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If you have sold or transferred all your shares in **Shihua Development Company Limited (實華發展有限公司)**, you should at once hand this circular to the purchaser(s) or the transferee(s), or to the bank, licensed securities dealer or other agent through whom the sale or the transfer was effected for transmission to the purchaser(s) or the transferee(s).



Shihua Development Company Limited
實華發展有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 485)

**REFRESHMENT OF GENERAL MANDATE
AND
NOTICE OF SPECIAL GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**

Nuada Limited

Corporate Finance Advisory

A letter from the Board is set out on pages 3 to 6 of this circular. A letter from the Independent Board Committee is set out on page 7 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 8 to 14 of this circular. A notice convening a special general meeting of Shihua Development Company Limited (the "Company") to be held at Suites 903-905, 9th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong on Friday, 22 May 2015 at 3:00 p.m. is set out on pages SGM-1 to SGM-3 of this circular.

Whether or not you propose to attend the meeting, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of a proxy form will not preclude shareholders from attending and voting at the special general meeting if they so wish.

28 April 2015

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the meanings set out below:

“Announcement”	the announcement dated 18 March 2015 made by the Company in relation to the New General Mandate
“AGM”	the annual general meeting of the Company held on 5 September 2014
“Board”	the board of Directors
“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
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted to the Board by the Shareholders at the annual general meeting of the Company held on 5 September 2014
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising Mr. Yang Xin Hua, Mr. Wang Ping and Mr. Cheng Tai Kwan Sunny, all of whom are independent non-executive Directors, formed to advise the Independent Shareholders as to the refreshment of General Mandate
“Independent Financial Adviser”	Nuada Limited, a licensed corporation permitted to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the refreshment of General Mandate
“Independent Shareholders”	any Shareholders other than controlling Shareholders of the Company and their associates or, if there are no controlling Shareholders, any Shareholders other than Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates who shall hold Shares as at the date of the SGM
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“New General Mandate”	the general mandate to be sought at the SGM to authorise the Directors to allot, issue and deal with the Shares not exceeding 20% of the issued share capital of the Company as at the date of passing of the relevant resolution
“PRC”	the People’s Republic of China
“RMB”	Reminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held to consider and approve and the New General Mandate, or any adjournment thereof
“Share(s)”	ordinary share(s) of the HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

LETTER FROM THE BOARD



Shihua Development Company Limited 實華發展有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 485)

Executive Directors:

Mr. Wang Jing
Mr. Wang Xing Qiao
Mr. Chen Wan Jin
Mr. Zhao Shuang

Registered office:

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Non-executive Director:

Mr. Li Jun

*Head office and principal place of
business in Hong Kong:*

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

Independent non-executive Directors:

Mr. Yang Xin Hua
Mr. Wang Ping
Mr. Cheng Tai Kwan Sunny

28 April 2015

To the Shareholders

Dear Sir or Madam,

REFRESHMENT OF GENERAL MANDATE AND NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

In the Announcement, the Board announced that an ordinary resolution will be proposed to the Independent Shareholders that the Directors will be granted the New General Mandate.

The purpose of this circular is to provide you with, among other things, (i) further details of the refreshment of General Mandate; (ii) a letter from the Independent Board Committee; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) the notice of SGM.

LETTER FROM THE BOARD

REFRESHMENT OF GENERAL MANDATE

General Mandate

At the AGM, the Shareholders approved, among other things, an ordinary resolution for granting the Directors the General Mandate to allot and issue not more than 406,761,697 Shares, being 20% of the issued share capital of the Company of 2,033,808,485 Shares at the date of the AGM.

On 16 January 2015 (after trading hours), a sale and purchase agreement was entered into between Benxi Xincheng Property Development Company Limited* (本溪鑫城房地產開發有限公司), as vendor, and Benxi Xinhua Property Management Company Limited* (本溪信華物業管理有限公司), an indirect wholly-owned subsidiary of the Company, as purchaser. At the completion of the transaction contemplated under the said sale and purchase agreement, the Company has issued 400,000,000 Shares to the nominees of Benxi Xincheng Property Development Company Limited* (本溪鑫城房地產開發有限公司) on 10 February 2015. Thus, the General Mandate has been utilised as to approximately 98.34%. As at the Latest Practicable Date, the Company may issue up to only 6,761,697 Shares under the General Mandate. The Company has not refreshed the General Mandate since the AGM and up to the Latest Practicable Date.

