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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)

**MAJOR AND CONNECTED TRANSACTION –  
ACQUISITION OF PROPERTY  
AND  
REFRESHMENT OF GENERAL MANDATE**

**MAJOR AND CONNECTED TRANSACTION**

The Board is pleased to announce that on 17 March 2015 (after trading hours), 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 one or more of 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 on the part of the Company under Rule 14.06 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval at general meeting requirements under the Listing Rules.

The Vendor is controlled by Mr. Wang and his family members and 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.

**REFRESHMENT OF GENERAL MANDATE**

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

## **GENERAL**

The Company will hold the SGM to approve (i) the Purchase Agreement and the transactions contemplated thereunder; and (ii) the New General Mandate. A circular including, among other information, (i) a letter from the Board containing further details of the Purchase Agreement and the transactions contemplated thereunder and the New General Mandate; (ii) a letter from the Independent Board Committee; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the SGM, is expected to be despatched to the Shareholders on or before 30 April 2015.

## **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 at ground floor and first basement floor. The preliminary gross floor area of the Property are 23,568 sq.m. 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 date of this announcement. The investment costs incurred in relation to the development of the Property paid by the Vendor amounted to approximately RMB188,773,000.

### **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., part of the ground floor and first basement floor of the Property, totalling 14,908 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.

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.

The Company will engage an independent professional valuer to prepare a valuation report of the Property for inclusion in the circular to be despatched to the Shareholders.

### **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.

### **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.

## **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.

## **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 8,660 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 renowned 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 8,660 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.

## **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, 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.

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 date of this announcement, 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 date of this announcement.

## **REFRESHMENT OF GENERAL MANDATE**

### **General Mandate**

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

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

### **Proposed refreshment of the General Mandate**

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

## GENERAL

The Company will hold the SGM to approve (i) the Purchase Agreement and the transactions contemplated thereunder; and (ii) the New General Mandate. A circular including, among other information, (i) a letter from the Board containing further details of the Purchase Agreement and the transactions contemplated thereunder and the New General Mandate; (ii) a letter from the Independent Board Committee; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the SGM, is expected to be despatched to the Shareholders on or before 30 April 2015.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Acquisition”	the proposed acquisition of the Property in accordance with the Purchase Agreement
“AGM”	the annual general meeting of the Company held on 5 September 2014
“Board”	the board of Directors
“Business Day”	any day (not being a Saturday, a Sunday and a public holiday) on which licensed banks in Hong Kong are generally open for business
“Company”	Shihua Development Company Limited (實華發展有限公司), a company incorporated in Bermuda whose shares are listed and traded on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted to the Board by the Shareholders at the AGM
“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”	an independent financial adviser to be appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders as 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; and with respect to the New General Mandate, any Shareholders other than controlling Shareholders of the Company and their associates or, if there are no controlling Shareholders, any Shareholders other than Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates who shall hold Shares as at the date of the SGM
“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.
“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
“New General Mandate”	the general mandate to be sought at the SGM to authorise the Directors to allot, issue and deal with the Shares not exceeding 20% of the issued share capital of the Company as at the date of passing of the relevant resolution
“PRC”	the People’s Republic of China
“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 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 announcement
“Purchase Agreement”	the sale and purchase agreement dated 17 March 2015 entered into between the Vendor and the Purchaser
“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
“RMB”	Renminbi, the lawful currency of the PRC
“SGM”	the special general meeting of the Company to be held for the purpose of approving the Purchase Agreement and the transactions contemplated thereunder and the New General Mandate, or any adjournment thereof
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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.

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

Hong Kong, 18 March 2015

*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.*

\* *For identification purpose only*