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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action you should take, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**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, together with the accompanying proxy form, 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).

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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)

**PROPOSALS INVOLVING  
GENERAL MANDATES TO REPURCHASE SHARES  
AND TO ISSUE SHARES,  
RE-ELECTION OF DIRECTORS  
AND  
NOTICE OF ANNUAL GENERAL MEETING**

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A notice convening an annual general meeting of Shihua Development Company Limited (the “Company”) to be held at Tang Room II, 3/F, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon, Hong Kong on Wednesday, 31 August 2016 at 10:00 a.m. is set out on pages 12 to 15 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 annual general meeting if they so wish.

Hong Kong, 29 July 2016

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## CONTENTS

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|   | <i>Page</i> |
|---|-------------|
| <b>Definitions</b> . . . . .  | 1           |
| <b>Letter from the Board</b> . . . . .  | 3           |
| <b>APPENDIX I – Explanatory Statement</b> . . . . .                           | 6           |
| <b>APPENDIX II – Details of Directors Proposed To Be Re-Elected</b> . . . . . | 9           |
| <b>Notice of AGM</b> . . . . .  | 12          |

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## DEFINITIONS

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*In this circular, the following expressions have the following meanings unless the context requires otherwise:-*

|                                      |   |
|--------------------------------------|---|
| “Annual General Meeting” or<br>“AGM” | the annual general meeting of the Company to be held at Tang Room II, 3/F, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon, Hong Kong on Wednesday, 31 August 2016 at 10:00 a.m. and/or any adjournment thereof  |
| “AGM Notice”                         | the notice dated 29 July 2016 convening the AGM as set out on pages 12 to 15 of this circular   |
| “Board”                              | the board of Directors  |
| “Bye-Laws”                           | the Bye-Laws of the Company for the time being  |
| “Companies Act”                      | the Companies Act 1981 of Bermuda   |
| “Company”                            | Shihua Development Company Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange   |
| “Directors”                          | the directors of the Company  |
| “Group”                              | the Company and its subsidiaries  |
| “Hong Kong”                          | the Hong Kong Special Administrative Region of the People’s Republic of China   |
| “Latest Practicable Date”            | 27 July 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular  |
| “Listing Rules”                      | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited  |
| “Ordinary Resolutions”               | the proposed ordinary resolution(s) as referred to in the AGM Notice  |
| “Repurchase Proposal”                | the proposal to give a general mandate to the Directors to exercise the powers of the Company to repurchase, during the period as set out in the Repurchase Resolution, Shares up to a maximum of 10% of the issued share capital of the Company as at the date of passing of the Repurchase Resolution |
| “Repurchase Resolution”              | the proposed ordinary resolution as referred to in resolution no. 4 of the AGM Notice   |

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## DEFINITIONS

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|                  |   |
|------------------|---|
| “SFO”            | Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong)               |
| “Share(s)”       | share(s) of HK\$0.01 each in the share capital of the Company                     |
| “Shareholders”   | holders of the share(s)   |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited   |
| “Takeovers Code” | the Hong Kong Code on Takeovers and Mergers and Share Buy-backs                   |
| “HK\$”           | Hong Kong dollars, the lawful currency of Hong Kong Special Administrative Region |

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LETTER FROM THE BOARD

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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)

*Executive Directors:*

Wang Jing (*Chairman*)

Wang Xing Qiao (*Chief Executive Officer*)

Zhao Shuang

*Non-Executive Director:*

Li Jun

*Independent Non-Executive Directors:*

Wang Ping

Cheng Tai Kwan Sunny

Song Wenke

*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

29 July 2016

*To the Shareholders,*

Dear Sir or Madam,

**PROPOSALS INVOLVING  
GENERAL MANDATES TO REPURCHASE SHARES AND TO ISSUE SHARES,  
RE-ELECTION OF DIRECTORS  
AND  
NOTICE OF ANNUAL GENERAL MEETING**

**1. INTRODUCTION**

The purpose of this circular is to provide you with the information regarding the Repurchase Proposal, the proposed renewal of the general mandates to allot, issue and deal with Shares, extension of such general mandate and to repurchase Shares, re-election of Directors, to seek your approval of the resolutions relating to these matters at the AGM and to give you notice of the AGM.

