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

**Joint financial advisers to the Company**



**Underwriters to the Open Offer**



**Achieve Prosper Capital Limited**

**PROPOSED CAPITAL REORGANISATION**

The Board proposes to effect the Capital Reorganisation comprising:

- (a) the consolidation of every four (4) issued and unissued Shares of HK\$0.10 each in the authorised share capital of the Company into one (1) Consolidated Share of HK\$0.40;

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

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

#### **CHANGE IN BOARD LOT SIZE**

The Board announces that the board lot size of the Shares for trading on the Stock Exchange will be changed from 10,000 Shares to 20,000 Adjusted Shares upon the Capital Reorganisation becoming effective. The Company will arrange odd lot matching services in order to facilitate the trading of odd lots (if any).

#### **PROPOSED OPEN OFFER**

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

#### **APPLICATION FOR THE WHITEWASH WAIVER**

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

Assuming (a) Achieve Prosper and Wang Xing Qiao subscribe for their respective entitlement of the Open Offer in full in accordance with the Undertakings; (b) not all Qualifying Shareholders (other than the Concert Group) take up the Offer Shares to which they are entitled to upon completion of the Open Offer; and (c) Achieve Prosper takes up such number of Untaken Shares under the Underwriting Agreement which will have the effect of increasing the voting rights of the Concert Group in the Company by more than 2% from the lowest percentage holding of the Concert Group in the Company in the 12-month period ending on and inclusive of the date of taking up of such number of Untaken Shares, the Concert Group will, as a result of this acquisition of voting rights in the Company, incur an obligation to make a mandatory offer for all the Adjusted Shares other than those held or agreed to be acquired by the Concert Group, unless the Whitewash Waiver is granted.

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

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

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

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

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

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

**Shareholders should note that Shares will be dealt in on an ex-entitlement basis commencing from Tuesday, 24 November 2015 and that dealings in Shares will take place while the conditions to which the Open Offer is subject remain unfulfilled. Any Shareholder or other person dealing in Shares up to the date on which all conditions to which the Open Offer is**

**subject are fulfilled, will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares who is in any doubt about his/her/its position is recommended to consult his/her/its own professional adviser.**

#### **ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

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

#### **THE CIRCULAR AND THE SGM**

The Circular containing, among other things: (a) further details of the Capital Reorganisation, the Open Offer, the Underwriting Agreement, the Whitewash Waiver and the transactions contemplated thereunder; (b) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Open Offer, the Underwriting Agreement and the Whitewash Waiver as to (i) whether they are fair and reasonable and in the interests of the Company and the Independent Shareholders, and (ii) voting by the Independent Shareholders on the relevant resolutions in the SGM by poll; (c) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Open Offer, the Underwriting Agreement and the Whitewash Waiver as to (i) whether they are fair and reasonable and in the interests of the Company and the Independent Shareholders, and (ii) voting by the Independent Shareholders on the relevant resolutions in the SGM by poll; and (d) a notice convening the SGM is expected to be despatched to the Shareholders on or before Tuesday, 27 October 2015.

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

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

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was halted from 9:00 a.m. on 21 August 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 8 October 2015.

## **A. PROPOSED CAPITAL REORGANISATION**

### **1. The Capital Reorganisation**

The Board proposes to effect the Capital Reorganisation comprising:

- (i) the consolidation of every four (4) issued and unissued Shares of HK\$0.10 each in the authorised share capital of the Company into one (1) Consolidated Share of HK\$0.40;
- (ii) the reduction of the issued share capital of the Company (a) by eliminating any fraction of a Consolidated Share in the issued share capital of the Company following the Share Consolidation in order to round down the total number of Consolidated Shares to a whole number, and (b) through a cancellation of the paid up capital of the Company to the extent of HK\$0.39 on each of the issued Consolidated Shares such that the nominal value of each issued Consolidated Share will be reduced from HK\$0.40 to HK\$0.01;
- (iii) the subdivision of every unissued Consolidated Share of HK\$0.40 each in the authorised share capital of the Company (including the unissued Consolidated Shares resulting from the Capital Reduction) into forty (40) Adjusted Shares of HK\$0.01 each; and

- (iv) the transfer of the credit arising from the Capital Reduction to the contributed surplus account of the Company such that the Directors may apply such surplus in any manner permitted by the laws of Bermuda and the Bye-Laws including but not limited to offsetting against the balance of the accumulated losses of the Company up to the date on which the Capital Reorganisation becomes effective.

## **2. Conditions of the Capital Reorganisation**

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

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

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

## **3. Effects of the Capital Reorganisation**

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

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

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

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

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

#### **4. Reasons for the Capital Reorganisation**

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

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

## **5. Listing and dealings**

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

Subject to the granting of the listing of, and the permission to deal in, the Adjusted Shares on the Stock Exchange, the Adjusted Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Adjusted Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

## **6. Free exchange of Share certificates**

Subject to the Capital Reorganisation becoming effective, the Shareholders may submit certificates for the existing Shares to the Registrar during normal business hours from Monday, 23 November 2015 to Wednesday, 30 December 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 Monday, 28 December 2015, being the latest time and date for trading in board lot of 2,500 Adjusted Shares in the form of existing certificates (or such other date which will be announced by the Company) and will continue to be good evidence of legal title after the Capital Reorganisation has become effective and may be exchanged for certificates of the Adjusted Shares at any time in accordance with the foregoing.

As from Monday, 23 November 2015 any new share certificates will be issued in board lots of 20,000 Adjusted Shares each (except for odd lots or where the Registrar is otherwise instructed).

