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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)

**MAJOR AND CONNECTED TRANSACTION –
ACQUISITION OF PROPERTY
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 4 to 8 of this circular. A letter from the Independent Board Committee is set out on page 9 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 10 to 20 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 3:30 p.m. is set out on pages SGM-1 to SGM-2 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.

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DEFINITIONS

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

“Acquisition”	the proposed acquisition of the Property pursuant to the Purchase Agreement
“Announcements”	the announcements dated 18 March 2015 and 27 April 2015 made by the Company in relation to the Acquisition
“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
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“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 Purchase Agreement and the transactions contemplated thereunder
“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 Purchase Agreement and the transactions contemplated thereunder
“Independent Shareholders”	with respect to the Purchase Agreement and the transactions contemplated thereunder, the Shareholders excluding Mr. Wang and his associates
“Lease Expenses”	all charges for the possession and use of the premises leased under the Premises Lease Agreement, including but not limited to rental, charges for using facilities and equipment, and property service fees (i.e. property management fees), etc.

DEFINITIONS

“Latest Practicable Date”	27 April 2015, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Wang”	Mr. Wang Jing (王晶), the Chairman of the Company, the executive Director and the father of Mr. Wang Xing Qiao, the executive Director
“PRC”	the People’s Republic of China
“Premises Lease Agreement”	the premises lease agreement dated 12 June 2014 entered into between the Vendor as landlord and the Tenant as tenant
“Promissory Note”	a promissory note for the 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) to be issued by the Company to the Vendor upon completion of the Purchase Agreement
“Property”	the property as more particularly described in “The Purchase Agreement – Asset to be acquired” of this circular
“Purchaser”	Benxi Tongshengyuan Industry Company Limited* (本溪同盛遠實業有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Purchase Agreement”	the sale and purchase agreement dated 16 January 2015 (as amended and supplemented by the Supplemental Agreement) entered into between the Vendor and the Purchaser
“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, among other things, the Purchase Agreement and transactions contemplated thereon, or any adjournment thereof
“Share(s)”	ordinary share(s) of the HK\$0.10 each in the issued share capital of the Company

DEFINITIONS

“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement dated 27 April 2015 entered into between the Vendor and the Purchaser for purpose of supplementing and amending the term of the Purchase Agreement
“Tenant”	Wal-Mart (Liaoning) Store Co. Ltd. (沃爾瑪(遼寧)百貨有限公司), a limited liability company duly incorporated and validly existing under the laws of the PRC
“Vendor”	Liaoning Shihua (Group) Property Development Company Limited* (遼寧實華(集團)房地產開發有限公司), which is controlling shareholder (as defined under the Listing Rules) of the Company
“sq.m.”	square metre
“%”	per cent.

* *For identification purpose only.*

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

29 April 2015

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION – ACQUISITION OF PROPERTY AND NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

In the Announcements, the Board announced that the Vendor has agreed to sell and the Purchaser has agreed to acquire the Property.

The purpose of this circular is to provide you with, among other things, (i) further details of the Acquisition; (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; (iv) the financial and general information of the Group; (v) the unaudited pro forma financial information of the Group; (vi) the valuation report of the Property; and (vii) the notice of SGM.

LETTER FROM THE BOARD

THE PURCHASE AGREEMENT

Date: 17 March 2015 (after trading hours)

Parties: (i) the Vendor; and
(ii) the Purchaser

Asset to be acquired

The Property, being a property located at the intersection of Huanshan Road (環山路) and Guangyu Road (廣裕路), Pingshan District, Benxi, Liaoning Province, the PRC, which is one of the core commercial districts of Benxi. The Property is part of the property development project of the Vendor, namely Shihua – Meilan City (實華—美蘭城), and is a shopping mall of the development project. The preliminary gross floor area is 23,700.06 sq.m. (including ancillary facility). The main construction of the Property has been completed and it can be used after decoration. The Property has not yet generated any income as at the Latest Practicable Date. The investment costs incurred in relation to the development of the Property paid by the Vendor amounted to approximately RMB188,773,000. It is estimated that construction costs of approximately RMB5,000,000 would be incurred to complete the construction of the Property and such construction costs shall be borne by the Vendor pursuant to the Purchase Agreement.

The Premises Lease Agreement

The Property is subject to the Premises Lease Agreement. Pursuant to the Premises Lease Agreement, the Tenant has agreed to lease the Premises, i.e., portions of level 1, basement level 1 and basement level 3 of the Property, totaling 14,643 sq.m., for operating a “Wal-Mart” store.

A 4 months rent-free construction period granted to the Tenant is expected to start in or about April 2016. The initial term of the Premises Lease Agreement is 20 years, which is expected to commence in or about August 2016. The Tenant has the right to renew the Premises Lease Agreement and such right may be exercised four times at most and the term for each renewal will be five years.

The Lease Expenses for the 1st and 2nd lease year are approximately HK\$5 million per annum. From the 3rd lease year throughout the 20th lease year, the Lease Expenses will increase by 3% every two years on the basis of the Lease Expenses for the 2nd lease year. Upon expiration of the initial 20-year term, if the Tenant decides to renew the Premises Lease Agreement, then from the 1st lease year of the 1st renewal term (i.e., the 21st lease year) to the end of the renewal terms, the annual Lease Expenses for the renewal terms will increase by 3% every 2 years on the basis of the Lease Expenses for the last lease year of the initial 20-years term, that is the 20th lease year. The Lease Expenses are payable in arrears each month.

Consideration

The consideration of the Acquisition is HK\$208,276,000, which shall be satisfied by the issue of the Promissory Note by the Company to the Vendor or its nominee(s) on completion of the Purchase Agreement.

LETTER FROM THE BOARD

The consideration payable by the Company under the Purchase Agreement is determined based on arm's length negotiation between the Purchaser and the Vendor with reference to the investment costs of the Vendor.

According to the valuation conducted by International Valuation Limited engaged by the Company in respect of the Acquisition, the market value of the Property is HK\$210,000,000 as at 3 March 2015. The valuation was prepared according to the investment method on the basis of capitalization of the net rental incomes. In valuing those portions of the property which are vacant, direct comparison method is also adopted where comparison based on comparable sales evidence is made. The valuation report prepared by International Valuation Limited is set out in Appendix III of this circular.

Conditions precedent

The Purchase Agreement shall be subject to and conditional upon the fulfilment of the following conditions precedent:

- (i) the obtain of the necessary approval of the Independent Shareholders for the Acquisition in accordance with the Listing Rules; and
- (ii) the obtain of the consent of the Tenant regarding the transfer of the Property.

As at the Latest Practicable Date, condition (ii) above has been fulfilled.

Completion

The completion of the Purchase Agreement shall take place on or before 30 June 2015 following the satisfaction of all of the conditions precedent.

The Promissory Note

The Promissory Note is for the 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.

INFORMATION ABOUT THE PURCHASER AND THE GROUP

The Purchaser is an indirect wholly-owned subsidiary of the Company established for carrying out the business of investment in and management of properties.

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.

INFORMATION ABOUT THE VENDOR

The Vendor is a company established in the PRC on 12 January 1998 with limited liability which is controlled by Mr. Wang and his family members.