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## **LETTER FROM THE BOARD**

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### **2. GENERAL MANDATE TO REPURCHASE SHARES**

The Directors propose to seek your approval of the Repurchase Resolution to be proposed at the AGM, details of which are set out in Ordinary Resolution no. 4 in the AGM Notice. The Shares, which may be repurchased pursuant to the Repurchase Resolution, are Shares representing up to 10% of the aggregate nominal amount of the share capital in issue as at the date of passing the Repurchase Resolution. An explanatory statement as required under the Listing Rules to provide the requisite information of the Repurchase Proposal is set out in Appendix I to this circular.

### **3. GENERAL MANDATE TO ISSUE SHARES**

It will also be proposed at the AGM two ordinary resolutions respectively granting to the Directors a general mandate to allot, issue and deal with Shares not exceeding 20% of the issued share capital of the Company as at the date of passing the resolution and adding to such general mandate so granted to the Directors any Shares representing the aggregate nominal amount of the Shares repurchased by the Company after the granting of the general mandate to repurchase Shares up to 10% of the issued share capital of the Company as at the date of passing the Repurchase Resolution.

Subject to the passing of the ordinary resolution granting the general mandate to issue new Shares and on the basis that no further Shares are issued or repurchased prior to the AGM, the Company would be allowed under such general mandate to issue a maximum of 730,142,121 Shares, representing 20% of the issued share capital of the Company as at the Latest Practicable Date.

Details of general mandate to issue Shares and the extension of such general mandate are respectively set out in Ordinary Resolutions no. 5 and no. 6 in the AGM Notice.

### **4. RE-ELECTION OF DIRECTORS**

The Board of Directors currently consists of seven Directors, namely Mr. Wang Jing, Mr. Wang Xing Qiao, Mr. Zhao Shuang, Mr. Li Jin, Mr. Wang Ping, Mr. Cheng Tai Kwan Sunny and Mr. Song Wenke.

In accordance with Bye-law 82 of the Bye-Laws, Mr. Wang Xing Qiao, Mr. Li Jin and Mr. Cheng Tai Kwan Sunny will retire from office and being eligible, offer themselves for re-election as Directors at the AGM.

Mr. Song Wenke was appointed as an independent non-executive Director on 6 July 2016. In accordance with Bye-law 76 of the Bye-Laws, Mr. Song Wenke will hold office until the forth-coming AGM and shall then be being eligible for re-election at the AGM.

Details of the retiring Directors proposed for re-election at the AGM are set out in the Appendix II of this circular.

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## LETTER FROM THE BOARD

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### 5. ANNUAL GENERAL MEETING

On pages 12 to 15 of this circular, you will find the AGM Notice which contains, inter alia, the Ordinary Resolutions to approve the Repurchase Proposal, the grant of general mandate to issue Shares and the extension of such general mandate and the re-election of Directors.

### 6. VOTING BY WAY OF POLL

Pursuant to Rule 13.39(4) of the Listing Rules, all votes at the Shareholders' general meeting will be taken by way of poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

### 7. ACTION TO BE TAKEN

A proxy form for use at the AGM is enclosed herein. Whether or not you intend to attend the AGM, you are requested to complete the 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 AGM if they so wish.

### 8. RECOMMENDATION

The Directors believe that the Repurchase Proposal, grant of general mandate to issue new Shares, extension of such general mandate and re-election of the Directors are all in the best interests of the Company and the Shareholders. Accordingly, the Directors recommend that all Shareholders should vote in favour of the resolutions set out in the AGM Notice.