## **7. Arrangements for trading of odd lots**

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



## **B. CHANGE IN BOARD LOT SIZE**

The Board announces that the board lot size of the Shares for trading on the Stock Exchange will be changed from 10,000 Shares to 20,000 Adjusted Shares after the Capital Reorganisation becomes effective.

The Change in Board Lot Size will not result in any change in the relative rights of the Shareholders. The Board is of the opinion that the Change in Board Lot Size would facilitate the trading by increasing the value of each board lot of the Shares and as a result reduce transaction and registration costs incurred by the Shareholders and investors of the Company. The Directors are of the view that the Change in Board Lot Size is in the best interests of the Company and its Shareholders as a whole.

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

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

## **C. PROPOSED OPEN OFFER**

### **1. The Open Offer**

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

### **2. Issue Statistic**

Basis of the Open Offer: : Four (4) Offer Shares for every one (1) Adjusted Share held on the Record Date

Subscription Price	:	HK\$0.086 per Offer Share payable in full on acceptance
Number of Shares in issue as at the date of this announcement	:	2,920,568,485 Shares
Number of Adjusted Shares in issue upon completion of the Capital Reorganisation	:	730,142,121 Adjusted Shares (assuming that no Share is issued or repurchased between the date of this announcement and the date on which the Capital Reorganisation becomes effective)
Number of Offer Shares to be issued pursuant to the Open Offer	:	2,920,568,484 Offer Shares
Total number of Adjusted Shares in issue upon completion of the Open Offer	:	3,650,710,605 Adjusted Shares

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

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

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

### 3. Subscription Price

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

- (a) a discount of approximately 82.52% to the adjusted closing price of HK\$0.492 per Adjusted Share, based on the closing price of HK\$0.123 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (b) a discount of approximately 83.33% to the adjusted average closing price of HK\$0.516 per Adjusted Share, based on the average closing price of HK\$0.129 as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (c) a discount of approximately 48.56% to the theoretical ex-entitlement price of approximately HK\$0.167 per Adjusted Share after the Open Offer, based on the closing price of HK\$0.123 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation; and
- (d) a discount of approximately 35.47% to the audited net asset value per Adjusted Share of approximately HK\$0.133 as at 31 March 2015 as adjusted for the Capital Reorganisation.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriters with reference to, among other things:

- (i) the declining trend of the prevailing trading prices of the Shares in the past six months and the theoretical ex-entitlement price on the Last Trading Day, a summary of the closing prices on the last trading day of each of the six months up to the Last Trading Day and that on the Last Trading Day are set out below:

<b>Date</b>	<b>Closing price per Share</b>
27 February 2015	0.193
31 March 2015	0.148
24 April 2015	0.168
29 May 2015	0.171
30 June 2015	0.144
31 July 2015	0.139
Last Trading Day	0.123

- (ii) the net loss recorded by the Company for the two years ended 31 March 2015;
- (iii) the discount of the subscription price for various announced rights issues and open offers conducted with capital reorganisation by companies listed on the Stock Exchange in the 6-month period immediately preceding the Last Trading Day, a summary of which is set out below:

Company name	Listing method	Stock code	Announcement date	Capital consolidation ratio	Basis of entitlement	Issue price per offer share/rights share	Discount to adjusted closing price on last trading day (Note 1)	Discount to average trading price before the last trading day (Note 1)	Discount to ex-entitlement price
Easyknit Enterprises Holdings Limited	Rights issue	616	2/2/2015	20 into 1	20 for 1	HK\$0.65	85.62%	85.16%	21.68%
China Agri-Products Exchange Limited	Rights issue	149	1/8/2015	8 into 1	8 for 1	HK\$0.30	82.48%	82.31%	34.35%
RCG Holdings Limited	Open offer	802	4/24/2015	4 into 1	5 for 1	HK\$0.25	78.40%	78.50%	37.80%
Unity Investments Holdings Limited	Open offer	913	12/15/2014	10 into 1	4 for 1	HK\$0.16	78.08%	77.21%	41.61%
Capital VC Limited	Open offer	2324	3/13/2015	5 into 1	7 for 1	HK\$0.25	76.60%	76.40%	28.60%
China National Culture Group Limited	Open offer	745	6/8/2015	2 into 1	1 for 1	HK\$0.10	76.40%	77.10%	61.80%
Landing International Development Limited	Rights issue	582	4/22/2015	10 into 1	10 for 1	HK\$0.35	75.86%	73.84%	22.22%
Hanny Holdings Limited	Rights issue	275	4/9/2015	2 into 1	6 for 1	HK\$0.16	74.19%	72.88%	29.11%
Hong Kong Education (Int'l) Investments Limited	Rights issue	1082	2/17/2015, 4/24/2015	5 into 1	4 for 1	HK\$0.295	69.97%	70.29%	24.98%
Solartech International Holdings Limited	Open offer	1166	2/6/2015	10 into 1	5 for 1	HK\$0.20	69.70%	69.70%	27.80%

*Note:*

- The closing price and 5-days average trading price are adjusted for the effect of the capital reorganisation.
- With bonus issue of 1 bonus share for every 2 right shares taken up.

As shown in the table above, the discount to the relevant closing prices (after adjustment for the effect of the capital reorganisation) was approximately 69.70% to 85.62%. The discount of the Subscription Price to the closing price of the Shares as quoted on the Stock Exchange on the Last Trading Day (being approximately 82.52% as adjusted for the effect of the Capital Reorganisation) is within the range

of the discount of the rights issues and open offers listed above, and the Directors consider that it is comparable to the rights issues and open offers previously conducted; and

(iv) the prevailing market conditions and the recent volatility of the stock markets.