LETTER FROM THE BOARD

REASONS FOR THE ACQUISITION

It has been the Group's business strategy to diversify its business and further enhancing the Shareholders' value. The Acquisition, together with the acquisition of a commercial property located at the core commercial district of Benxi, Liaoning Province, the PRC completed and announced by the Company on 10 February 2015, will enable the Group to diversify its business and broaden its source of revenue.

Leveraging on the presence of an international brand retail store, the Group currently intends that, after carrying out the necessary decoration work, the remaining 9,057.06 sq.m. of the Property will be held for lease and, if the then property price is favourable, sell all or part of such gross floor area.

The Board consider that (i) given the Property is located at a district of Benxi with relatively high population density, it possesses high potential for increase in value; (ii) consideration payable under the Purchase Agreement is favourable to the Group as compared to the market price of properties with proximity; (iii) the Premises Lease Agreement, which was entered into with a renounced international retail group, will bring long term stable income to the Group; and (iv) the presence of international brand store will enhance the value of the remaining 9,057.06 sq.m. of the Property. The Board is of the view that the terms and conditions of the Purchase Agreement have been negotiated among the Vendor and the Purchaser on an arm's length basis and are on normal commercial terms that are fair and reasonable, and that the Acquisition is in the interest of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE ACQUISITION

It is intended that, after carrying out the necessary decoration work, the Property would be held for leasing to generate stable income and the Premises Lease Agreement will bring long term stable income to the Group. Thus, the Acquisition will have positive effects on the Group's earnings in the future years.

As a result of the Acquisition, non-current assets will be increased by HK\$208,276,000 and the note payable will be increased by HK\$208,276,000 in the balance sheet.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition exceed 25% but below 100%, the Acquisition constitutes a major transaction for the Company under Rule 14.06 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

The Vendor is controlled by Mr. Wang and his family members and therefore a connected person of the Company. The Acquisition therefore also constitutes a connected transaction for the Company and is subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will seek the Independent Shareholders' approval for the Purchase Agreement and the transactions contemplated thereunder at the SGM.

At the relevant Board meeting, Mr. Wang and Mr. Wang Xing Qiao, being the son of Mr. Wang and an executive Director, have abstained from voting on the resolutions approving the Purchase Agreement and the transactions contemplated thereunder in which they and/or their associates are materially interested in.

LETTER FROM THE BOARD

At the SGM, Mr. Wang and his associates will abstain from voting on the resolutions approving the Purchase Agreement and the transactions contemplated thereunder. As at the Latest Practicable Date, Mr. Wang and his associates held 1,085,755,571 Shares, representing approximately 44.61% of the existing issued share capital of the Company. To the best knowledge, information and belief of the Directors, other than Mr. Wang and his associates, none of the persons who are required to abstain from voting at the SGM is holding any Shares as at the Latest Practicable Date.

FURTHER INFORMATION

Your attention is also drawn to the additional information contained in the appendices to this circular.

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 terms of the Acquisition and the transactions contemplated under the Purchase Agreement 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 resolutions as set out in the notice of SGM.

By Order of the Board
Shihua Development Company Limited
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)

29 April 2015

To the Independent Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION –
ACQUISITION OF PROPERTY**

We have been formed to advise the Independent Shareholders on the Acquisition and the transactions contemplated under the Purchase Agreement, details of which are set out in the circular issued by the Company to the Shareholders dated 29 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 4 to 8 and pages 10 to 20 of the Circular, respectively, and the additional information set out in the appendices to the Circular.

Having taken into account the Acquisition and the transactions contemplated under the Purchase Agreement, 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 Acquisition and the transactions contemplated under the Purchase Agreement are on normal commercial terms and 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 resolution to be proposed at the SGM to approve the Acquisition and the transactions contemplated under the Purchase Agreement.

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 29 April 2015 in relation to the Acquisition for the purpose of inclusion in this circular.

Nuada Limited
Corporate Finance Advisory

Unit 1805-08, 18/F
OfficePlus @Sheung Wan
93-103 Wing Lok Street
Sheung Wan, Hong Kong
香港上環永樂街93-103號
協成行上環中心18樓1805-08室

29 April 2015

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

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION – ACQUISITION OF PROPERTY

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 Acquisition, details of which are set out in the letter from the Board (the “**Letter**”) in the circular to the Shareholders dated 29 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 17 March 2015, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Purchase Agreement with the Vendor, pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to acquire the Property at a consideration of HK\$208,276,000.

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition exceed 25% but below 100%, the Acquisition constitutes a major transaction for the Company under Rule 14.06 of the Listing Rules and is subject to the reporting, announcement and Shareholders’ approval requirements under the Listing Rules.

The Vendor is controlled by Mr. Wang and his family members and is therefore a connected person of the Company. Accordingly, the Acquisition constitutes a connected transaction for the Company and is subject to the reporting, announcement, annual review and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules. The Company will seek the Independent Shareholders’ approval for the Purchase Agreement and the transactions contemplated thereunder at the SGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

At the relevant Board meeting, Mr. Wang and Mr. Wang Xing Qiao, being the son of Mr. Wang and an executive Director, have abstained from voting on the resolutions approving the Purchase Agreement and the transactions contemplated thereunder in which they and/or their associates are materially interested in.

The Company will hold the SGM to approve the Purchase Agreement and the transactions contemplated thereunder. At the SGM, Mr. Wang and his associates will abstain from voting on the resolutions approving the Purchase Agreement and the transactions contemplated thereunder. As at the Latest Practicable Date, Mr. Wang and his associates held 1,085,755,571 Shares, representing approximately 44.61% of the existing issued share capital of the Company. To the best knowledge, information and belief of the Directors, other than Mr. Wang and his associates, none of the persons who are required to abstain from voting at the SGM holds any Shares as at the Latest Practicable Date.

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 Purchase Agreement and the transactions contemplated thereunder. We have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

At the same time of our appointment as the Independent Financial Adviser on the Acquisition, 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 refreshment of general mandate (the “**Refreshment of General Mandate**”). Such appointment is limited to providing independent advisory service to the independent board committee and independent shareholders of the Company on whether the Refreshment of General Mandate was fair and reasonable and in the interests of the Company and the Shareholders as a whole. Under such appointment, we received a normal professional fee from the Company. Save for the appointment as the independent financial adviser on the Refreshment of General Mandate, we are independent from, and are not associated with the Company or any other party to the Purchase Agreement, or their respective 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 considered we are eligible to give independent advice on the transaction contemplated under the Purchase Agreement. 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 any other party to the Purchase Agreement or their respective 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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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.

Our opinion is necessarily based upon the financial, economic (including exchange rates and interest rates), market, regulatory and other conditions as they exist on, and the facts, information, representations and opinions made available to us as of the Latest Practicable Date. Our opinion does not in any manner address the Company's own decision to proceed with the Acquisition. We disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting the opinion expressed herein, which may come or be brought to our attention after the Latest Practicable Date. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

(a) Reasons for and Benefits of the Acquisition

1. 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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	
	2013	2014	30 September	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(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>(58,387)</u>	<u>(189,364)</u>	<u>(50,980)</u>	<u>(195,026)</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.