Proposed refreshment of the General Mandate

The Company will convene the SGM at which an ordinary resolution will be proposed to the Independent Shareholders that the Directors will be granted the New General Mandate to allot, issue and deal with the Shares not exceeding 20% of the issued share capital of the Company as at the date of passing the relevant ordinary resolution at the SGM.

As at the Latest Practicable Date, the Company had an aggregate of 2,433,808,485 Shares in issue. Subject to the passing of the ordinary resolution for the approval of the New General Mandate and on the basis that no further Shares are issued and/or repurchased by the Company between the Latest Practicable Date and the date of the SGM, the Company would be allowed to allot and issue up to 486,761,697 Shares, being 20% of the total number of Shares in issue as at the Latest Practicable Date.

The New General Mandate will expire at the earliest of (a) the conclusion of the next annual general meeting of the Company; (b) the date by which the next annual general meeting of the Company is required to be held by law or by the Bye-laws of the Company; or (c) the date upon which such authority is revoked or varied by an ordinary resolution of the Shareholders in a general meeting of the Company prior to the next annual general meeting of the Company.

Reasons for the refreshment of General Mandate

As explained in the paragraph headed “General Mandate” above, the General Mandate had been utilised as to 98.34%. The Board believes that the refreshment of General Mandate is in the best interests of the Company and the Shareholders as a whole by maintaining the financial flexibility necessary for the Group’s future business development before the next annual general meeting of the Company which would be held in or about September this year tentatively. The Board believes that the New General Mandate will provide the Company with the capability to capture any capital raising or prospective investment

LETTER FROM THE BOARD

opportunities in a timely manner as and when it arises before the next annual general meeting of the Company. The Board considers equity financing does not incur any interest paying obligations on the Group as compared with debt financing.

As at the Latest Practicable Date, the Company had no plan to utilise the New General Mandate. Nevertheless, the Board is now proposing to seek the approval of the Independent Shareholders at the SGM for the New General Mandate in order to maintain financial flexibility of the Company such that, should any suitable business development or investment opportunity arise, the Company will consider to finance such opportunity by utilising the New General Mandate.

The Company would exercise due and careful consideration when choosing the financing method available to the Group. The New General Mandate is proposed to the Shareholders prior to the Company's next annual general meeting and therefore, under Rule 13.36(4) of the Listing Rules, the Refreshment of General Mandate is subject to the Independent Shareholders' approval at the SGM.

The Company has not conducted any fund raising activities in the twelve (12) months before the Latest Practicable Date.

LISTING RULES IMPLICATIONS

Pursuant to Rule 13.36(4)(a) of the Listing Rules, any controlling shareholders of the Company and their associates, or where there is no controlling shareholder, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates, shall abstain from voting in favour of the relevant resolution to approve the refreshment of General Mandate to be proposed at the SGM. As at the Latest Practicable Date, Achieve Prosper Capital Limited was interested in 1,085,755,571 Shares, representing approximately 44.61% of the total issued share capital of the Company. Pursuant to Rule 13.36(4)(a) of the Listing Rules, Achieve Prosper Capital Limited and its associates are required to abstain from voting in favour of the resolution to approve the refreshment of General Mandate at the SGM.

The Independent Board Committee has been established to advise the Independent Shareholders on the refreshment of General Mandate. Nuada Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the New General Mandate.

SGM

A notice for convening the SGM to be held at Suites 903-905, 9th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong on Friday, 22 May 2015 at 3:00 p.m. is set out from pages SGM-1 to SGM-3 of this circular.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

LETTER FROM THE BOARD

GENERAL

Whether or not you propose to attend the meeting, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of a proxy form will not preclude shareholders from attending and voting at the special general meeting if they so wish.