In planning the Open Offer, the Directors (excluding the independent non-executive Directors who will give their view after taking into consideration of the advice of the Independent Financial Adviser) have considered the declining trend of the prevailing trading prices of the Shares, the net loss recorded by the Company for the two years ended 31 March 2015, and the various announced rights issues and open offers conducted with capital reorganisation by companies listed on the Stock Exchange in the 6-month period where the discount rate of the Open Offer is comparable to those rights issues and open offers, and are of the view that (i) it is necessary to set the Subscription Price at a discount level that would likely enhance the attractiveness of the Open Offer, lower the investment cost of the Shareholders and increase the incentive of the Qualifying Shareholders to take up their entitlements to participate in the potential growth of the Group; and (ii) the existing structure of the Open Offer is appropriate in meeting the current funding needs of the Group. As such, no alternative structures were considered by the Company for the Open Offer.

Given that the Open Offer will offer an equal opportunity for all Qualifying Shareholders to maintain their proportionate interests in the Company and further participate in the Group's future development by subscribing the Offer Shares at a price which is lower than the prevailing market price, the Directors (excluding the independent non-executive Directors who will give their view after taking into consideration of the advice of the Independent Financial Adviser) consider that the proposed discount of the Subscription Price is appropriate.

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

#### **4. Conditions of the Open Offer and the Underwriting Agreement**

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

(a) the passing of the necessary resolution(s) by the Shareholders (or, where applicable, the Independent Shareholders) at the SGM approving and confirming: (i) the Capital Reorganisation; (ii) the Open Offer (including the Underwriting Agreement) and authorising the Directors to allot and issue the Offer Shares (to be voted on by the

- Independent Shareholders by poll); and (iii) the Whitewash Waiver (to be voted on by the Independent Shareholders by poll), in accordance with, where appropriate, the Bye-Laws, the Listing Rules and the Takeovers Code on or before the Record Date;
- (b) the Capital Reorganisation having become effective;
  - (c) the Executive having granted, and not having withdrawn or revoked such grant, the Whitewash Waiver, and the fulfillment of all conditions (if any) attached to the Whitewash Waiver;
  - (d) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance not later than the Prospectus Posting Date;
  - (e) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Excluded Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Open Offer on or before the Prospectus Posting Date;
  - (f) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment), and not having withdrawn or revoked listing of and permission to deal in the Offer Shares by no later than the first day of their dealings;
  - (g) the obligations of the Underwriters becoming unconditional and that the Underwriting Agreement is not terminated in accordance with its terms;
  - (h) compliance with and performance of all undertakings and obligations of the Company under the Underwriting Agreement and the representations and warranties given by the Company under the Underwriting Agreement remaining true, correct and not misleading in all material respects;
  - (i) compliance with and performance of the Undertakings by Achieve Prosper and Wang Xing Qiao; and
  - (j) the entering into of binding agreements by Kingston Securities with certain places and/or sub-underwriters, which shall be Independent Third Parties, for placing and/or sub-underwriting the Offer Shares, such that none of the Kingston Securities together with its parties acting in concert (having the meaning under the Takeovers Code) nor any of the places (including those procured by Kingston Securities or the

sub-underwriters (if any)) and/or sub-underwriters and their respective parties acting in concert (having the meaning under the Takeovers Code) shall be interested in 10% or more of the issued share capital of the Company as enlarged by the Open Offer.

The conditions (save for the condition (h) above) are incapable of being waived. If any of the above conditions is not satisfied by the Latest Time for Termination (being 4:00 p.m. on Thursday, 24 December 2015 or such other time and date as agreed by the Company and the Underwriters), the Open Offer will not proceed and the Underwriting Agreement shall be terminated and none of the parties shall have any claim against the other.

## **5. Qualifying Shareholders**

To qualify for the Open Offer, a Shareholder must be registered as a member of the Company and not being Excluded Shareholders at the Record Date. In order to be registered as members of the Company at the Record Date, all transfers of the Shares must be lodged (together with the relevant share certificate(s)) with the Company's branch share registrar in Hong Kong by 4:30 p.m. on Wednesday, 25 November 2015. The Company's branch share registrar and transfer office in Hong Kong is:

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

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

## **6. No Application for Excess Offer Shares**

If application for excess Offer Shares is arranged, the Company will be required to put in additional effort and costs to administer the excess application procedures, including preparing and arranging the excess application forms, reviewing the relevant documents, liaising with professional parties and printing of application forms, etc.

Considering that each Qualifying Shareholder will be given an equal and fair opportunity to participate in the Company's potential future development by subscribing for his entitlements under the Open Offer and maintaining their respective pro rata shareholding interests in the Company, the Directors (excluding the independent non-executive Directors whose opinion will be set forth in the Circular after having been advised by an independent financial adviser) is of the view that the benefits of offering the excess application procedures do not justify the additional efforts and costs, and it is fair and reasonable and in the interests of the Company and the Shareholders as a whole not to offer any excess application to the Qualifying Shareholders.

Accordingly, after arm's length negotiation with the Underwriters, no excess Offer Shares will be offered to the Qualifying Shareholders and any Offer Shares not taken up by the Qualifying Shareholders will be underwritten by the Underwriters. In compliance with Rule 7.26A(2) of the Listing Rules, the absence of excess application arrangement and the alternative arrangement for the disposal of the Offer Shares not being subscribed must be specifically approved by the Independent Shareholders at the SGM.