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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Information of the Property

As disclosed in the Letter, the Property is located at the intersection of Huanshan Road (環山路) and Guangyu Road (廣裕路), Pingshan District, Benxi, Liaoning Province, the PRC, which is one of the core commercial districts of Benxi. The Property is part of the property development project of the Vendor, namely Shihua – Meilan City (實華—美蘭城), and is a shopping mall of the development project. The preliminary gross floor area of the Property is 23,700.06 sq.m (including ancillary facility). The main construction of the Property has been completed and it can be used after decoration. The Property has not yet generated any income as at the Latest Practicable Date. The investment costs incurred in relation to the development of the Property paid by the Vendor amounted to approximately RMB188,773,000. It is estimated that construction costs of approximately RMB5,000,000 would be incurred to complete the construction of the Property and such construction costs shall be borne by the Vendor pursuant to the Purchase Agreement.

Benxi is located in the eastern part of Liaoning Province, with a population of approximately 1.52 million in 2014 according to latest statistics published on the government website of Benxi (<http://www.benxi.gov.cn/>). According to the website, Benxi realized a preliminary gross domestic product of RMB117.12 billion in 2014, representing a rise of approximately 6.3% year on year. With reference to the latest census published by the National Bureau of Statistics in 2010, Pingshan District is the most populous and densest district in Benxi.

Given that (i) the Property is located in a relatively dense area of Pingshan District; (ii) the presence of large international brand store in the Property as stated in the subsection headed “The Premises Lease Agreement” below; and (iii) the Property is part of the property development project, namely Shihua – Meilan City, which comprises residential units, we are of the view that there would be a customer base for the Property.

3. The Premises Lease Agreement

The Property is subject to the Premises Lease Agreement. Pursuant to the Premises Lease Agreement, the Tenant has agreed to lease the Premises, i.e., portions of level 1, basement level 1 and basement level 3 of the Property, totaling 14,643 sq.m., for operating a “Wal-Mart” store.

A 4 month rent-free construction period granted to the Tenant is expected to start in or about April 2016. The initial term of the Premises Lease Agreement is 20 years, which is expected to commence in or about August 2016. The Tenant has the right to renew the Premises Lease Agreement and such right may be exercised four times at most and the term for each renewal will be five years.

The Lease Expenses for the 1st and 2nd lease year are approximately HK\$5 million per annum. From the 3rd lease year throughout the 20th lease year, the Lease Expenses will increase by 3% every two years on the basis of the Lease Expenses for the 2nd lease year. Upon expiration of the initial 20-year term, if the Tenant decides to renew the Premises Lease Agreement, then from the 1st lease year of the 1st renewal term (i.e., the 21st lease year) to the end of the renewal terms, the annual Lease Expenses for the renewal terms will increase by 3% every 2 years on the basis of the Lease Expenses for the last lease year of the initial 20-year term, that is the 20th lease year. The Lease Expenses are payable in arrears each month.

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We note from the official website of Wal-Mart Stores, Inc. that it is an international retail corporation with currently over 11,000 retail units in 27 countries, of which over 400 units are in China. We consider that the presence of international brand store would be attractive to local customers and in turn potential tenants to the remaining rental area of the Property.

4. *Market Outlook*

According to the latest statistics released by the National Bureau of Statistics of the PRC, the economy of Liaoning Province has been expanding rapidly, where the gross regional product recorded a cumulative annual growth rate for the 6-year period from 2008 to 2013 (“CAGR”) of approximately 14.8%. Meanwhile, the average wage of employed persons in urban units in Liaoning Province recorded a CAGR of approximately 10.8% while the household consumption expenditure recorded a CAGR of approximately 15.8%. These reflected that the retail market in Liaoning Province has also been growing in recent years, possibly due to the increase in average wage of employed persons. Given that consumption expenditure has kept growing throughout the six-year period from 2008 to 2013, we are of the view that the entering into of the shopping mall business through the Acquisition would provide the Group with stable rental income.

Indicators	2008	2009	2010	2011	2012	2013	2008 to 2013 CAGR
Gross Regional Product <i>(in billion RMB)</i>	1,366.9	1,521.2	1,845.7	2,222.7	2,484.6	2,721.3	14.8%
Average Wage of Employed Persons in Urban Units <i>(RMB)</i>	27,179	30,523	34,437	38,154	41,858	45,505	10.9%
Household Consumption Expenditure <i>(RMB)</i>	9,690	10,906	13,016	15,635	17,999	20,156	15.8%

Source: National Bureau of Statistic, the PRC

As stated in the Letter, it has been the Group’s business strategy to diversify its business and further enhancing the Shareholders’ value. The Acquisition, together with the acquisition of a commercial property located at the core commercial district of Benxi, Liaoning Province, the PRC completed and announced by the Company on 10 February 2015, will enable the Group to diversify its business and broaden its source of revenue.

Taking into consideration that (i) the Group recorded substantial losses for the year ended 31 March 2013 and 2014 and the diversification into shopping mall business may possibly broaden the revenue source of the Group; (ii) the Property is located at a district of Benxi with relatively high population density and it possesses high potential for increase in value; (iii) the Property is part of a property development project which would supply a customer base for the retail stores in the Property and may thus be attractive to potential tenants; (iv) the Premises Lease Agreement, which was entered into with a renounced international retail group, will bring long term stable income to the Group and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

attract local customers; and (v) the household consumption expenditure in Liaoning Province has kept growing according to the National Bureau of Statistics of the PRC, we are of the view that the Acquisition is in the interests of the Company and the Shareholders as a whole.

(b) Principal terms of the Purchase Agreement

1. Consideration

The consideration of the Acquisition is HK\$208,276,000, which shall be satisfied by the issue of the Promissory Note by the Company to the Vendor or its nominee(s) on completion of the Purchase Agreement.

The consideration payable by the Company under the Purchase Agreement is determined based on arm's length negotiation between the Purchaser and the Vendor with reference to the investment costs incurred by the Vendor amounted to approximately RMB188,773,000.

In assessing the fairness and reasonableness of the Consideration, we have considered, among others, the valuation of the Property as detailed in the valuation report (the "**Valuation Report**") prepared by International Valuation Limited (the "**Valuer**") as set out in Appendix III to the Circular and discuss with the Valuer regarding the methodology of and the principal bases and assumptions adopted for the valuation of the Property.

We have assessed the qualification and experience of the responsible person of the Valuer for its engagement as the independent professional valuer for the Property. We noted that he has over 10 years of experience in valuation of properties in Hong Kong, Macau and the PRC. The Valuer also confirmed to us that it is independent from the Company and all relevant material information provided by the Company had been incorporated in the Valuation Report and there were no other material relevant information or representations relating to the Properties provided or made by the Company to the Valuer not having been included in the valuation. In addition, we also reviewed the terms of the Valuer's engagement and noted that the scope of work is appropriate to the opinion required to be given and we are not aware of any limitation on the scope of work which might have an adverse impact on the degree of assurance given by the Valuation Report.