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

*This appendix serves as an explanatory statement, as required by the Listing Rules, to provide the requisite information to you for your consideration of the proposal to permit the repurchase of Shares up to a maximum of 10% of the issued share capital of the Company as at the date of passing the Repurchase Resolution.*

## **1. SHARE CAPITAL**

As at the Latest Practicable Date, the issued share capital of the Company comprised 3,650,710,605 Shares.

Subject to the passing of the Repurchase Resolution and on the basis that no further Shares are issued or repurchased after the Latest Practicable Date and prior to the AGM, the Company would be allowed under the Repurchase Resolution to repurchase a maximum of 365,071,060 Shares.

## **2. REASONS FOR REPURCHASE**

The Directors believe that the Repurchase Proposal is in the best interests of the Company and the Shareholders. Such repurchase may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets or earnings per Share of the Company and will only be made when the Directors believe that such a repurchase will benefit the Company and the Shareholders.

## **3. FUNDING OF REPURCHASE**

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum of association and Bye-Laws and the applicable laws of Bermuda. The Companies Act provides that the amount of capital repaid in connection with a share repurchase may only be paid out of either the capital paid up on the relevant shares, or the profits that would otherwise be available for dividend or the proceeds of a fresh issue of shares made for the purpose. The amount of premium payable on repurchase may only be paid out of either the profits that would otherwise be available for dividend or out of the share premium or contributed surplus accounts of the Company.

There might be an adverse impact on the working capital or gearing position of the Company as compared with the position disclosed in the audited accounts contained in the annual report for the year ended 31 March, 2016 in the event that the power to repurchase Shares pursuant to the Repurchase Proposal was to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the power to repurchase Shares pursuant to the Repurchase Proposal to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.



#### 4. SHARE PRICES

The highest and lowest prices at which the Shares have traded on the Stock Exchange during each of the previous twelve months before the Latest Practicable Date are as follows:–

|   | <b>Highest</b><br><i>HK\$</i> | <b>Lowest</b><br><i>HK\$</i> |
|---|-------------------------------|------------------------------|
| July 2015   | 0.2900**                      | 0.1610**                     |
| August 2015*  | 0.2240**                      | 0.1980**                     |
| September 2015*   | –                             | –                            |
| October 2015*   | 0.1800**                      | 0.1350**                     |
| November 2015   | 0.1500**                      | 0.1290**                     |
| December 2015   | 0.2060**                      | 0.1320**                     |
| January 2016  | 0.1990**                      | 0.0920**                     |
| February 2016   | 0.1700                        | 0.0900                       |
| March 2016*   | 0.2380                        | 0.1460                       |
| April 2016  | 0.2020                        | 0.1720                       |
| May 2016  | 0.2020                        | 0.1700                       |
| June 2016*  | 0.1840                        | 0.1680                       |
| July 2016 (up to and including the Latest Practicable Date) | 0.1800                        | 0.1450                       |

\* *Trading suspended*

\*\* *Adjusted pursuant to capital reorganisation which took effect from 13 January 2016.*

#### 5. UNDERTAKING

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make repurchases pursuant to the Repurchase Proposal and in accordance with the Listing Rules, Bye-Laws and the applicable laws of Bermuda.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules), have any present intention to sell any Shares to the Company or its subsidiaries under the Repurchase Proposal if the Repurchase Proposal is approved by the Shareholders and exercised by the Board.

No core connected person (as defined in the Listing Rules) have notified the Company that he has a present intention to sell Shares to the Company or its subsidiaries, or have undertaken not to do so, in the event that the Repurchase Proposal is approved by the Shareholders and exercised by the Board.

**6. TAKEOVERS CODE**

If on the exercise of the power to repurchase Shares pursuant to the Repurchase Proposal, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 32 of the Takeovers Code. As a result, a shareholder or group of Shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

At the Latest Practicable Date, according to the records maintained by the Company, Achieve Prosper Capital Limited and Mr. Wang Xing Qiao have interests in 2,175,102,290 Shares, of which 2,171,827,290 Shares were held by Achieve Prosper Capital Limited and 3,275,000 Shares were held by Mr. Wang Xing Qiao, representing 59.58% of the issued share capital of the Company. Based on such shareholdings and in the event that the Directors exercised in full the power to repurchase Shares pursuant to the Repurchase Resolution, the shareholdings of Achieve Prosper Capital Limited and Mr. Wang Xing Qiao would be increased to approximately 66.2% of the issued share capital of the Company.