#### **7. Closure of Register of Members**

The register of members of the Company, in relation to the Open Offer, will be closed from Thursday, 26 November 2015 to Thursday, 3 December 2015, both dates inclusive. No transfer of Shares will be registered during this period.

#### **8. Status of the Offer Shares**

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

#### **9. Certificates of the Offer Shares**

Subject to fulfillment of the conditions of the Open Offer, share certificates for the Offer Shares are expected to be sent on or before Tuesday, 29 December 2015, to those entitled thereto by ordinary post at their own risk.

#### **10. Fractions of the Offer Shares**

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



## **11. Application for Listing**

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

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

## **12. Undertakings**

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

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

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

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

Latest Time for Acceptance) and otherwise comply with the procedures for such acceptance and application as described in the Prospectus Documents prior to the Latest Time for Acceptance.

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

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

### **13. Set Off**

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

### **14. Principal Terms of the Underwriting Agreement**

<b>Date</b>	:	20 August 2015
<b>Parties</b>	:	(1) The Company (2) Achieve Prosper, as underwriter (3) Kingston Securities, as underwriter
<b>Total number of Underwritten Shares</b>	:	1,832,192,916 Offer Shares, being the difference between the total number of Offer Shares to be issued by the Company and the total number of Offer Shares to be subscribed and paid for by Achieve Prosper and Wang Xing Qiao pursuant to the Undertakings and on the basis that no further Share or Adjusted Share will be issued or repurchased on or before the Record Date

**Allocation of underwriting obligations between the Achieve Prosper and Kingston Securities** : The Underwriters shall severally (but not jointly) subscribe or procure subscription for the Untaken Shares in the following manner:

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

Kingston Securities will not subscribe, for its own account, and will procure each of the subscribers of the Untaken Shares (including any direct and indirect ones procured via sub-underwriters) and their respective associates, will not, together with any party acting in concert (within the meaning of the Takeovers Code) with it or its associates, hold 10.0% or more of the voting rights of the Company immediately upon completion of the Open Offer.

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

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

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

**Conditions** : Please refer to “C. Proposed Open Offer – 4. Conditions of the Open Offer and the Underwriting Agreement” of this announcement

The Company has not approached any underwriters other than Achieve Prosper and Kingston Securities for the Open Offer. The Company has considered the underwriting arrangements (including the commission rates) of the open offers and rights issues recently conducted by issuers on the Stock Exchange to ensure the terms of the Open Offer, including the underwriting arrangements, are fair and reasonable and in line with the market practices. The Directors (excluding the independent non-executive Directors whose opinion will be set forth in the Circular after having been advised by an independent financial adviser) are of the view that the terms of the underwriting of the Open Offer (including the underwriting commission rate) are comparable to the market practices. In light of the recent market conditions, the Company believes that it is unlikely to obtain underwriting services on substantially better terms than those contained in the Underwriting Agreement.

### ***Termination***

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

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

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

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

- (1) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of any Underwriter; or

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

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

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

## 15. Changes in the Shareholding Structure of the Company Arising from the Capital Reorganisation and the Open Offer

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

	As at the date of this announcement		Immediately after the Capital Reorganisation but before completion of the Open Offer		Immediately after the completion of the Open Offer assuming that all Shareholders have fully subscribed for their entitlements under the Open Offer		Immediately after the completion of the Open Offer assuming that, except for Achieve Prosper and Wang Xing Qiao, no Shareholders subscribe for their entitlements under the Open Offer		Immediately after the completion of the Open Offer assuming that, (1) no Convertible Bonds have been converted into Adjusted Shares up to the completion of the Open Offer; (2) except for Achieve Prosper and Wang Xing Qiao, no Shareholders subscribe for their entitlements under the Open Offer and Achieve Prosper subscribes for such number of Offer Shares so that the public float of 25% of the issued share capital of the Company is maintained		Immediately after the completion of the Open Offer assuming that, (1) the Convertible Bonds have been fully converted into Adjusted Shares after the Record Date but before the completion of the Open Offer; (2) except for Achieve Prosper and Wang Xing Qiao, no Shareholders subscribe for their entitlements under the Open Offer and Achieve Prosper subscribes for such number of Offer Shares so that the public float of 25% of the issued share capital of the Company is maintained	
	Shares	%	Adjusted Shares	%	Adjusted Shares	%	Adjusted Shares	%	Adjusted Shares	%	Adjusted Shares	%
<i>The Concert Group</i>												
Achieve Prosper	1,085,755,571	37.18	271,438,892	37.18	1,357,194,460	37.18	3,189,387,376	87.36	2,734,757,954	74.91	2,979,323,170	74.92
Wang Xing Qiao	2,620,000	0.09	655,000	0.09	3,275,000	0.09	3,275,000	0.09	3,275,000	0.09	3,275,000	0.08
Sub-total	1,088,375,571	37.27	272,093,892	37.27	1,360,469,460	37.27	3,192,662,376	87.45	2,738,032,954	75.00	2,982,598,170	75.00
Public Shareholders	1,832,192,914	62.73	458,048,229	62.73	2,290,241,145	62.76	458,048,229	12.55	912,677,651	25.00	994,199,391	25.00
Total:	<u>2,920,568,485</u>	<u>100.00</u>	<u>730,142,121</u>	<u>100.00</u>	<u>3,650,710,605</u>	<u>100.00</u>	<u>3,650,710,605</u>	<u>100.00</u>	<u>3,650,710,605</u>	<u>100.00</u>	<u>3,976,797,561</u>	<u>100.00</u>

### Notes:

1. This scenario is for illustration purpose only and will never occur. Pursuant to the Underwriting Agreement, Achieve Prosper shall subscribe for or procure subscription for the first of such number of Untaken Shares such that the shareholding interests of the Concert Group in the Company taken together immediately upon Achieve Prosper's subscription of

the Untaken Shares shall equal to 75% of the issued share capital of the Company, and Kingston Securities shall subscribe for or procure subscription for all the remaining Untaken Shares.

