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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)

CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcements of the Company dated 30 June 2014 and 13 August 2015 (the “**Announcements**”) and the circular of the Company dated 24 May 2014 (the “**Circular**”) 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 of the Company dated 13 August 2015.

BACKGROUND

As disclosed in the Circular and the Announcements, the Privateco and Treasure Green Holdings Limited (a subsidiary of the Company) entered into the Framework Purchase Agreement on 30 June 2014, pursuant to which the Privateco Group would sell and the Remaining Group would purchase certain electronic products. The term of the Framework Purchase Agreement shall commence from the date of completion of the Distribution In Specie up to and including 31 March 2015. Since the expiration of the term of the Framework Purchase Agreement on 1 April 2015, sale and purchase of electronic products have been continuing among the Privateco Group and the Remaining Group on same terms of the Framework Purchase Agreement.

SECOND FRAMEWORK PURCHASE AGREEMENT

On 16 September 2015 (after trading hours), the Privateco and Treasure Green Holdings Limited entered into a framework purchase agreement (the “**2nd 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 commenced from 21 July 2015 and ending on 31 March 2018.

The key terms of the 2nd Framework Purchase Agreement are as follows:

Subject matter:	The Privateco Group will sell and the Remaining Group will purchase certain electronic products
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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 2nd 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 2nd Framework Purchase Agreement is not more favourable to the Privateco Group than that offered by the independent suppliers.

Term: From 21 July 2015 to 31 March 2018

Annual cap: The maximum value of the orders in respect of the sale and purchase of the electronic products under the 2nd Framework Purchase Agreement shall not exceed (i) HK\$56 million during the period from 21 July 2015 to 31 March 2016; (ii) HK\$80 million during the period from 1 April 2016 to 31 March 2017; and (iii) HK\$95 million during the period from 1 April 2017 to 31 March 2018.

The annual cap was determined after taking into account (i) the historical transaction value for the year ended 31 March 2015; and (ii) the management's expected demand of the electronic products for the years ending 31 March 2016, 2017 and 2018.

The actual transaction amount in respect of sale of electronic products by the Remaining Group to the Group for the year ended 31 March 2013, 31 March 2014 and 31 March 2015 were approximately HK\$94.5 million, HK\$71.1 million and HK\$52.9 million, respectively.

REASON FOR THE TRANSACTIONS

The Group is engaged in the business of design and sale of a wide range of electronic products, investment in properties 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.

As disclosed in the Circular, due to the reason that the Remaining Group has not been able to identify suppliers of certain existing models of electronic products, the Remaining Group continued to purchase certain existing models of electronic products from the Privateco Group as a transitional arrangement to assist the Remaining Group in meeting demands from customers.

The Directors (including independent non-executive Directors) consider that the terms of the 2nd Framework Purchase Agreement are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

The transactions contemplated under the 2nd 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 thus a connected person of the Company at the subsidiary level as at the date of this announcement. Given (1) the Board has approved transactions contemplated under the 2nd Framework Purchase Agreement; and (2) the Directors (including all the Independent Non-Executive Directors) confirmed that the terms of the 2nd Framework Purchase Agreement are fair and reasonable, and that the 2nd Framework Purchase Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the 2nd 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
Shihua Development Company Limited
WANG Jing
Chairman

Hong Kong, 17 September 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.