Based on the information known as at the Latest Practicable Date, the Directors are not aware of any consequences which may give rise to an obligation to make a mandatory offer under Rule 26 of the Takeovers Code as a result of any repurchases made under the Repurchase Proposal.

The Directors have no present intention to repurchase Shares to such extent which will result in the aggregate number of Shares held by the public being reduced to less than 25% of the total issued share capital of the Company or such other minimum percentage as prescribed by the Listing Rules from time to time.

**7. SHARES REPURCHASE MADE BY THE COMPANY**

The Company had not repurchased any Shares (whether on the Stock Exchange or otherwise) in the six months preceding the Latest Practicable Date.

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## APPENDIX II      DETAILS OF DIRECTORS PROPOSED TO BE RE-ELECTED

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*The following are the particulars of the directors subject to re-election at the AGM to be held on 31 August 2016:–*

**Mr. Wang Xing Qiao**, aged 28, has been appointed as executive Director and Chief Executive Officer of the Company with effect from 21 July 2014. He is a director of 14 subsidiaries of the Company. Mr. Wang graduated from the University of Toronto with a bachelor's degree in commerce with high distinction in 2009. He also obtained a master of philosophy degree in finance from the Judge Business School of the University of Cambridge in 2010. He is currently the deputy general manager of Liaoning Shihua Group and is also the Shenyang regional general manager of Liaoning Shihua Group. Mr. Wang did not hold any directorship in other listed companies in the last three years. He is the son of Mr. Wang Jing, an executive Director and the Chairman of the Board.

As at the Latest Practicable Date, Mr. Wang has personal interests of 3,275,000 Shares in the Company within the meaning of Part XV of SFO. Save as disclosed above, Mr. Wang (i) does not have any relationship with any Directors, senior management, or any substantial or controlling shareholders (as defined in the Listing Rules) of the Company; and (ii) has not held any directorships in other listed companies in the last three years.

A letter of appointment has been entered into between Mr. Wang and the Company on 21 July 2014 pursuant to which Mr. Wang has been appointed for a term of two years as an executive Director and renewable automatically for successive terms of one year, subject to rotation, removal, vacation and termination in accordance with the Bye-Laws and the Listing Rules. Mr. Wang did not receive any director's fee for the year ended 31 March 2016. The remuneration of Mr. Wang will be determined by the Board according to the recommendation of the remuneration committee of the Board with reference to his job complexity, workload and responsibilities within the Company and the remuneration policy of the Company from time to time.

Save as disclosed above, Mr. Wang is not aware of any other matters in relation to his re-election as an executive Director that need to be brought to the attention of the Shareholders nor is there any information to be disclosed by the Company pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules.

**Mr. Li Jun**, aged 64, has been appointed as non-executive Director with effect from 21 July 2014. He graduated from Beijing Open University (北京自修大學) in the field of industrial and economics management in 1988. He was the general secretary of Liaoning Province Benxi City Real Estate Association (遼寧省本溪市房地產協會) from 1997 to 2007. Mr. Li was appointed as the Benxi regional vice general manager of Liaoning Shihua Group in 2007, and the general manager of Liaoning Shihua Property Group in 2014.

Save as disclosed above, Mr. Li (i) does not have any relationship with any Directors, senior management, or any substantial or controlling shareholders (as defined in the Listing Rules) of the Company; and (ii) has not held any directorships in other listed companies in the last three years.

Mr. Li does not have any interests in the shares, underlying shares or debentures of the Company and its associated corporations within the meaning of Part XV of the SFO.