2. Kingston Securities will not subscribe, for its own account, and will procure each of the subscribers of the Untaken Shares (including any direct and indirect ones procured via sub-underwriters) and their respective associates, will not, together with any party acting in concert (within the meaning of the Takeovers Code) with it or its associates, hold 10.0% or more of the voting rights of the Company immediately upon completion of the Open Offer. Kingston Securities shall use all reasonable endeavours to procure that the minimum public float requirement under Rule 8.24 of the Listing Rules be fulfilled by the Company upon completion of the Open Offer.
3. Achieve Prosper holds outstanding Convertible Bonds which are convertible into a maximum of 436,046,511 new Shares at the conversion price of HK\$0.1720 per Share (subject to adjustment) as at the date of this announcement. 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. If the Convertible Bonds are fully converted into Adjusted Shares after the Record Date but before the completion of the Open Offer, an additional 326,086,956 Adjusted Shares would be issued to Achieve Prosper before completion of the Open Offer.

## **16. Reasons for the Open Offer**

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

Based on the Company's unaudited consolidated statement of financial position as at 30 June 2015, the Company is of the view that the outstanding amount of the Promissory Note, which accounted for approximately 55% of the Group's total liabilities, is significant to the Group's financial position. Should such liabilities from the Promissory Note continue to burden the Group's financial position, it would be difficult for the Group to timely obtain financing for its future investment even if it has identified suitable investment opportunities. The Company is of the view that a reduction of the Group's liabilities (including the Promissory Note) through equity fund raising would lower the Group's gearing ratio and enhance its flexibility in obtaining financing for possible investment opportunities in the future without increasing the Group's interest burden, and therefore facilitate the Group's long term development and is in the interest of the Company and its Shareholders as a whole. In light of the recent declining trend of the prevailing trading price of the Shares and the volatility of the stock markets, the Company is of the view that it is appropriate to carry out the Open Offer at present to reduce the Group's liabilities at the soonest opportunity so that the Company could be better prepared to capture future investment opportunities should they arise.

As at the date of this announcement, the Company has no agreement, arrangement, understanding, intention or negotiation (concluded or otherwise) about any possible investment.



Before reaching the decision to proceed with the Open Offer, the Board has considered other fund raising alternatives for the Group, including debt financing (such as bank borrowings), rights issue and placing of new Shares. Regarding debt financing, the Directors are of the view that its availability is uncertain and it will be subject to negotiations with banks which may take considerable time. It will also increase the Group's interest burden.

The Directors have also examined the possibility of fund raising by way of a rights issue which is similar to an open offer except that it allows shareholders to trade their nil-paid entitlements in the market. Despite a rights issue will provide an exit for the Qualifying Shareholder who do not take up their assured entitlements by selling their nil-paid rights, the Directors noted that the adoption of such trading arrangements will carry additional expenses and administrative and liaison work for the Company and other professional parties, such as the share registrar, the Underwriters, the financial printer and legal advisers. It is estimated that the additional costs and expenses of around HK\$300,000 will be incurred for such administrative work and the arrangement of trading the nil-paid rights. Having considered and balanced against the additional administrative work and cost in connection with the trading arrangements of nil-paid rights, and given that all Qualifying Shareholders can have an equal opportunity to participate in the Open Offer, the Directors are of the view that raising funds by way of the Open Offer is a more cost-effective option than a rights issue.

After taking into account the benefits and cost of each of the alternatives, the Board is of the view that the Open Offer allows the Group to strengthen its balance sheet without facing the increasing interest rates and minimise the cost of fund raising.

The Board noted that the Open Offer may have a dilution effect if a Qualifying Shareholder decides not to take up his/her/it assured entitlement under the Open Offer. If all the Qualifying Shareholders decide not to take up their assured entitlement of the Open Offer, and the Underwriters take up or procure subscribers to take up all the Untaken Shares, the percentage of shareholding of the existing public Shareholders will be diluted by approximately 80.0% from approximately 62.73% to 12.55%.

Based on the above, and given that each Qualifying Shareholder is entitled to subscribe for the Offer Shares at the same price in proportion to his/her/its existing shareholding in the Company and the Open Offer is subject to the approval by the Independent Shareholders, the Directors (excluding the independent non-executive Directors whose opinion will be set forth in the Circular after having been advised by an independent financial adviser) consider that the terms of the Open Offer are fair and reasonable and in the interests of the Company and the Shareholders as a whole. **However, those Qualifying Shareholders who do not take up the Offer Shares to which they are entitled should note that their shareholdings in the Company will be diluted. If (1) no Convertible Bonds have been converted into Adjusted Shares up to the completion of the Open Offer; (2) except for Achieve Prosper and Wang Xing Qiao, no**

**Shareholders subscribe for their entitlements under the Open Offer; and (3) Achieve Prosper subscribes for such number of Offer Shares so that the public float of 25% of the issued share capital of the Company is maintained; then Achieve Prosper (being the controlling shareholder of the Company and the Underwriter of the Open Offer) will be able to subscribe for the Untaken Shares at a significant discount to the prevailing market prices of the Shares (see “C. Proposed Open Offer - 3. Subscription Price” above), and Achieve Prosper’s interest in the Company will increase from approximately 37.18% to 74.91%.**

## **17. Use of Proceeds**

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

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

- (i) approximately HK\$208.3 million for repaying the whole amount due to Achieve Prosper under the Promissory Note;
- (ii) approximately HK\$20.0 million for repaying the outstanding balance of the Amount Payable to Shareholder as at the Latest Time for Acceptance (as at 30 September 2015, the Amount Payable to Shareholder was approximately HK\$19.7 million); and
- (iii) the remaining balance will be used for the Group’s property investment business.