RECOMMENDATION

The Board (including the independent non-executive Directors who have taken into account the recommendations from the Independent Financial Adviser) considers that the New General Mandate are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolution as set out in the notice of SGM.

Your attention is drawn to the letter from the Independent Board Committee as set out on page 7 of this circular which contains its recommendation to the Independent Shareholders in relation to the refreshment of General Mandate. Your attention is also drawn to the letter from the Independent Financial Adviser as set out from pages 8 to 14 of this circular, which contains their advice to the Independent Board Committee and the Independent Shareholders as regards to the refreshment of General Mandate and the principal factors and reasons they have taken into account in arriving at their recommendation.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

By Order of the Board
Shihua Development Company Limited
Mr. Wang Jing
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



Shihua Development Company Limited 實華發展有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 485)

28 April 2015

To the Independent Shareholders

Dear Sir or Madam,

REFRESHMENT OF GENERAL MANDATE

We have been formed to advise the Independent Shareholders on the New General Mandate, details of which are set out in the circular issued by the Company to the Shareholders dated 28 April 2015 (the “Circular”), of which this letter forms part. The Independent Financial Adviser has been appointed by the Company as the Independent Financial Adviser to advise us in this regard. Terms defined in the Circular will have the same meanings when used herein unless the context otherwise requires.

We wish to draw your attention to the letter from the Board and the letter of advice from the Independent Financial Adviser set out on pages 3 to 6 and pages 8 to 14 of the Circular, respectively.

Having taken into account the New General Mandate, and the principal factors and reasons considered by the Independent Financial Adviser and its conclusion and advice, we concur with the view of the Independent Financial Adviser and consider that the New General Mandate are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the New General Mandate.

Yours faithfully,

For and on behalf of the Independent Board Committee

Mr. Yang Xin Hua
Independent non-executive
Director

Mr. Wang Ping
Independent non-executive
Director

Mr. Cheng Tai Kwan Sunny
Independent non-executive
Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice to the Independent Board Committee and the Independent Shareholders from Nuada Limited dated 28 April 2015 in relation to the refreshment of General Mandate for the purpose of inclusion in this circular.

Nuada Limited
Corporate Finance Advisory

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協成行上環中心18樓1805-08室

28 April 2015

*To the Independent Board Committee
and the Independent Shareholders of
Shihua Development Company Limited*

Dear Sirs,

REFRESHMENT OF GENERAL MANDATE

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with respect to the proposed grant of the New General Mandate, details of which are set out in the letter from the Board (the “**Letter**”) in the circular to the Shareholders dated 28 April 2015 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

On 18 March 2015, the Company announced that an ordinary resolution will be proposed to the Independent Shareholders that the Directors will be granted the New General Mandate to allot and issue Shares not exceeding 20% of the issued share capital of the Company as at the date of passing the relevant ordinary resolution at the SGM.

The Company will hold the SGM to approve the proposed grant of the New General Mandate. Pursuant to Rule 13.36(4)(a) of the Listing Rules, any controlling shareholders of the Company and their associates, or where there is no controlling shareholder, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates, shall abstain from voting in favour of the relevant resolution to approve the refreshment of General Mandate to be proposed at the SGM. As at the Latest Practicable Date, Achieve Prosper Capital Limited was interested in 1,085,755,571 Shares, representing approximately 44.61% of the total issued share capital of the Company. Accordingly, Achieve Prosper Capital Limited and its associates are required to abstain from voting in favour of the resolution to approve the refreshment of General Mandate at the SGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising Mr. Yang Xin Hua, Mr. Wang Ping and Mr. Cheng Tai Kwan Sunny, all of whom are independent non-executive Directors, has been formed to advise the Independent Shareholders on the refreshment of General Mandate. We have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regards.