In valuing the property interests, the Valuer have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Listing Rules and the HKIS Valuation Standards 2012 Edition published by The Hong Kong Institute of Surveyors.

We note that the Valuer had used (i) the investment approach for the valuation of the premises leased by the Tenant under the Premises Lease Agreement (the "**Premises**"); and (ii) the direct comparison approach for the valuation of the remaining portions of Property which are vacant. We understand from the Valuer that there are three commonly adopted approaches which can be used for valuation of a property, namely, investment approach, direct comparison approach, and cost approach. According to the Valuer that (i) the cost approach is used only when there is no market parameter available, which is not in this case; (ii) the direct comparison approach considers the market parameters through the comparable sales evidence, but does not take into account of the long term rental arrangement as stated in the Premises Lease Agreement; and (iii) the investment approach

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estimates value of a property by the present value of the income generated. Accordingly, the investment approach, which has taken into account of the rental income generated under the Premises Lease Agreement, is therefore considered the most appropriate methodology for the valuation of the Premises. The direct comparison approach, which has included the market parameters, i.e. the market rent and market value of similar retail properties, is therefore considered as the most appropriate methodology for the valuation of the remaining portion of the Property which are vacant and not leased under the Premises Lease Agreement.

We understand that the market value of the Property is estimated on an as-if completed basis as at 3 March 2015. Such as-if completed basis includes all construction cost on the Property but before any other decoration cost, such as interior decorations. We are advised by the Valuer that for the retail property, it is common that the decoration cost should be borne by the future tenants and therefore such cost normally will not be considered as a factor in conducting the valuation for retail property.

We have reviewed the five comparables for the market rent (the “**Market Rent Comparables**”) and five comparables for the market value (the “**Market Value Comparables**”) of similar commercial properties (together, the “**Comparables**”) adopted by the Valuer and note that all of them are (i) quoted from two property agent databases within a six-month period before the date of valuation of the Property; (ii) commercial properties for retail purpose; (iii) located at level one; and (iv) located in Pingshan District which is proximate to the location of the Property. We understand that the two property agent databases are well-established in such district and cover a majority of local market information available, and accordingly, we consider that the list of Comparables is exhaustive. Based on the above criteria, we are of the view that the Comparables are a fair and representative sample. The tables below summarize the characteristics of the Comparables:

Market Rent Comparables	Date	Floor	Rent <i>(RMB/sq.m./month)</i>	Adjusted Rent <i>(RMB/sq.m./month)</i> <i>(Note)</i>
A	16 December 2014	Level 1	100	115
B	2 February 2015	Level 1	120	138
C	16 March 2015	Level 1	115	115
D	22 March 2015	Level 1	145	145
E	1 April 2015	Level 1	100	100
			Mean of the adjusted rents (the “ Market Rent ”)	123

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Market Value Comparables	Date	Floor	Value <i>(RMB/sq.m.)</i>	Adjusted value <i>(RMB/sq.m.)</i> <i>(Note)</i>
F	3 November 2014	Level 1	25,000	22,500
G	28 November 2014	Level 1	18,000	20,700
H	14 March 2015	Level 1	17,000	19,550
I	20 March 2015	Level 1	21,000	21,000
J	22 March 2015	Level 1	20,000	23,000
			Mean of the adjusted values <i>(the "Market Value")</i>	21,350

Note: The rents and values are adjusted based on the respective ages and sizes of the Comparables.

The Market Rent and Market Value are based on the means of the Market Rent Comparables and the Market Value Comparables and adjusted by their respective ages and sizes.

For the adjustment in relation to the ages of the Market Rent Comparables and the Market Value Comparables, the rents and values for old properties will be adjusted upward by approximately 15% in order to make them to be direct comparables to the Property. The reason for such adjustment is to reflect that any new property, such as the Property, can be leased at a higher rent and has higher market value. For the adjustment in relation to the sizes of the Market Rent Comparables and the Market Value Comparables, the rents and values for the smaller properties will be discounted by approximately 20%. As smaller properties generally will have higher unit rents and values, such downward adjustment will make them to be direct comparables to the Property. We have also discussed with the Valuer in relation to the respective adjustment rates and note that it will generally adopt such rates in other property valuation in direct comparison approach and investment approach. Given the above reasons, we consider the above adjustments are fair and reasonable.

Based on the Market Rent and Market Value of the Comparables, a market rental yield is obtained through a commonly adopted valuation formula, which is the same formula applied by other professional valuers we previously worked with, and can be used for ascertaining the present value of the rental income to be generated under the Premises Lease Agreement, assuming that the Premises Lease Agreement will be renewed upon expiration of the initial 20-year term. The Market Rent is used for ascertaining the rental income to be generated by the remaining 9,057.06 sq.m., with the key assumption that all of these remaining portions can be leased out at the adjusted market rent (adjusted for the respective floors of the rental area).

We have discussed with the Valuer in relation to the factors considered in determining the adjustment rates for the rental value in each floors. We note that (i) the discount rate for the 1st floor is approximately 40% as compared to the ground floor (level 1); and there is an incremental increase by approximately 10% in each floors upward. We understand from the Valuer that it had applied the similar adjustment rates for the valuations of the other shopping malls. The reason for such adjustment is that the ground floor is the most accessible area in each shopping mall and is generally

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

considered to be of significant higher value or rental rate as compared to the 1st floor. However, the decrease in shoppers will be much smaller from the 1st floor upward. Therefore, only an incremental rate of 10% discounts is adopted in each floors upwards. Given the above reasons, we consider the above adjustments are fair and reasonable.

We have discussed with the Valuer and noted that the above assumptions and adjustments are common practice in valuation of properties in the PRC, and therefore consider it is fair and reasonable.

We have also reviewed and verified the above calculations of the Market Rent, Market Value and market rental yield and note no anomalies. Accordingly, the market value of the Property based on the investment approach and direct comparison approach methodologies is valued at HK\$210 million as at 3 March 2015.

As the Consideration is HK\$208,276,000 which is close to the market value of the Property, we consider it is fair and reasonable so far as the Independent Shareholders are concerned.

2. *Conditions precedent*

The Purchase Agreement shall be subject to and conditional upon the fulfilment of the following conditions precedent:

- (i) the obtain of the necessary approval of the Independent Shareholders for the Acquisition in accordance with the Listing Rules; and
- (ii) the obtain of the consent of the Tenant regarding the transfer of the Property.

As at the Latest Practicable Date, condition (ii) above has been fulfilled.

3. *Promissory Note*

The Promissory Note is for the 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. We consider that the payment term of the Consideration (by way of issue of the Promissory Note) is fair and reasonable.

We have also reviewed the other terms of the Purchase Agreement and consider that save for the above, the terms of the Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

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(c) **Conclusion**

Having considered (i) the Acquisition can diversify the business of the Group, generate a stable income for the Group and further enhance the Shareholders' value; and (ii) the terms of the Purchase Agreement, including the Consideration as detailed above, are fair and reasonable, we consider that the Acquisition, which is not in the ordinary course of business of the Group, is in the interests of the Company and the Shareholders as a whole, on normal commercial terms and fair and reasonable.

