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Shihua Development Company Limited
實華發展有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 485)

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 Conference Room A, 16/F, Shihua Fujia Hotel, No. 43 Digong Road, Mingshan District, Benxi City, Liaoning Province, PRC at 10:00 a.m. on Monday, 21 December 2015 (Hong Kong time) for the following purposes (unless otherwise indicated, capitalised terms used in this announcement shall have the same meanings as those defined in the circular of the Company dated 27 November 2015):

As special business, to consider and, if thought fit, pass the following resolutions of the Company:

SPECIAL RESOLUTION

1. “**THAT** subject to and condition upon (i) the Company’s compliance with the Companies Act to effect the Capital Reduction (as defined below), which includes publication of a notice in relation to the Capital Reduction in Bermuda in accordance with the Companies Act 1981 of Bermuda and the Directors being satisfied that on the date the Capital Reduction is to take effect, there are no reasonable grounds for believing that the Company is, or after the Capital Reduction would be, unable to pay its liabilities as they become due; and (ii) the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting approval of the listing of, and permission to deal in, the Adjusted Shares (as defined below), with effect from the business day (as defined below) immediately following the date on which this resolution is passed:
 - (a) every four (4) issued and unissued shares of HK\$0.10 each in the authorised share capital of the Company be consolidated into one (1) share of HK\$0.40 (the “**Consolidated Share**”) in the share capital of the Company (the “**Share Consolidation**”);
 - (b) the issued share capital of the Company be reduced (a) by eliminating any fraction of a Consolidated Share in the issued share capital of the Company following the Share Consolidation in order to round down the total number of Consolidated Shares to a whole

number, and (b) through a cancellation of the paid up capital of the Company to the extent of HK\$0.39 on each of the issued Consolidated Shares such that the nominal value of each issued Consolidated Share will be reduced from HK\$0.40 to HK\$0.01 (the “**Capital Reduction**”);

- (c) every unissued Consolidated Share of HK\$0.40 in the authorised share capital of the Company (including the unissued Consolidated Shares resulting from the Capital Reduction) be sub-divided into forty (40) shares of HK\$0.01 each (the “**Adjusted Shares**”) in the share capital of the Company (the “**Share Subdivision**”); and
- (d) the credit arising from the Capital Reduction be transferred to the contributed surplus account of the Company such that the Directors may apply such surplus in any manner permitted by the laws of Bermuda and the bye-laws of the Company including but not limited to offsetting against the balance of the accumulated losses of the Company up to the date on which the Capital Reorganisation becomes effective;
- (e) the Adjusted Shares shall rank pari passu in all respects with each other and have the same rights and privileges as regards dividend, capital, redemption, attendance at meetings, voting, etc. and be subject to the restrictions in respect of ordinary shares contained in the bye-laws of the Company;
- (f) the directors of the Company be and are hereby generally authorised to do all such acts, deeds and things and execute all such documents, including under the seal of the Company, where applicable, as they may consider necessary or expedient to complete, implement and give effect to any and all the arrangements set out in this resolution.

For the purpose of this resolution, “business day” means a day (other than a Saturday, Sunday or public holiday in Hong Kong) on which licensed banks in Hong Kong are generally open for business.”

ORDINARY RESOLUTIONS

- 2. “**THAT** conditional upon fulfilment or waiver (where applicable) of the conditions of the Underwriting Agreement (as defined below):
 - (a) the allotment and issue of 2,920,568,484 Adjusted Shares in the share capital of the Company (the “**Offer Shares**”) by way of open offer (the “**Open Offer**”) at a subscription price of HK\$0.086 per Offer Share on the basis of four (4) Offer Shares for every one (1) Adjusted Share to the qualifying holders of the Adjusted Shares (the “**Qualifying Shareholders**”) of the Company whose names appear on the register of members of the Company at 4:00 p.m. on Wednesday, 6 January 2016 (or such later date as the Company and the Underwriters (as defined below) may agree to be the record date for such Open Offer) (the “**Record Date**”) other than those shareholders of the Company whose registered addresses in the Company’s register of members as at the Record Date are

outside Hong Kong whom the Directors, after making relevant enquiry, consider their exclusion from the Open Offer to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place (the “**Excluded Shareholders**”) as described in further details in the Company’s circular dated 27 November 2015 and on and subject to such terms and conditions as may be determined by the Directors and otherwise pursuant to and subject to the fulfillment of the conditions set out in the underwriting agreement (the “**Underwriting Agreement**”, including all supplemental agreement(s) or side letter(s) relating thereto, if any) (a copy of which has been produced to this meeting marked “**A**” and signed by the chairman of this meeting for the purpose of identification) dated 20 August 2015 (as supplemented by two side letters dated 7 October 2015 and 25 November 2015 respectively) and made between the Company (as issuer) and Achieve Prosper Capital Limited (“**Achieve Prosper**”) and Kingston Securities Limited (as underwriters) (collectively, the “**Underwriters**”), and the transactions contemplated thereunder, be and are hereby approved;

- (b) the absence of excess application arrangement under the Open Offer be and is hereby approved;
 - (c) any one Director be and is hereby authorised to allot and issue the Offer Shares pursuant to or in connection with the Open Offer notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, the Directors may make such exclusions or other arrangements in relation to Excluded Shareholders as they deem necessary or expedient having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong;
 - (d) the entering into of the Underwriting Agreement by the Company be and is hereby approved, confirmed and ratified and the performance of the transactions contemplated thereunder by the Company be and are hereby approved; and
 - (e) any one Director be and is hereby authorised to sign and execute such documents and do all such acts and things incidental to the Open Offer or as he considers necessary, desirable or expedient in connection with the implementation of or giving effect to the Open Offer, the Underwriting Agreement and the transactions contemplated thereunder or in this resolution.”
3. “**THAT** subject to the Executive Director (the “**Executive**”) of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong (or any of his delegate(s)) granting to Achieve Prosper and/or the persons acting in concert with it the whitewash waiver from the obligation of Achieve Prosper to make a mandatory offer under Rule 26 of the Hong Kong Code on Takeovers and Mergers (the “**Takeovers Code**”) as a result of the underwriting of the Offer Shares under the Underwriting Agreement pursuant to Note 1 on dispensations from Rule

26 of the Takeovers Code (the “**Whitewash Waiver**”) and the satisfaction of any condition(s) attached to the Whitewash Waiver and such other necessary waiver or consent of the Executive for the transactions contemplated under the Open Offer, the Whitewash Waiver be and is hereby approved.”

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

Hong Kong, 27 November 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 form of proxy, 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 form of proxy 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 announcement, the Board comprises Mr. Wang Jing, Mr. Wang Xing Qiao, Mr. Chen Wan Jin and Mr. Zhao Shuang as executive Directors; Mr. Li Jun as non-executive Director; and Mr. Yang Xin Hua, Mr. Wang Ping and Mr. Cheng Tai Kwan Sunny as independent non-executive Directors.