At the same time of our appointment as the Independent Financial Adviser on the refreshment of General Mandate, we were also appointed as an independent financial adviser to the independent board committee and the independent Shareholders of the Company in respect of a major and connected transaction (the “Acquisition”). Such appointment is limited to providing independent advisory service to the independent board committee and independent shareholders of the Company on whether the Acquisition is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Under such appointment, we will receive a normal professional fee from the Company. Save for the appointment as the independent financial adviser on the Acquisition, we are independent from, and are not associated with the Company or its substantial shareholder(s) or connected person(s), as defined under the Listing Rules during the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser. Accordingly, we consider we are eligible to give independent advice on the refreshment of General Mandate. Apart from the normal professional fee payable to us in connection with this appointment, no arrangements exist whereby we will receive any fees or benefits from the Company or its substantial shareholder(s) or connected person(s), as defined under the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have relied on the accuracy of the information, opinions and representations contained or referred to in the Circular and provided to us by the Company, the Directors and the management of the Company. We have assumed that all information, opinions and representations contained or referred to in the Circular were true and accurate at the time when they were made and continued to be true and accurate at the date of the SGM. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiries and considerations. We have no reason to doubt that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. We consider that we have reviewed sufficient information to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular to provide a reasonable basis for our opinions and recommendations.

The Directors collectively and severally accept full responsibility for the accuracy of the information contained in the Circular. Having made all reasonable enquiries, the Directors have confirmed that, to the best of their knowledge, there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Company, the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs, financial condition and future prospects of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the refreshment of General Mandate, we have taken into consideration the following principal factors and reasons:

(a) Background and business of the Group

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

The following table summarizes the financial results of the Group for the two financial years ended 31 March 2013 and 2014, as extracted from the annual report 2014 of the Company (the “**Annual Report 2014**”) and for the six-month period ended 30 September 2014, as extracted from the interim report 2014 of the Company (the “**Interim Report 2014**”):

	For the year ended 31 March		For the six months ended 30 September	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Turnover	515,408	366,953	160,684	186,783
Cost of sales	<u>(465,183)</u>	<u>(408,857)</u>	<u>(162,489)</u>	<u>(162,368)</u>
Gross profit/(loss)	<u>50,225</u>	<u>(41,904)</u>	<u>(1,805)</u>	<u>24,415</u>
Loss for the year	<u><u>(58,387)</u></u>	<u><u>(189,364)</u></u>	<u><u>(50,980)</u></u>	<u><u>(195,026)</u></u>

As stated in the Annual Report 2014, for the year ended 31 March 2014, the turnover of the Group dropped by approximately 28.8% to approximately HK\$367.0 million as compared with a turnover of approximately HK\$515.4 million for the previous year. The turnover of the Group was mainly generated from the business segment of design, manufacture and sale of electronic products. The Group recorded a gross loss of approximately HK\$41.9 million for the year ended 31 March 2014 as compared with gross profit of approximately HK\$50.2 million for the previous year. According to the Annual Report 2014, the decrease in turnover and in turn the gross loss were due to the continued decline in the TV/DVD sales where demand was falling and selling prices were depressed due to price cutting competition. As a result, the Group's financial results further deteriorated and recorded a substantial loss of approximately HK\$189.4 million for the year ended 31 March 2014 as compared with loss of approximately HK\$58.4 million for the previous year.

With reference to the Interim Report 2014, the turnover of the Group for the six-month period ended 30 September 2014 increased by approximately 16.4% to approximately HK\$186.8 million as compared to the turnover of approximately HK\$160.7 million in the corresponding period of the previous year. The gross profit of the Group improved to approximately HK\$24.4 million as compared with a gross loss of approximately HK\$1.8 million in the same period in previous year.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at 30 September 2014, the Group had (i) net assets of approximately HK\$80.9 million and net current liabilities of approximately HK\$7.6 million; (ii) total current assets of approximately HK\$321.3 million, with bank balance and cash of approximately HK\$60.3 million; and (iii) total liabilities of approximately HK\$386.8 million, with current liabilities of approximately HK\$328.9 million and non-current liabilities of approximately HK\$57.9 million.

(b) Background information of the proposed grant of the New General Mandate

At the AGM, the Shareholders approved, among other things, an ordinary resolution for granting the Directors the General Mandate to allot and issue not more than 406,761,697 Shares, being 20% of the then issued share capital of the Company of 2,033,808,485 Shares at the date of the AGM.