RECOMMENDATION

Taking into consideration the principal factors and reasons considered above, we consider that (i) although the Acquisition is not in ordinary and usual course of business of the Group, it is on normal commercial terms; (ii) the terms of the Acquisition are fair and reasonable; and (iii) the Acquisition are 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 relevant resolution to approve the Acquisition at the 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.

1. FINANCIAL INFORMATION OF THE GROUP

Details of the published financial information of the Group for each of the three years ended 31 March 2014 are disclosed in the annual reports of the Company for the years ended 31 March 2012, 2013 and 2014 respectively. All of these financial statements are available on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.00485.hk):

- annual report of the Company for the year ended 31 March 2012 published on 17 July 2012 (pages 38-152);
- annual report of the Company for the year ended 31 March 2013 published on 17 July 2013 (pages 42-152); and
- annual report of the Company for the year ended 31 March 2014 published on 24 July 2014 (pages 53-176).

2. FINANCIAL AND TRADING PROSPECT 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.

As stated in the interim report of the Company for the six months ended 30 September 2014, while the Group has been endeavoring to pursue the existing business, it has been formulating a business strategy with a view to diversifying its business and further enhancing the Shareholders' value.

Having considered the economic conditions of the PRC, the Property is located at a core location of Benxi and the market price of property with proximity, the Directors that the Acquisition offers a valuable opportunity to enhance the long-term growth potential of the Group which is in line with the Company's business plan. The Board will continue to, leveraging on experience and network of the controlling Shareholders and the Directors, explore other business opportunities.

3. INDEBTEDNESS

At the close of business on 28 February 2015, being the Latest Practicable Date for the purpose of preparing this indebtedness statement and prior to the printing of this circular, the Group does not have any bank loans and overdrafts, debt securities and other borrowings and mortgages and charges.

At the close of business on 28 February 2015, the Group had an amount due to an affiliated company of HK\$2,370,000, an amount due to a shareholder of HK\$11,000,000 and the outstanding amount of convertible note of HK\$56,102,259. The amount due to an affiliated company and a shareholder are unsecured and interest-free and the convertible note is interest bearing at a rate equal to three per cent per annum on the outstanding principal amount.

4. CONTINGENT LIABILITIES

There were no material contingent liabilities as at 28 February 2015.

5. DISCLAIMER

Save as aforesaid and apart from intra-group liabilities and normal trade payables, the Group did not have any loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorized or otherwise created but unissued and term loans or other borrowings, indebtedness in the nature of borrowings, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities outstanding at the close of business on 28 February 2015.

Save as disclosed above, the Directors have confirmed that there have been no material changes in the indebtedness of the Group since 28 February 2015, up to and including the Latest Practicable Date.

6. WORKING CAPITAL

The Directors are of the opinion that, following completion of the Acquisition, after taking into account the financial resources available to the Group, including internally generated fund and banking facilities, the Group has sufficient working capital for its present requirements for at least the next twelve months from the date of this circular, in the absence of unforeseeable circumstances.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there was no material adverse change in the financial or trading position or prospects of the Group since 31 March 2014, being the date to which the latest published audited financial statements of the Group were made.

APPENDIX II**UNAUDITED PRO FORMA STATEMENT OF ASSETS
AND LIABILITIES OF THE GROUP****A. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP
AS AT 30 SEPTEMBER 2014**

	The Group as at 30 September 2014 HK\$'000	Unaudited pro forma adjustments HK\$'000 Note 1	The Group after the Acquisition HK\$'000
Non-current assets			
Investment properties	27,229	208,276	235,505
Property, plant and equipment	62,224		62,224
Prepaid lease payments	3,230		3,230
Goodwill	17,665		17,665
Interest in an associate	6,439		6,439
Available-for-sale investments	9,400		9,400
Deferred tax assets	20,178		20,178
	<u>146,365</u>		<u>354,641</u>
Current assets			
Inventories	145,079		145,079
Debtors, deposits and prepayments	114,267		114,267
Prepaid lease payments	121		121
Investments held for trading	413		413
Pledged bank deposits	1,077		1,077
Bank balances and cash	60,349		60,349
	<u>321,306</u>		<u>321,306</u>
Current liabilities			
Creditors and accrued charges	(273,732)		(273,732)
Amount due to a shareholder	(11,000)		(11,000)
Taxation payable	(1,046)		(1,046)
Borrowings	(41,737)		(41,737)
Other payable	–		–
Note payable	–	(208,276)	(208,276)
Bank overdrafts	(1,353)		(1,353)
	<u>(328,868)</u>		<u>(537,144)</u>
Net current liabilities	<u>(7,562)</u>		<u>(215,838)</u>
Total assets less current liabilities	<u>138,803</u>		<u>138,803</u>

**APPENDIX II UNAUDITED PRO FORMA STATEMENT OF ASSETS
AND LIABILITIES OF THE GROUP**

	The Group as at 30 September 2014 HK\$'000	Unaudited pro forma adjustments HK\$'000 <i>Note 1</i>	The Group after the Acquisition HK\$'000
Non-current liabilities			
Deferred tax liabilities	(4,514)		(4,514)
Convertible bonds	<u>(53,399)</u>		<u>(53,399)</u>
	<u>(57,913)</u>		<u>(57,913)</u>
Net assets	<u><u>80,890</u></u>		<u><u>80,890</u></u>
CAPITAL AND RESERVES			
Share capital	203,381		203,381
Reserves	<u>(136,244)</u>		<u>(136,244)</u>
Equity attributable to owners of the Company	67,137		67,137
Non-controlling interests	<u>13,753</u>		<u>13,753</u>
Total equity	<u><u>80,890</u></u>		<u><u>80,890</u></u>

Note 1 According to HKAS 16, an item of property, plant and equipment that qualifies for recognition as an asset shall be measured at its cost. The costs of an item is its purchase price and its related expenses incurred during the acquisition.

Based on the sales contract of property, the settlement of consideration is HK\$208,276,000. Therefore, the property is measured at its purchase price at HK\$208,276,000.

The adjustment represents settlement of the consideration of HK\$208,276,000 which shall be settled in the following manner:

The Promissory Note is for the principal amount of HK\$208,276,000, without interest and payable by the Company on demand.

Note 2 The assets and liabilities of the Group as at 30 September 2014 are extracted from the interim report of the Company for the six months ended 30 September 2014 dated 28 November 2014.

Note 3 No adjustment has been made to the Unaudited Pro Forma Financial Information for acquisition-related costs (including fees to legal advisers, reporting accountants, value, printer, taxes and levies and other expenses) as the Directors consider that such costs are insignificant.

Note 4 Apart from the adjustments as stated above, no adjustments have been made to reflect any trading results or other transactions of the Group and the Property entered into subsequent to 30 September 2014.

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at historical cost less accumulated depreciation and provision for any impairment in value. Depreciation is calculated on the straight-line basis over the expected useful life of 40 to 70 years.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the statement of profit or loss during the financial period in which they are incurred.

Any gains or losses on the retirement or disposal of an investment property are recognized in the statement for profit or loss in the year/period of the retirement or disposal.