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## APPENDIX II      DETAILS OF DIRECTORS PROPOSED TO BE RE-ELECTED

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A letter of appointment has been entered into between Mr. Li and the Company on 21 July 2014 pursuant to which Mr. Li has been appointed for a term of two years as a non-executive Director and renewable automatically for successive terms of one year, subject to rotation, removal, vacation and termination in accordance with the Bye-Laws and the Listing Rules. Mr. Li did not receive any director's fee for the year ended 31 March 2016. The remuneration of Mr. Li will be determined by the Board according to the recommendation of the remuneration committee of the Board with reference to his job complexity, workload and responsibilities within the Company and the remuneration policy of the Company from time to time.

Save as disclosed above, Mr. Li is not aware of any other matters in relation to his re-election as an executive Director that need to be brought to the attention of the Shareholders nor is there any information to be disclosed by the Company pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules.

**Mr. Cheng Tai Kwan Sunny**, aged 44, has been appointed as independent non-executive Director with effect from 21 July 2014. He obtained a bachelor's degree of business administration in accounting from The Hong Kong University of Science and Technology in November 1996, a master of science degree from The Chinese University of Hong Kong in December 2006 and a degree of executive master of business administration from Northwestern University and The Hong Kong University of Science and Technology in December 2009. Mr. Cheng was admitted as an associate of the Association of Chartered Certified Accountants in July 1999 and a member of the Hong Kong Institute of Certified Public Accountants in September 2001. Mr. Cheng has years of experience in management, financial reporting and management accounting. Mr. Cheng worked for a subsidiary of Li & Fung Limited, a company listed on the Stock Exchange from January 2005 to June 2012. Mr. Cheng is currently the chief executive officer of a private group.

Save as disclosed above, Mr. Cheng (i) does not have any relationship with any Directors, senior management, or any substantial or controlling shareholders (as defined in the Listing Rules) of the Company; and (ii) has not held any directorships in other listed companies in the last three years.

Mr. Cheng does not have any interests in the shares, underlying shares or debentures of the Company and its associated corporations within the meaning of Part XV of the SFO.

A letter of appointment has been entered into between Mr. Cheng and the Company on 21 July 2014 pursuant to which Mr. Cheng has been appointed for a term of two years as an independent non-executive Director and renewable automatically for successive terms of one year, subject to rotation, removal, vacation and termination in accordance with the Bye-Laws and the Listing Rules. With reference to the letter of appointment, Mr. Cheng is entitled to have a remuneration of HK\$300,000 per annum and subject to review and recommendation of the remuneration committee of the Board with reference to his job complexity, workload and responsibilities within the Company and the remuneration policy of the Company from time to time.

Save as disclosed above, Mr. Cheng is not aware of any other matters in relation to his re-election as an independent non-executive Director that need to be brought to the attention of the Shareholders nor is there any information to be disclosed by the Company pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules.

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## APPENDIX II      DETAILS OF DIRECTORS PROPOSED TO BE RE-ELECTED

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**Mr. Song Wenke**, aged 41, has been appointed as the independent non-executive Director with effect from 6 July 2016. Mr. Song was graduated from the Dalian University of Technology with major in business administration. He has extensive experience in corporate operations and management. Mr. Song has acted as the deputy director of Dalian PiMi Marine Biological Research Institute\* (大連皮米海洋生物研究院) since June 2016.

Save as disclosed above, Mr. Song (i) does not have any relationship with any Directors, senior management, or any substantial or controlling shareholders (as defined in the Listing Rules) of the Company; and (ii) has not held any directorships in other listed companies in the last three years. Mr. Song does not have any interests in the shares, underlying shares or debentures of the Company and its associated corporations within the meaning of Part XV of the SFO. A letter of appointment has been entered into between Mr. Song and the Company on 6 July 2016 pursuant to which Mr. Song has been appointed for a term of two years as an independent non-executive Director and renewable automatically for successive terms of one year, subject to rotation, removal, vacation and termination in accordance with the Bye-Laws and the Listing Rules. With reference to the letter of appointment, Mr. Song is entitled to have a remuneration of RMB100,000 per annum and subject to review and recommendation of the remuneration committee of the Board with reference to his job complexity, workload and responsibilities within the Company and the remuneration policy of the Company from time to time.