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

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

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

The Company is of the view that the redemption of the outstanding amount of approximately HK\$208.3 million of the Promissory Note would reduce the Group's liabilities, and thus results in a lower gearing ratio and improves the Group's financial position. This would facilitate the Group in obtaining financing for possible investment opportunities in the future to support the Group's long-term growth. Taking into account the recent volatility in the stock markets, the Directors (excluding the independent non-executive Directors who will give their view after taking into consideration of the advice of the Independent Financial Adviser) consider that it is in the Company's interest to raise funds by way of the Open Offer at the soonest opportunity to repay the Promissory Note.

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

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

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

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

Date of announcement	Event	Estimated net proceeds	Intended use of proceeds	Actual use of proceeds as at the date of this announcement
14 July 2015	Placing of new shares under general mandate	Approximately HK\$59.4 million	Possible opportunities for the development of renewable energy business and the general working capital of the Group.	Approximately HK\$1.3 million has been used as general working capital of the Group. The remaining balance (which are kept as short-term bank deposits in China/Hong Kong) will be used as intended.

## 20. Implications under the Listing Rules

As no excess application for the Offer Shares is available under the Open Offer and the Open Offer is partly underwritten by Achieve Prosper (a controlling shareholder of the Company), pursuant to Rule 7.26A(2) of the Listing Rules, specific approval shall be obtained from the Independent Shareholders in respect of the absence of such excess application arrangement. Achieve Prosper and its associates shall abstain from voting at the SGM to approve the absence of such excess application arrangement.

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

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

## **21. Establishment of Independent Board Committee and Appointment of Independent Financial Adviser**

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

### **D. APPLICATION FOR THE WHITEWASH WAIVER**

#### **1. Implications under the Takeovers Code**

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

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

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

The maximum number of Adjusted Shares which could be taken up by the Concert Group under the Open Offer and the Underwriting Agreement is 2,465,939,061 Adjusted Shares.

Assuming:

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

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

## **2. Application for the Whitewash Waiver**

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

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

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

### **3. Further information on Achieve Prosper**

As at the date of this announcement:

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

### **E. EXPECTED TIMETABLE**

<b>Event</b>	<b>2015</b>
Expected despatch date of the Circular with notice of the SGM . . . . .	Tuesday, 27 October

Latest time for lodging proxy forms for the SGM . . . . .	10:00 a.m. on Wednesday, 18 November
Expected date and time of the SGM . . . . .	10:00 a.m. on Friday, 20 November
Announcement of results of the SGM . . . . .	Friday, 20 November
Effective date and time of the Capital Reorganisation . . .	9:00 a.m. on Monday, 23 November
Commencement of dealings in the Adjusted Shares . . .	9:00 a.m. on Monday, 23 November
Original counter for trading in Shares in existing share certificates in board lots of 10,000 Shares temporarily closes . . . . .	9:00 a.m. on Monday, 23 November
Temporary counter for trading in Adjusted Shares in board lots of 2,500 Adjusted Shares (in the form of existing share certificates) opens . . . . .	9:00 a.m. on Monday, 23 November
First day of free exchange of existing certificates for the Shares into new certificates for the Adjusted Shares . . . . .	Monday, 23 November
Last day of dealings in Adjusted Shares on a cum-rights basis . . . . .	Monday, 23 November
First day of dealings in Adjusted Shares on an ex-rights basis . . . . .	9:00 a.m. on Tuesday, 24 November
Latest time for the Shareholders to lodge transfer of Adjusted Shares in order to qualify for the Open Offer . . . . .	4:30 p.m. on Wednesday, 25 November
Closure of register of members of the Company (both dates inclusive) . . . . .	Thursday, 26 November to Thursday, 3 December
Record Date and time for determining entitlements to the Open Offer . . . . .	4:00 p.m. on Thursday, 3 December
Register of members of the Company re-opens . . . . .	Friday, 4 December
Despatch of the Prospectus Documents . . . . .	Friday, 4 December



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 Monday, 7 December

Original counter for trading in the Adjusted Shares  
in board lots of 20,000 Adjusted Shares  
(in the form of new certificates) re-opens . . . . . 9:00 a.m. on Monday, 7 December

Parallel trading in Adjusted Shares (in the form of  
both existing certificates in board lots of 2,500  
Adjusted Shares and new certificates in board  
lots of 20,000 Adjusted Shares) commences . . . . . 9:00 a.m. on Monday, 7 December

Latest time for acceptance of, and payment for,  
the Offer Shares . . . . . 4:00 p.m. on Friday, 18 December

Latest time to terminate the Underwriting  
Agreement and for the Open Offer to  
become unconditional . . . . . 4:00 p.m. on Thursday, 24 December

Announcement of results of the Open Offer . . . . . Monday, 28 December

Temporary counter for trading in Adjusted Shares  
in board lots of 2,500 Adjusted Shares  
(in the form of existing certificates) closes . . . . . 4:00 p.m. on Monday, 28 December