**APPENDIX II UNAUDITED PRO FORMA STATEMENT OF ASSETS
AND LIABILITIES OF THE GROUP**

**B. ACCOUNTANT’S REPORT ON THE UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE GROUP**

The following is the text of a report received from the reporting accountants, Conpak CPA Limited, Certified Public Accountants, Hong Kong, in respect of the Group’s unaudited pro forma financial information for the purpose in this circular.



CONPAK CPA LIMITED | 康栢會計師事務所有限公司

The Board of Directors
Shihua Development Company Limited
Rooms 05-15, 13A/F.,
South Tower, World Finance Centre,
Harbour City, 17 Canton Road,
Tsim Sha Tsui, Kowloon, Hong Kong.

Date: 29 April 2015

**INDEPENDENT REPORTING ACCOUNTANT’S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN
AN OFFERING CIRCULAR**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Shihua Development Company Limited (the “Company”) and its controlled entity (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of financial position of the Company as at 30 September 2014 and related notes (the “Unaudited Pro Forma Financial Information”) as set out on pages 1 to 6 of Appendix II to the circular issued by the Company dated 29 April 2015 (the “Circular”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages 1 to 6 of Appendix II to the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the acquisition of Property (the “Acquisition”) on the Group’s financial position as at 30 September 2014. As part of this process, information about the Group’s financial position has been extracted by the Directors from the unaudited condensed consolidated interim results of the Group.

Directors’ Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“HKSAE”) 3420 Assurance Engagements to Report on the Compilation of Unaudited Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 September 2014 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Conpak CPA Limited

Certified Public Accountants

Hong Kong,

29 April 2015

The following is the text of a letter and a valuation certificate, prepared for the purpose of incorporation in this circular received from International Valuation Limited, an independent valuer, in connection with its valuation as at 3 March 2015 of the property interests to be acquired by the Group.



International Valuation Limited
國際評估有限公司

Room 1203A, 12/F
Kai Tak Commercial Building
317-319 Des Voeux Road Central
Hong Kong
Tel: (852) 2348 1777
Email: team@ivl.hk

Date: 29 April 2015

The Board of Directors
Shihua Development Company Limited
Rooms 05-15, 13A/F.,
South Tower, World Finance Centre
Harbour City, 17 Canton Road
Tsim Sha Tsui, Kowloon, Hong Kong

Dear Sirs,

INSTRUCTIONS

In accordance with your instructions for us to value a property which Shihua Development Company Limited (the “**Company**”) and its subsidiaries (hereinafter together referred to as the “**Group**”) to acquire and hold for investment in the People’s Republic of China (the “**PRC**”), we confirm that we have carried out property inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property as if completed basis as at 3 March 2015 (referred to as the “**Valuation Date**”).

This letter which forms part of our valuation report explains the basis and methodologies of valuation, clarifying assumptions, valuation considerations, title investigation and limiting conditions of this valuation.

BASIS OF VALUATION

Our valuation of the property interests represents the market value which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s – length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

VALUATION METHODOLOGY

As the property will be held by the Group for investment, we have valued the property by the investment method on the basis of capitalization of the net rental incomes with due allowance for reversionary income potential. The direct comparison method is also adopted in estimating the values of their reversionary interest (if any). The value of their reversionary interests is derived by capitalizing the market rental, as at the date of valuation, during the remaining holding period of the property after expiration of the existing leases. No projection of the growth of future rental income is made.

VALUATION CONSIDERATIONS

In valuing the property interests, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards 2012 Edition published by The Hong Kong Institute of Surveyors.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the seller sells the property interests on the open market in their existing states without the benefit of a deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements, which could serve to affect the values of the property interests.

In undertaking our valuation, we have assumed that, unless otherwise stated, transferable land use rights in respect of the property interests for specific terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid. We have also assumed that the owners of the properties have enforceable titles to the properties and have free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired terms as granted.

No allowance has been made in our report for any outstanding or additional land premium, charges, mortgages or amounts owing on the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

Other special assumptions of the property interests, if any, have been stated out in the footnotes of the valuation certificates attached herewith.

TITLE INVESTIGATION

We have been, in some instances, shown copies of various title documents and other documents relating to the property interests and have made relevant enquiries. We have not examined the original documents to verify the existing title to the property interests and any material encumbrances that might be attached to the property interests or any lease amendments. However, we have relied considerably on the information given by the Company's PRC legal adviser, Liaoning Yandong Law Office (遼寧燕東律師事務所), concerning the validity of the Group's title to the property interests located in the PRC.

All legal documents provided by the Group have been used for reference only. No responsibility regarding legal title to the property interests is assumed in this valuation report.

LIMITING CONDITIONS

We have inspected the exterior, and wherever possible, the interior of the properties but no structural survey had been made. In the course of our inspection, we did not note any serious defects. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. Further, no test has been carried out on any of the building services. All dimensions, measurements and areas are only approximates. We have not been able to carry out detailed on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the copies of documents handed to us are correct.

We have not carried out any soil investigations to determine the suitability of the soil conditions and the services etc. for any development thereon. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. We do not make any allowance for contamination or pollution of the land, if any, which may have been caused by past usage.

The site inspection of the property was carried out in January 2015 by Mr. Joseph Fung, who has over 5 years' experience in valuation of properties in the PRC.

We have relied to a considerable extent on information provided by the Group and have accepted advice given to us on such matters, in particular, but not limited to, the sales records, tenure, planning approvals, statutory notices, easements, particulars of occupancy, site and floor areas and all other relevant matters in the identification of the property interests.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also been advised by the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Liability in connection with this valuation report is limited to the client to whom this report is addressed and for the purpose for which it is carried out only. We will accept no liability to any other parties or any other purposes.

This report is to be used only for the purpose stated herein, any use or reliance for any other purpose, by you or third parties, is invalid. No reference to our name or our report in whole or in part, in any document you prepare and/or distribute to third parties may be made without written consent.

EXCHANGE RATE

Unless otherwise stated, all monetary amounts stated in this report are in Hong Kong Dollar (HKD).

Where appropriate, the exchange rate we have adopted is 0.8078 Renminbi (RMB) to approximately 1 HKD which was the prevailing exchange rates as at the Valuation Date.

Our valuation certificate is herewith attached.

Yours faithfully,
For and on behalf of
International Valuation Limited
Ian K. F. Ng
MHKIS RPS(GP)
General Manager – Real Estate

Mr. Ian K. F. Ng is a Registered Professional Surveyor with over 10 years' experience in valuation of properties in HKSAR, Macau SAR and mainland China. Mr. Ng is a Professional Member of The Hong Kong Institute of Surveyors.