On 16 January 2015, a sale and purchase agreement was entered into between Benxi Xincheng Property Development Company Limited* (本溪鑫城房地產開發有限公司), as vendor, and Benxi Xinhua Property Management Company Limited* (本溪信華物業管理有限公司), an indirect wholly-owned subsidiary of the Company, as purchaser. At the completion of the transaction contemplated under the aforesaid sale and purchase agreement, the Company has issued 400,000,000 Shares to the nominees of Benxi Xincheng Property Development Company Limited* (本溪鑫城房地產開發有限公司) on 10 February 2015. Thus, the General Mandate has been utilized as to approximately 98.34%. As at the Latest Practicable Date, the Company may issue up to only 6,761,697 Shares under the General Mandate, representing approximately 0.28% of the total issued share capital of the Company. The Company has not refreshed the General Mandate since the AGM and up to the Latest Practicable Date. Accordingly, the Board proposes to seek approval of the Independent Shareholders for the proposed grant of the New General Mandate such that the Directors will be granted the authority to allot, issue and deal with new Shares not exceeding 20% of the total issued share capital of the Company as at the date of passing the relevant resolution at the SGM.

As at the Latest Practicable Date, the Company had 2,433,808,485 Shares in issue. Subject to the passing of the ordinary resolution for the approval of the New General Mandate and on the basis that no Share would be issued and/or repurchased by the Company between the Latest Practicable Date and the date of the SGM, the New General Mandate would allow the Directors to allot, issue and deal with up to 486,761,697 new Shares, representing 20% of the total issued share capital of the Company as at the Latest Practicable Date.

The New General Mandate will expire at the earliest of (a) the conclusion of the next annual general meeting of the Company; (b) the date by which the next annual general meeting of the Company is required to be held by law or by the Bye-laws of the Company; or (c) the date upon which such authority is revoked or varied by an ordinary resolution of the Shareholders in a general meeting of the Company prior to the next annual general meeting of the Company.

The Company has not conducted any fund raising activities in the twelve (12) months before the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(c) **Reasons for the proposed grant of the New General Mandate**

1. Flexibility in financing

Under the General Mandate, the maximum number of Shares which may be allotted and issued by the Directors was 6,761,697 Shares, representing approximately 0.28% of the issued share capital of the Company as at the Latest Practicable Date. Given that (i) the General Mandate has been substantially utilised; and (ii) the next annual general meeting will not be held until around September 2015 which is about five months away from the Latest Practicable Date, the proposed grant of the New General Mandate can maintain the financial flexibility of the Group to grasp any business/investment opportunities in a timely manner if any of them arise. As at the Latest Practicable Date, the Company had no present intention to exercise the New General Mandate to allot and issue any new Shares.

On the above basis, we consider that it is prudent and reasonable to seek the approval of the Independent Shareholders to obtain the New General Mandate before the next annual general meeting of the Company, and that the proposed grant of New General Mandate is in the interests of the Company and the Shareholders as a whole.

2. Other financing alternatives

We understand from the management of the Company that apart from equity financing through the New General Mandate such as placing or subscription of new Shares, the Group will also consider other financing alternatives to meet the Company's financing requirements for future business development, such as debt financing, bank borrowings and other equity financing methods such as rights issue and/or open offer. However, the Directors are of the view that (i) debt financing or bank borrowings may incur interest burden and may be subject to a lengthy negotiation process, which may not facilitate the Directors for a prompt investment decision as compared to equity financing through the New General Mandate; and (ii) raising funds by way of rights issue or open offer would be more costly and time-consuming than the New General Mandate.

The Directors confirmed that they would exercise due and careful consideration when choosing the best financing method available to the Group. With this being the case, along with the fact that the proposed grant of New General Mandate will provide the Company an additional alternative and it is reasonable for the Company to have the flexibility in deciding the financing methods for its future business development, we are of the view that the proposed grant of New General Mandate is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. *Potential dilution to shareholding of the existing public Shareholders*

The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon the allotment and issue of Shares by the Company pursuant to the New General Mandate (assuming the New General Mandate is utilised in full and no further Shares are issued or repurchased by the Company from the Latest Practicable Date up to the date on which the New General Mandate (if granted) is exercise in full):