Parallel trading in the Adjusted Shares  
(represented by both existing certificates in  
board lots of 2,500 Adjusted Shares and new  
certificates in board lots of 20,000 Adjusted  
Shares) ends . . . . . 4:00 p.m. on Monday, 28 December

Designated broker ceases to stand in the market  
to provide matching service . . . . . 4:00 p.m. on Monday, 28 December

Certificates for fully-paid Offer Shares and  
refund cheques if the Open Offer is terminated  
to be despatched on or before . . . . . Tuesday, 29 December

Commencement of dealings in fully-paid  
Offer Shares . . . . . 9:00 a.m. on Wednesday, 30 December

Last day of free exchange of existing certificates  
for new certificates . . . . . Wednesday, 30 December

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

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

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

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

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

**Shareholders should note that Adjusted Shares will be dealt in on an ex-entitlement basis commencing from Tuesday, 24 November 2015 and that dealings in Adjusted Shares will take place while the conditions to which the Open Offer is subject remain unfulfilled. Any Shareholder or other person dealing in Shares or Adjusted Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled, will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares or Adjusted Shares who is in any doubt about his/her/its position is recommended to consult his/her/its own professional adviser.**

## **G. GENERAL**

### **1. The Circular**

The Circular containing, among other things:

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

- (c) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Open Offer, the Underwriting Agreement and the Whitewash Waiver as to (i) whether they are fair and reasonable and in the interests of the Company and the Independent Shareholders, and (ii) voting by the Independent Shareholders on the relevant resolutions in the SGM by poll; and
- (d) a notice convening the SGM,

is expected to be despatched to the Shareholders on or before Tuesday, 27 October 2015.

## **2. The SGM**

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

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

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

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

## **H. RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was halted from 9:00 a.m. on 21 August 2015 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 8 October 2015.

## DEFINITIONS

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

“Achieve Prosper”	Achieve Prosper Capital Limited, a company incorporated in Samoa with limited liability on 21 November 2013 and is wholly and beneficially owned by Hong Kong Shihua
“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“Adjusted Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company upon the Capital Reorganisation becoming effective
“Amount Payable to Shareholder”	the total principal amount from time to time owing by the Group to Achieve Prosper, which, for the avoidance of doubt, excludes any amount due under the Promissory Note (as at 30 September 2015, the outstanding balance of the Amount Payable to Shareholder was to approximately HK\$19.7 million)
“Application Form(s)”	the form(s) of application for use by Qualifying Shareholders to apply for their assured allotments of the Offer Shares under the Open Offer
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Bye-Laws”	the bye-laws of the Company
“Board”	board of Directors
“Capital Reduction”	the proposed reduction of the Company’s issued share capital whereby: (i) any fractional Consolidated Share in the issued share capital of the Company resulting from the Share Consolidation shall be cancelled; and (ii) the nominal value of all the issued Consolidated Shares shall be reduced from HK\$0.40 each to HK\$0.01 each and the issued share capital of the Company shall accordingly be reduced to the extent of HK\$0.39 per Consolidated Share in issue
“Capital Reorganisation”	the proposed reorganisation of the Company’s issued share capital as more particularly described in “A. Proposed Capital Reorganisation – 1. The Capital Reorganisation” of this announcement

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Change in Board Lot Size”	the proposed change in board lot size of the Shares for trading on the Stock Exchange from 10,000 Shares to 20,000 Adjusted Shares
“Circular”	the circular (together with the notice convening the SGM and the form of proxy) of the Company to be despatched to the Shareholders containing details of matters put forward to the Shareholders or the Independent Shareholders (as the case may be) for consideration at the SGM
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)
“Companies Act”	the Companies Act 1981 of Bermuda
“Company”	Shihua Development Company Limited (實華發展有限公司), a company incorporated in Bermuda whose shares are listed on the Stock Exchange
“Concert Group”	means, Achieve Prosper, Mr. Wang Jing, Mr. Wang Xing Qiao and parties acting in concert with any of them
“Consolidated Share(s)”	means ordinary share(s) of HK\$0.40 each in the issued share capital of the Company immediately upon the Share Consolidation becoming effective
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Convertible Bonds”	3% convertible bonds due 2017 in the principal amount of HK\$75,000,000 issued by the Company to Achieve Prosper on 30 July 2014 as more particularly described in the circular of the Company dated 24 May 2014
“Director(s)”	the director(s) of the Company

“Excluded Shareholder(s)”	the Overseas Shareholder(s) whose registered addresses in the Company’s register of members as at the Record Date are in places where the Directors, after making enquiries, consider it necessary or expedient on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place not to offer the Offer Shares to such Shareholders
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of its delegate(s)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong Shihua”	Hong Kong Shihua Holdings Limited, a company incorporated in Hong Kong with limited liability on 12 December 2013, the entire issued share capital of which is legally and beneficially owned by Liaoning Shihua Property
“Independent Board Committee”	an independent committee of the Board comprising the non-executive Director and all of the three independent non-executive Directors formed for the purpose of advising the Independent Shareholder(s) on the Open Offer, the Underwriting Agreement and the Whitewash Waiver
“Independent Financial Adviser”	the independent financial adviser to be appointed to advise the Independent Board Committee and the Independent Shareholders on the Open Offer, the Underwriting Agreement and the Whitewash Waiver
“Independent Shareholder(s)”	the Shareholder(s), other than: (i) Achieve Prosper and its associates, and (ii) other members of the Concert Group and Shareholders who are involved in, or interested in, the Open Offer, the Underwriting Agreement, and/or the Whitewash Waiver
“Kingston Securities”	Kingston Securities Limited, a corporation licensed to conduct type 1 regulated activity (dealing in securities) under the Securities and Futures Ordinance