VALUATION CERTIFICATE

Property interests to be acquired by the Group for investment in the PRC

Property	Description and Tenure	Particular of Occupancy	Market Value on As If Completed Basis as at 3 March 2015
Various Commercial Spaces of Commercial Podium (Land Lot No. 051-05-1-42) of Shihua Meilan City (實華·美蘭城) located at Guangyu Road, Pingshan District, Benxi City, Liaoning Province, the PRC	Shihua Meilan City is a mixed development comprising a parcel of land with a total site area of approximately 92,200 sq.m. to be built upon commercial podium together with various residential blocks. The property is situated on Guangyu Road in Pingshan District of Benxi City. Developments in the vicinity are mainly private residential, commercial and community facilities developments. Shopping facilities are to be provided within the development. The property comprises commercial spaces on the podium with a total gross floor area of approximately 23,700.06 sq.m. scheduled to be completed in early 2016. The area breakdown of the property is listed below:	The property is currently under construction.	HKD210,000,000 (Hong Kong Dollar Two Hundred Ten Million)

Portion	Gross Floor Area <i>Approx. (sq.m.)</i>
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Basement Level 3	132.00
Basement Level 1	17,620.41
Level 1	2,257.48
Level 2	1,222.01
Level 3	1,222.01
Level 4	1,222.01
Roof Level	24.14

Total:	23,700.06
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The land use rights of the property were granted for terms expiring on 18 July 2047 and 18 July 2077 for commercial and residential uses respectively.

Notes:

- (1) Pursuant to a State-owned Land Use Rights Grant Contract dated 19 July 2007 entered into between Benxi City Bureau of Land and Resources (本溪市國土資源局) and Liaoning Shihua (Group) Property Development Company Limited (遼寧實華(集團)房地產開發有限公司), a connected party, the land use rights of a parcel of land with a site area of approximately 92,200 sq.m. were contracted to be transferred to Shihua (Group) Property Development Company Limited for terms of 70 years for residential use at a land premium of RMB52,000,000.
- (2) Pursuant to a State-owned Land Use Rights Certificate – Ben Guo Yong (2010) Di No. 85 (本國用(2010)第85號) issued by Benxi City Bureau of Land and Resources dated 23 November 2010, the land use rights of a parcel of land (Land Lot No. 051-05-1-42), which forms part of the land parcel as mentioned in Note 1 above, with a site area of approximately 19,400 sq.m. were granted to Liaoning Shihua (Group) Property Development Company Limited for terms expiring on 18 July 2047 and 18 July 2077 for commercial and residential uses respectively.
- (3) Pursuant to a Construction Land Use Planning Permit - No. 2007-48 (編號2007-48) issued by Benxi City Urban-Rural Planning and Construction Committee (本溪市城鄉規劃建設委員會) dated 28 August 2007, Liaoning Shihua (Group) Property Development Company Limited was approved to develop a parcel of land with an area of approximately 92,200 sq.m. for a project known as Xinglong Xinghua Redevelopment Project (興隆, 興華街改造項目).
- (4) Pursuant to a Construction Project Planning Permit – No. 2010 – 25 (編號2010 – 25) issued by Benxi City Urban-Rural Planning and Construction Committee dated 31 May 2010, the construction works of the Xinglong Xinghua Redevelopment Project of Liaoning Shihua (Group) Property Development Company Limited with a total gross floor area of approximately 232,650 sq.m., including the property with a gross floor area of approximately 23,700.06 sq.m., were approved.
- (5) Pursuant to a Construction Works Commencement Permit – No. 210502201005310014001 (編號210502201005310014001) issued by Benxi City Urban-Rural Planning and Construction Committee dated in May 2010, Liaoning Shihua (Group) Property Development Company Limited was approved to commence construction works of the Xinglong Xinghua Redevelopment Project with a total gross floor area of approximately 232,650 sq.m.
- (6) Pursuant to a lease agreement dated 12 June 2014 entered into between Liaoning Shihua (Group) Property Development Company Limited and Wal-Mart (Liaoning) Stores Co., Ltd., portions of the property with a total gross floor area of approximately 14,643 sq.m. is to be leased to Wal-Mart (Liaoning) Stores Co., Ltd. for commercial use for a term of 20 years commencing in April 2016 with the option to renew at a rental inclusive of property management service fee but exclusive of utility charges. The rental payable under the lease agreement will be RMB22/sq.m./month for the first year and subject to increase of three per cents for every two years.
- (7) The major certificates and permits of the property are summarized as follows:
- | | | |
|-------|--|-----|
| (i) | State-owned Land Use Rights Grant Contract | Yes |
| (ii) | State-owned Land Use Rights Certificate | Yes |
| (iii) | Construction Land Use Planning Permit | Yes |
| (iv) | Construction Project Planning Permit | Yes |
| (v) | Construction Works Commencement Permit | Yes |
- (8) We have been provided with a legal opinion regarding the property interests by the Company's PRC legal adviser, which contains, *inter alia*, the following:
- (i) Liaoning Shihua (Group) Property Development Company Limited legally owns the property and is entitled to freely lease, use, transfer, mortgage and dispose of the property;
- (ii) The land premium has been paid in full;

- (iii) Liaoning Shihua (Group) Property Development Company Limited has obtained approvals from the relevant government authorities for the construction of the property, which is legal and valid; and
- (iv) The property is not subject to a mortgage.
- (9) As advised by the Company, the construction cost incurred in relation to the development of the property was approximately RMB188,773,000 as at the Valuation Date. The estimated outstanding construction cost to complete the property was approximately RMB5,000,000.
- (10) The market value of the property in its existing state, as at the Valuation Date, was HKD203,800,000.
- (11) There is no material conditions affecting the development of the property and no conditions imposed on the construction of roadways, pathways, drainage, sewage and other facilities or services for public which are material.
- (12) There is no plan for improvement or re-development of the property and no environmental issues relating to the property, such as breach of environmental regulations happens.
- (13) The property is not subject to any encumbrances, liens, pledges and mortgages. There is no notices, pending litigation, breaches of law or title defects against the property.

1. 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.

2. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS

As at the Latest Practicable Date, the interests and short positions of the directors or chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

(i) Long position in the Shares

Name of Directors	Long position/ Short position	Capacity	No. of Shares held	Approximate percentage of the issued share capital in the Company
Wang Jing	Long position	Interest of controlled corporation	1,085,755,571 <i>(Note)</i>	44.61%

Note: These 1,085,755,571 shares are held by Achieve Prosper Capital Limited ("Achieve Prosper"), which is a company incorporated in Samoa and wholly and beneficially owned by Hong Kong Shihua Holdings Limited (a company incorporated in Hong Kong), which is in turn wholly and beneficially owned by 遼寧實華(集團)房地產開發有限公司 (Liaoning Shihua (Group) Property Development Company Limited*) ("Liaoning Shihua Property"). Mr. Wang Jing is the sole director of and the beneficial owner of 82.8% of the equity interest in Liaoning Shihua Property. By virtue of the SFO, Mr. Wang Jing is deemed to be interested in these 1,085,755,571 shares.

(ii) Long position in the underlying Shares

Name of Directors	Number of underlying Shares held	Position	Approximate percentage of the shareholding as at the Latest Practicable Date
Wang Jing	436,046,511	Executive Director	17.92%

Note: These underlying Shares represent the conversion Shares which are issuable upon the exercise of the convertible bonds in the principal amount of HK\$75,000,000 granted to Achieve Prosper on 30 July 2014. By virtue of the SFO, Mr. Wang Jing is deemed to be interested in such underlying shares.

