Shares taken up under the Rights Issue subject to the terms and upon conditions as set out in the Prospectus Documents
“Bye-Laws”	the bye-laws of the Company
“Capital Reduction”	the proposed reduction of the Company’s issued share capital whereby: (i) the nominal value of all the issued Consolidated Shares shall be reduced from HK\$1.00 each to HK\$0.10 each and the issued share capital of the Company shall accordingly be reduced to the extent of HK\$0.90 per Consolidated Share in issue, and (ii) any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation shall be cancelled
“Capital Reorganisation”	the proposed reorganisation of the Company’s issued share capital which comprises: (i) the Share Consolidation, (ii) the Capital Reduction, and (iii) applying the credit arising from the Capital Reduction to set-off the accumulated loss of the Company
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)
“Companies Act”	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”	Achieve Prosper and parties acting in concert with it

“Consolidated Share(s)”	ordinary share(s) of HK\$1.00 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
“EAF(s)”	the form of application for excess Rights Shares
“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 Rights 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 Rights Issue, the Bonus Issue, the Underwriting Agreement and the Whitewash Waiver

“Independent Financial Adviser”	Nuada Limited, a licensed corporation permitted to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue, the Bonus Issue, the Underwriting Agreement and the Whitewash Waiver
“Independent Shareholder(s)”	the Shareholder(s), other than: (i) the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates, and (ii) members of the Concert Group and shareholders who are involved in, or interested in, the Underwriting Agreement, the Rights Issue, the Bonus Issue and/or the Whitewash Waiver
“Irrevocable Undertaking”	an irrevocable undertaking provided by Achieve Prosper to the Company and contains in the Underwriting Agreement as described under the section “B. Proposed Rights Issue and Bonus Issue – 14. Irrevocable Undertaking” in this announcement
“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 the executive Director, and his family members
“Last Trading Day”	24 April 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 Thursday, 2 July 2015, or such later time or date as may be agreed between the Company and Achieve Prosper, being the latest time for acceptance of, and payment for, the Rights Shares as described in the Prospectus Documents
“Latest Time For Termination”	4:00 p.m. on the second business day after the Latest Time For Acceptance or such later time or date as may be agreed between the Company and Achieve Prosper in writing, being the latest time to terminate the Underwriting Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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

“PAL(s)”	provisional allotment letter(s) for the Rights Issue
“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
“Prospectus”	the prospectus to be despatched to the Shareholders on the Prospectus Posting Date in connection with the Rights Issue and the Bonus Issue in such form as may be agreed between the Company and Achieve Prosper
“Prospectus Documents”	the Prospectus, the PAL(s) and the EAF(s)
“Prospectus Posting Date”	Wednesday, 17 June 2015, or such other day as may be agreed between the Company and Achieve Prosper, being the date of despatch of the Prospectus Documents
“Purchase Agreement”	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
“Purchaser”	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 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, 16 June 2015, being the date by reference to which entitlements to the Rights Issue will be determined
“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
“Remaining Untaken Share(s)”	those (if any) of the Untaken Share(s) in excess of 75% of the voting rights of the Company which Achieve Prosper is called upon to take up under the Underwriting Agreement
“Rights Issue”	the proposed issue of the Rights Shares by way of rights to the Qualifying Shareholders for subscription on the terms to be set out in the Prospectus Documents and summarised herein

“Rights Share(s)”	486,761,696 Adjusted Shares proposed to be offered to the Qualifying Shareholders for subscription on the basis of two (2) Adjusted Shares for every one (1) Adjusted Share held on the Record Date pursuant to the Rights Issue
“RMB”	Renminbi, the lawful currency of the PRC
“Set Off”	the setting off of the consideration of the Acquisition of HK\$208,276,000 against the aggregate Subscription Price which Achieve Prosper is obliged to pay to subscribe for its provisional entitlement under the Rights Issue pursuant to the Irrevocable Undertaking and the aggregate Subscription Price which Achieve Prosper is obliged to pay for the Untaken Shares under the Underwriting Agreement, as more particularly described in the section “B. Proposed Rights Issue and Bonus Issue – 15. 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 Rights Issue, the Bonus Issue, 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 share capital of the Company whereby every ten (10) Shares of nominal value of HK\$0.10 each will be consolidated into one (1) Consolidated Share of nominal value of HK\$1.00
“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 Rights Share, being HK\$0.62
“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
“Underwriting Agreement”	the underwriting agreement dated 25 April 2015 entered into between the Company and Achieve Prosper in relation to the Rights Issue and the Bonus Issue
“Underwritten Shares”	all the Rights Shares in excess of 217,151,114 Rights Shares that will be provisionally allotted to and subscribed for by Achieve Prosper pursuant to the Irrevocable Undertaking which are fully underwritten by Achieve Prosper 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
“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 Rights 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, 4 May 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.

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.