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**SINOSTAR**

**中國華星**

**China Sinostar Group Company Limited**

**中國華星集團有限公司**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 485)

## **CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the announcement<sup>x</sup> (the “**Announcement<sup>x</sup>**”) of the Company dated 9 March 2016 in relation to the continuing connected transactions of the Company. Unless the context otherwise required, capitalised terms used herein shall have the same meanings as defined in the Announcement<sup>x</sup>.

### **FRAMEWORK PURCHASE AGREEMENT**

As the 2nd Framework Purchase Agreement will be expired on 31 March 2018, the Privateco and Treasure Green Holdings Limited entered into a new framework purchase agreement dated 29 March 2018 (the “**3rd Framework Purchase Agreement**”), pursuant to which the Privateco Group will sell and the Remaining Group will purchase certain electronic products from time to time for a term commencing from 1 April 2018 and ending on 31 March 2019.

The key terms of the 3rd Framework Purchase Agreement are as follows:–

Subject matter: The Privateco Group will sell and the Remaining Group will purchase certain electronic products

Individual agreements: Relevant members of the Remaining Group and the Privateco Group will from time to time enter into individual agreements which will set out the terms of the sale and purchase of the relevant electronic products. The terms of the individual agreements will be negotiated based on the following principles:–

- (a) the terms and conditions of each supply shall be on normal commercial terms; and

- (b) the prices payable for the electronic products shall be determined based on the historical prices paid for such electronic products plus adjustments due to cost increment of not more than 10% at the time of entering into the individual agreements, which shall be on arm's length basis and on terms no more favourable to the Privateco Group than terms that may be made available to independent third parties from time to time on comparable quality and quantity.

The Remaining Group will from time to time review the pricing of the transactions under the 3rd Framework Purchase Agreement, and compare them with (i) the terms of agreements entered into between the Remaining Group and independent suppliers; and (ii) reference to the prevailing market prices of the electronic products to ensure that the price charged to the Remaining Group under the 3rd Framework Purchase Agreement is not more favourable to the Privateco Group than that offered by independent suppliers

Term: From 1 April 2018 to 31 March 2019

Annual cap: The maximum value of the orders in respect of the sale and purchase of the electronic products under the 3rd Framework Purchase Agreement shall not exceed HK\$18,000,000 during the period from 1 April 2018 to 31 March 2019.

The annual cap was determined after taking into account (i) the historical transaction value for the period from 1 April 2017 to 28 March 2018; and (ii) the management's expected demand of the electronic products for the year ending 31 March 2019. The actual transaction amount in respect of sale of electronic products by the Remaining Group to the Group for the period from 21 July 2015 to 31 March 2016, for the year ended 31 March 2017 and for the period from 1 April 2017 to 28 March 2018 were approximately HK\$56.2 million, HK\$36.7 million and HK\$18.2 million, respectively.

## REASON FOR THE TRANSACTIONS

The Group is principally engaged in the design and sale of a wide range of electronic products, operation and management of hydroelectric power stations, property investment, property leasing and securities trading.

The Privateco Group is engaged in the business of design and sale of a wide range of electronic products, property investment and securities trading. The Privateco Group is an associate of the Resigned Directors and the Resigned Directors are directors of subsidiaries of the Company as at the date of this announcement. Thus, the Privateco Group is a connected person of the Company at the subsidiary level.

The Group has sought to source electronic products from suppliers which are independent third parties to replace the Privateco Group and, thus, the actual transaction amount in respect of sale of electronic products by the Privateco Group to the Remaining Group has been reduced over the years. However, the Group has not been able to identify suppliers of certain existing models of electronic products so it continued to purchase certain existing models of electronic products from the Privateco Group in meeting demands from customers.

The Directors (including independent non-executive Directors) consider that the terms of the 3rd Framework Purchase Agreement are fair and reasonable and the transactions under the 3rd Framework Purchase Agreement are on normal commercial terms, in the ordinary and usual course of business of the Group and are in the interest of the Company and the Shareholders as a whole.

## **ABSTENTION FROM VOTING ON BOARD RESOLUTIONS**

None of the Directors has any material interest in the 3rd Framework Purchase Agreement and was required to abstain from voting on the Board resolutions to approve the same.

## **LISTING RULES IMPLICATIONS**

The transactions contemplated under the 3rd Framework Purchase Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules by virtue of the Privateco Group being an associate of the Resigned Directors and a connected person of the Company at the subsidiary level as at the date of this announcement. Given that (1) the Board has approved transactions contemplated under the 3rd Framework Purchase Agreement; and (2) the Directors (including all the independent non-executive Directors) confirmed that the terms of the 3rd Framework Purchase Agreement are fair and reasonable, and that the 3rd Framework Purchase Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the 3rd Framework Purchase Agreement is subject to the announcement requirement under Chapter 14A of the Listing Rules but is exempt from the circular (including independent financial advice) and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

By order of the Board  
**China Sinostar Group Company Limited**  
**Wang Jing**  
*Chairman*

Hong Kong, 29 March 2018

*As at the date of this announcement, the Board comprises Mr. Wang Jing, Mr. Wang Xing Qiao and Mr. Zhao Shuang as executive Directors; and Mr. Wang Ping, Mr. Cheng Tai Kwan Sunny and Mr. Song Wenke as independent non-executive Directors.*