(iii) Directors' interests in the shares of associated corporations

Name of associated corporation	Name of Director	Capacity	Long/short position	Number of ordinary shares in Achieve Prosper Capital Limited	Approximately percentage of the issued share capital in Achieve Prosper Capital Limited
Achieve Prosper Capital Limited	Wang Jing	Interest of controlled corporation	Long position	1,000,000	100%

Save as disclosed above and other than certain nominee Shares in subsidiaries held by Directors in trust for the Company or its subsidiaries, as at the Latest Practicable Date, none of the Company's directors, chief executive nor their associates had any interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

3. SUBSTANTIAL SHAREHOLDER' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS

Save as disclosed in the section headed "Directors', Supervisors' and Chief Executives' Interests and Short Positions", as at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons, had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of

Part XV of the SFO, or were, directly or indirectly, interested in ten per cent. or more of the nominal value of any class of Share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Names	Nature of interest	Number of Shares and underlying Shares	Approximate percentage of shareholding as at the Latest Practicable Date
Achieve Prosper	Beneficial owner	1,521,802,082	62.53%
Hong Kong Shihua Holdings Limited	Interest of controlled corporation	1,521,802,082	62.53%
Liaoning Shihua Property	Interest of controlled corporation	1,521,802,082	62.53%
Hu Bao Qin	Spouse interest	1,521,802,082	62.53%

As at 30 September 2014, Achieve Prosper is wholly and beneficially owned by Hong Kong Shihua Holdings Limited, which was in turn wholly and beneficially owned by Liaoning Shihua Property. Mr. Wang Jing is the sole director of and the beneficial owner of 82.8% of the equity interest in Liaoning Shihua Property. Ms. Hu Bao Qin was the spouse of Mr. Wang Jing. By virtue of the SFO, Hong Kong Shihua Holdings Limited, Liaoning Shihua Property, Mr. Wang Jing and Ms. Hu Bao Qin were deemed to be interested in the said 1,085,755,571 Shares and 436,046,511 underlying shares held by Achieve Prosper.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any persons (who were not Directors or chief executives of the Company) who had an interest or short position in the Share or underlying Shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or was directly or indirectly interested in 10% or more of the nominal value of any class of Share capital carrying rights to vote in all circumstances at general meetings of the Company or any of its subsidiaries or held any option in respect of such capital.

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, there was no existing or proposed service agreement between any Director and any member of the Group (excluding agreements expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

6. DIRECTORS' INTERESTS CONTRACTS OF SIGNIFICANCE AND ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 March 2015, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of, by or leased to any member of the Company or are proposed to be acquired or disposed of, by or leased to any member of the Company.

No contracts of significance to which the Company or its subsidiaries was a party and in which a Director had a material interest, either directly or indirectly, subsisted as at the Latest Practicable Date.

7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against the Group.

8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) had been entered into by the Company or any of its subsidiaries within two years preceding the date of this circular and are or may be material:

- (a) the Purchase Agreement;
- (b) the Supplemental Agreement;
- (c) the subscription agreement dated 30 January 2014 (as supplemented by the supplemental agreement dated 29 May 2014) entered into between the Company Achieve Prosper Capital Limited in relation to the subscription of convertible bonds in the principal amount of HK\$75,000,000; and
- (d) the sale and purchase agreement dated 16 January 2015 entered into between Benxi Xincheng Property Development Company Limited* (本溪鑫城房地產開發有限公司) and Benxi Xinhua Property Management Company Limited* (本溪信華物業管理有限公司).

9. EXPERTS AND CONSENTS

The following are the qualifications of the experts who had given opinion contained in this circular:

Name	Qualifications
Conpak CPA Limited	Certified Public Accountants
International Valuation Limited	Property Valuer

As at the Latest Practicable Date, none of the experts above had any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor had any interest, either direct or indirect, in any assets which had been since 31 March 2014 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

Both of the property valuation report in Appendix III prepared by International Valuation Limited and the accountant's report on unaudited pro forma financial information of the Group in Appendix II prepared by Conpak CPA Limited were given on 29 April 2015 for incorporation in this circular.

Each of the experts above has given and has not withdrawn its written consents to the issue of this circular with the respective reports, letters and references to their names in the form and context in which they are included.

10. GENERAL

- (a) The registered office of the Company is located at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.
- (b) The principal place of business of the Company in Hong Kong is located at Rooms 05-15, 13A/F., South Tower, World Finance Centre, Harbour City, 17 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The company secretary of the Company is Mr. Lam Wai Kei, a practicing member of the Hong Kong Institute of Certified Public Accountants.
- (e) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

11. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection during normal office hours at Rooms 05-15, 13A/F., South Tower, World Finance Centre, Harbour City, 17 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong on the date of this circular and up to and including the date of the SGM (and any adjournment thereof):

- (a) the Memorandum and Articles of Association of the Company;
- (b) the accountant's report on unaudited pro forma financial information of the Group as set out in Appendix II to this circular;
- (c) the valuation report prepared by International Valuation Limited, the text of which is set out in Appendix III to this circular;
- (d) the material contracts referred to in the paragraph headed "Material Contracts" of this appendix;
- (e) the letters of consents referred to under the section headed "Experts and Consents" in this appendix;
- (f) the annual reports of the Company for two years ended 31 March 2013 and 2014;
- (g) the circular of the Company dated 31 March 2015; and
- (h) this circular.

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 3:30 p.m. (Hong Kong time) for the following purposes:

As special business, to consider and, if thought fit, pass with or without amendments, the following ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT:**

- (a) the sale and purchase agreement (the “**Purchase Agreement**”) dated 17 March 2015 entered into between (i) Liaoning Shihua (Group) Property Development Company Limited* (遼寧實華(集團)房地產開發有限公司) (the “**Vendor**”), a controlling shareholder of the Company, and (ii) Benxi Tongshengyuan Industry Company Limited* (本溪同盛遠實業有限公司) (the “**Purchaser**”), an indirect wholly-owned subsidiary of the Company, in relation to the acquisition of the property which is a shopping mall of preliminary gross floor area of 23,700.06 sq.m. by the Purchaser from the Vendor at the consideration of HK\$208,276,000, which shall be satisfied by the issue of a promissory note by the Company to the Vendor or its nominee(s) at the completion of the Purchase Agreement, copy of the Purchase Agreement is tabled at the meeting and marked “A” and initialed by the chairman of the meeting for identification purpose, and the transactions contemplated under the Purchase Agreement be and are hereby approved, confirmed and ratified;
- (b) an supplemental agreement dated 27 April 2015 (the “**Supplemental Agreement**”) entered into between the Vendor and the Purchaser to amend the term of the Purchase Agreement, copy of the Supplemental Agreement is tabled at the meeting and marked “B” and initialed by the chairman of the meeting for identification purpose, be and is hereby approved, confirmed and ratified; and

NOTICE OF SGM

- (c) any director of the Company be and is hereby authorized to do all such acts and things and execute and deliver all such documents whether under the common seal of the Company or otherwise as may be necessary, desirable or expedient to carry out or to give effect to any or all transactions contemplated under the Purchase Agreement (as amended and supplemental by the Supplemental Agreement).”

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

Hong Kong, 29 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

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.