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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)

DISCLOSEABLE TRANSACTION

The Board is pleased to announce that on 6 March 2016, the Company and the Purchaser entered into the Agreement, pursuant to which the Company has agreed to sell and the Purchaser has agreed to purchase the Sale Share at a consideration of RMB118,000,000.

As the highest of the applicable percentage ratios under Chapter 14 of the Listing Rules exceed 5% but is less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under the Listing Rules.

THE AGREEMENT

Date: 6 March 2016

Parties: (i) The Company (as vendor)
(ii) Starry Beauty Limited (as purchaser)

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owner is an Independent Third Party.

The Sale Share

Pursuant to the Agreement, the Company has agreed to sell and the Purchaser has agreed to purchase the Sale Share, being the entire issued share capital of the Target Company.

The Target Company

The Target Company, through various wholly-owned subsidiaries in Hong Kong and the PRC, owns the Property.

The Property

The Property is located in the intersection of Digong Road (地工路) and Shengli Road (勝利路), Mingshan District, Benxi, Liaoning Province, the PRC, which is the core commercial district of Benxi. The Property, being one of the buildings located at the property development project of Xincheng Plaza (鑫城廣場), is a 17-storey building with two basement floors. The site area and the preliminary gross floor area of the Property is 3,335.00 sq.m. and 17,788.58 sq.m. (including all the above-ground and under-ground areas), respectively. It consists retail shops of approximately 3,000 sq.m. on the ground floor of the Property.

The Group acquired the Property in February 2015 at a consideration of RMB105,000,000. Please refer to the announcement of the Company dated 19 January 2015 and 10 February 2015, respectively, and the circular of the Company dated 31 March 2015 for further information.

Consideration

The consideration of the Disposal is RMB118,000,000, which will be settled in the following manner:

- (a) as to RMB5,000,000 payable by the Purchaser to the Company in cash upon the signing of the Agreement;
- (b) as to RMB45,000,000 by the assumption of repayment obligation by the Purchaser of a loan for the principal amount of RMB45,000,000;
- (c) as to RMB20,000,000 payable by the Purchaser to the Company in cash within three months after the date of the Agreement; and
- (d) as to the remaining balance of RMB48,000,000 payable by the Purchaser to the Company in cash within six months after the date of the Agreement.

The consideration is determined after arm's length negotiations between the Purchaser and the Company taking into account factors including market value of the comparable properties, location of the Property and the market value of the Property.

The Purchaser has agreed that in case it fails to pay any part of the consideration in accordance with the Agreement, the Company shall have the right to request the Purchaser to return the Sale Share at nil consideration and with interest as at 12% per annum, the Company is not required to refund any amount it has received.

Completion

Completion of the Disposal has taken place upon the signing of the Agreement.

FINANCIAL INFORMATION OF THE TARGET COMPANY

The unaudited consolidated net asset value of the Target Company prepared in accordance with HK GAAP amounted to approximately HK\$75,614,000 as at 31 December 2015. The unaudited consolidated net loss before and after tax and extraordinary items of the Target Company as prepared in accordance with HK GAAP were approximately HK\$25,000 for the period commencing from the date of establishment of the Target Company to 31 December 2015.

FINANCIAL EFFECTS OF THE DISPOSAL

Upon completion of Disposal, the Target Company will cease to be subsidiaries of the Company and its financial results will no longer be consolidated into the financial statements of the Company.

Based on the cash proceeds from the Disposal of RMB73,000,000, approximately HK\$86,565,000, the associated estimated direct cost of the Disposal of approximately HK\$410,000 and the net assets value of HK\$75,614,000 of the Target Company as at 31 December 2015, the estimated net proceeds from the Disposal is approximately HK\$10,541,000.

The Group intends to apply the net proceeds as general working capital and for future investment of the Group should suitable investment opportunities arise.

INFORMATION ABOUT THE COMPANY

The Company is a holding company, whose subsidiaries are engaged in the business of design and sale of a wide range of electronic products, securities trading and property development business.

INFORMATION ABOUT THE PURCHASER

The Purchaser is a company incorporated in Samoa and is an investment holding company.

REASONS FOR AND BENEFIT OF THE DISPOSAL

Having taken into account the recent market conditions and the fluctuations in property prices and rental prices, the Directors consider that the Disposal represents a good opportunity for the Company to realise its investment with a reasonable capital gain. Through the Disposal, the Company will receive additional working capital, which provide funding to the Company to capture suitable business opportunities.

Having considered the above, the Directors are of the view that the terms of the Agreement are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the highest of the applicable percentage ratios under Chapter 14 of the Listing Rules exceed 5% but is less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under the Listing Rules.

DEFINITIONS

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

“Agreement”	the sale and purchase agreement dated 6 March 2016 entered into between the Company and the Purchaser regarding the Disposal
“Board”	the board of Directors
“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”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the proposed disposal of the Sale Share pursuant to the Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party”	a third party which is independent of and not connected with the Company and its connected persons and not a connected person of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Property”	the property as more particularly described in the section “The Agreement – The Property” of this announcement
“Purchaser”	Starry Beauty Limited, a company incorporated in Samoa with limited liability

“RMB”	Renminbi, the lawful currency of the PRC
“Sale Share”	one share of the Target Company, being the entire issued share capital of the Target Company as at the date of this announcement
“Shareholder(s)”	shareholder(s) of the Company
“sq.m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Shi Hua Development Holdings Limited, a company incorporated in Samoa with limited liability and is a directly wholly-owned subsidiary of the Company
“%”	per cent.

* *for identification purposes only*

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

Hong Kong, 7 March 2016

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.