“Liaoning Shihua Property”	遼寧實華(集團)房地產開發有限公司 (Liaoning Shihua (Group) Property Development Company Limited*), a company established in the PRC on 12 January 1998 with limited liability which is controlled as to 82.8% of its equity interest by Mr. Wang Jing, the Chairman of the Board and an executive Director, 16.0% by Ms. Wang Yi Qiao (Mr. Wang Jing’s daughter) and 1.2% by Ms. Hu Bao Qin (Mr. Wang Jing’s spouse)
“Last Trading Day”	20 August 2015, being the last trading day for the Shares on the Stock Exchange before the release of this announcement
“Latest Time for Acceptance”	4:00 p.m. on Friday, 18 December 2015, or such later time or date as may be agreed between the Company and the Underwriters, being the latest time for acceptance of, and payment for, the Offer Shares as described in the Prospectus Documents
“Latest Time for Termination”	4:00 p.m. on the fourth business day after the Latest Time for Acceptance or such later time or date as may be agreed between the Company and the Underwriters in writing, being the latest time to terminate the Underwriting Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Offer Share(s)”	2,920,568,484 Adjusted Shares to be allotted and issued pursuant to Open Offer
“Open Offer”	the proposed issue of Offer Shares on the basis of four (4) Offer Shares for every one (1) Adjusted Share held on the Record Date to Qualifying Shareholders pursuant to the terms and conditions of the Prospectus Documents and the Underwriting Agreement
“Overseas Shareholder(s)”	the Shareholder(s) whose address(es) on the register of members of the Company on the Record Date are outside Hong Kong
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, Taiwan and the Macau Special Administrative Region of the People’s Republic of China

“Promissory Note”	the promissory note dated 3 August 2015 issued by the Company to Achieve Prosper for a principal amount of HK\$208,276,000 (without interest and payable by the Company on demand when the Company has generated, obtained and/or raised fund for not less than HK\$200 million), the particulars of which are further described in the circular of the Company dated 29 April 2015
“Prospectus”	the prospectus to be despatched to the Shareholders on the Prospectus Posting Date in connection with the Open Offer in such form as may be agreed between the Company and the Underwriters
“Prospectus Documents”	the Prospectus and the Application Form
“Prospectus Posting Date”	Friday, 4 December 2015, or such other day as may be agreed between the Company and the Underwriters, being the date of despatch of the Prospectus Documents
“Qualifying Shareholder(s)”	the Shareholder(s), whose names appear on the register of members of the Company as at the Record Date, other than the Excluded Shareholders
“Record Date”	4:00 p.m. on Thursday, 3 December 2015, being the date by reference to which entitlements to the Open Offer 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
“RMB”	Renminbi, the lawful currency of the PRC
“Set Off”	the setting off of the amount due under the Promissory Note, as more particularly described in “C. Proposed Open Offer – 13. Set Off” of this announcement
“SGM”	the special general meeting of the Company to be convened and held to consider and approve, among other things, the Capital Reorganisation, the Open Offer, the Underwriting Agreement and the Whitewash Waiver
“SFC”	the Securities and Futures Commission of Hong Kong



“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Share Consolidation”	the consolidation of share(s) in the issued and unissued share capital of the Company whereby every four (4) Shares with a nominal value of HK\$0.10 each will be consolidated into one (1) Consolidated Share with a nominal value of HK\$0.40
“Share Subdivision”	the subdivision of every unissued Consolidated Share of HK\$0.40 in the authorised share capital of the Company (including the unissued Consolidated Shares resulting from the Capital Reduction) into forty (40) Adjusted Shares of HK\$0.01 each
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price in respect of each Offer Share, being of HK\$0.086
“subsidiaries”	has the meaning ascribed thereto under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	The Code on Takeovers and Mergers promulgated by the SFC
“Underwriters”	Achieve Prosper and Kingston Securities
“Underwriting Agreement”	the underwriting agreement dated 20 August 2015 entered into between the Company and the Underwriters in relation to the Open Offer
“Undertakings”	an irrevocable undertakings provided by Achieve Prosper and Wang Xing Qiao to the Company as described in “C. Proposed Open Offer – 12. Undertakings” of this announcement

“Underwritten Shares”	all the Offer Shares in excess of the 1,088,375,568 Offer Shares that will be allotted to and subscribed for by Achieve Prosper and Wang Xing Qiao pursuant to the Undertakings, which are fully underwritten by the Underwriters pursuant to the terms and subject to the conditions of the Underwriting Agreement
“Untaken Shares”	all those Underwritten Shares for which duly completed Application Forms (accompanied by cheques or banker’s cashier order for the full amount payable on the applications which are honoured on first, or at the option of the Company, subsequent presentation) have not been lodged for acceptance by Qualifying Shareholders, or received, as the case may be, on or before the Latest Time for Acceptance
“Wang Xing Qiao”	Mr. Wang Xing Qiao, an executive Director and the Chief Executive Officer of the Company, being the son of Mr. Wang Jing, the Chairman of the Board
“Whitewash Waiver”	a waiver to be granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligation of Achieve Prosper to make a general offer for all the issued Adjusted Shares not already owned or agreed to be acquired by the Concert Group which may otherwise arise as a result of the subscription of the Offer Shares by Achieve Prosper pursuant to the Underwriting Agreement
“%”	per cent.

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

Hong Kong, 7 October 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.*

*\* For identification purpose only*