Save as disclosed above, Mr. Song is not aware of any other matters in relation to his re-election as an independent non-executive Director that need to be brought to the attention of the Shareholders nor is there any information to be disclosed by the Company pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules.

In the opinions of the Directors, other than the aforesaid matters, there is no other matters need to be brought to the attention of the Shareholders in relation to the re-election of the above directors.

\* *for identification purpose only*

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## NOTICE OF AGM

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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 IS HEREBY GIVEN** that an Annual General Meeting of Shihua Development Company Limited will be held at Tang Room II, 3/F, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon, Hong Kong on Wednesday, 31 August 2016 at 10:00 a.m. for the following purposes:–

1. To receive and consider the financial statements for the year ended 31 March, 2016 and the report of the directors and independent auditor's report.
2. (i) To re-elect the following directors of the Company:
  - (a) Mr. Wang Xing Qiao;
  - (b) Mr. Li Jun;
  - (c) Mr. Cheng Tai Kwan Sunny;
  - (d) Mr. Song Wenke; and
- (ii) to authorise the board of directors to fix the remuneration of the directors for the year ending 31 March 2017.
3. To re-appoint Deloitte Touche Tohmatsu as auditor and to authorise the board of Directors to fix the remuneration of the auditor.
4. As special business, to consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

#### ORDINARY RESOLUTION

**“THAT: –**

- (a) subject to paragraph (b) of this resolution, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase issued shares in the share capital of the Company on The Stock Exchange of Hong Kong Limited (“the Stock Exchange”) or on any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in

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## NOTICE OF AGM

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accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

- (b) the aggregate nominal amount of shares of the Company which the Directors of the Company is authorised to repurchase pursuant to the approval in paragraph (a) of this resolution shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this Resolution and the said approval shall be limited accordingly; and
  - (c) for the purposes of this Resolution, “Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:–
    - (i) the conclusion of the next annual general meeting of the Company;
    - (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws of Bermuda or the Bye-Laws of the Company to be held; and
    - (iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting.”
5. As special business, to consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

### ORDINARY RESOLUTION

**“THAT: –**

- (a) subject to paragraph (c) of this resolution, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the share capital of the Company and to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this resolution shall authorise the Directors of the Company during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors of the Company pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii)

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## NOTICE OF AGM

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an issue of shares as scrip dividends pursuant to the Bye-Laws of the Company from time to time; or (iii) an issue of shares under any option scheme or similar arrangement for the time being adopted for the grant or issue of shares or rights to acquire shares of the Company, shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this Resolution, and the said approval shall be limited accordingly; and

(d) for the purpose of this Resolution,

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

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

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

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

### ORDINARY RESOLUTION

“**THAT** subject to the passing of Resolutions set out in no. 4 and no. 5 of the notice convening this meeting, the general mandate granted to the Directors of the Company to allot, issue and deal with additional shares pursuant to the Resolution set out in no. 5 of the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares in the capital of the Company repurchased by the Company under the authority granted pursuant to Resolution set out in no. 4 of the notice



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## NOTICE OF AGM

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convening this meeting, provided that such amount of shares so repurchased shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing the said Resolution.”

By Order of the Board  
**Shihua Development Company Limited**  
**LAM WAI KEI**  
*Company Secretary*

Hong Kong, 29 July 2016

*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. With regard to no. 2 in this notice, the board of directors of the Company proposes that Mr. Wang Xing Qiao, Mr. Li Jun, Mr. Cheng Tai Kwan Sunny and Mr. Song Wenke be re-elected as directors of the Company. Details of these directors proposed for re-election are set out in Appendix II to the circular to shareholders dated 29 July 2016.