	As at the Latest Practicable Date		Upon full utilisation of the New General Mandate	
	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>
Achieve Prosper	1,085,755,571	44.61	1,085,755,571	37.18
Public Shareholders				
Existing public Shareholders	1,348,052,914	55.39	1,348,052,914	46.16
Shares to be issued under the New General Mandate	–	–	486,761,697	16.67
	2,433,808,485	100.00	2,920,570,182	100.00

The table above illustrates that the shareholdings of the existing public Shareholders would decrease from approximately 55.39% as at the Latest Practicable Date to approximately 46.16% upon full utilisation of the New General Mandate (assuming that no other Shares are issued and/or repurchased by the Company from the Latest Practicable Date up to the date on which the New General Mandate (if granted) is exercised in full). Such potential dilution to shareholdings of the existing public Shareholders represents a dilution of approximately 16.67%.

Taking into account that the proposed grant of the New of General Mandate (i) would provide an alternative to increase the amount of capital which may be raised under the New General Mandate; (ii) would provide more options of financing to the Group for further development of its business as well as in other potential future investments as and when such opportunities arise; and (iii) the shareholding interests of all the Shareholders in the Company will be diluted in proportion to their respective shareholdings upon any utilisation of the New General Mandate, we are of the opinion that the potential dilution of the shareholdings of the existing public Shareholders as just mentioned is justifiable.

(d) **Conclusion**

Having considered (i) the New General Mandate allows the Company to maintain adequate general mandate to raise capital; (ii) the New General Mandate provides more flexibility and options of financing to the Company for future business opportunities which may arise occasionally; and (iii) the acceptable potential dilution to shareholdings of the Independent Shareholders, we are of the opinion that the proposed grant of the New General Mandate is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Independent Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Taking into consideration principal factors and reasons considered above, we consider that the New General Mandate is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders and recommend the Independent Shareholders to vote in favour of the ordinary resolution as set out in the notice of SGM.

Yours faithfully,
For and on behalf of
Nuada Limited
Kim Chan
Director

Mr. Kim Chan is a person licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of Nuada Limited who has over 16 years of experience in corporate finance industry.

NOTICE OF SGM



Shihua Development Company Limited 實華發展有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 485)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of Shihua Development Company Limited (the “Company”) will be held at Suites 903-905, 9th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong on Friday, 22 May 2015 at 3:00 p.m. (Hong Kong time) for the following purposes:

As special business, to consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT:** –

- (a) subject to paragraph (c) of this resolution, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of HK\$0.10 each in the capital of the Company and to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this resolution shall authorise the Directors of the Company during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors of the Company pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) an issue of shares as scrip dividends pursuant to the Bye-Laws of the Company from time to time; or (iii) an issue of shares under any option scheme or similar arrangement for the time being adopted for the grant or issue of shares or rights to acquire shares of the Company, shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this Resolution, and the said approval shall be limited accordingly; and

NOTICE OF SGM

(d) for the purpose of this Resolution,

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:–

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws of Bermuda or the Bye-Laws of the Company to be held; and
- (iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting; and

“Rights Issue” means an offer of shares or issue of options, warrants or other securities giving right to subscribe for shares of the Company, open for a period fixed by the Directors of the Company to holders of shares of the Company, or any class of shares of the Company, whose names appear on the register of members of the Company (and, where appropriate, to holders of other securities of the Company entitled to the offer) on a fixed record date in proportion to their holdings of such shares (or, where appropriate such other securities) as at that date (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company).”

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

Hong Kong, 28 April 2015

Registered office:
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

*Head office and principal place of
business in Hong Kong:*
Rooms 05-15, 13A/F.,
South Tower, World Finance Centre,
Harbour City, 17 Canton Road,
Tsim Sha Tsui,
Kowloon, Hong Kong

NOTICE OF SGM

Notes:—

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
2. To be valid, a proxy form, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited at the branch share registrar of the Company, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
3. Completion and return of a proxy form will not preclude a member from attending in person and voting at the above meeting or any adjournment thereof, should he so wish, and in such event, the form of proxy shall be deemed to be revoked.

As at the date of this notice, 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.