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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)

REVISED ANNUAL CAP
FOR THE CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of Shihua Development Company Limited (the “**Company**”) dated 17 September 2015 (the “**Announcement**”) 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.

BACKGROUND

As disclosed in the Announcement, on 16 September 2015, the Privateco and Treasure Green Holdings Limited (a subsidiary of the Company) entered into 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.

According to the 2nd Framework Purchase Agreement, the annual caps in respect of the sale of electronic products by the Privateco Group to the Remaining Group 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 Company regularly monitors the transaction amount under the 2nd Framework Purchase Agreement and the actual transaction amount in respect of the purchase of electronic products by the Remaining Group from the Privateco Group for the period from 21 July 2015 to 15 February 2016 has reached approximately HK\$55.8 million.

Having considered (i) the number and volume of purchase orders placed by the Remaining Group’s customers during the period from 1 April 2015 to 15 February 2016; and (ii) the actual transaction amount in respect of the purchase of electronic products by the Remaining Group from the Privateco Group for the period from 21 July 2015 to 15 February 2016, the Company estimates that the existing

annual cap of HK\$56 million for the period from 21 July 2015 to 31 March 2016 under the 2nd Framework Purchase Agreement is unable to satisfy the business need of the Remaining Group and requires adjustment.

SUPPLEMENTAL AGREEMENT

On 9 March 2016 (after trading hours), the Privateco and Treasure Green Holdings Limited entered into a supplemental agreement (the “**Supplemental Agreement**”) to amend the term of the 2nd Framework Purchase Agreement. As such, the annual cap for the period from 21 July 2015 to 31 March 2016 is increased from HK\$56 million to HK\$57 million.

Pursuant to the Supplemental Agreement, other terms of the 2nd Framework Purchase Agreement remain unchanged. For avoidance of doubt, there is no change in the annual caps for (i) the period from 1 April 2016 to 31 March 2017 and (ii) the period from 1 April 2017 to 31 March 2018.

For further information about the 2nd Framework Agreement, please refer to the Announcement.

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 Announcement, 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 to assist the Remaining Group in meeting demands from customers.

The Directors (including independent non-executive Directors) consider that the terms of the Supplemental 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.

None of the Directors have a material interest in the transactions contemplated under the 2nd Framework Purchase Agreement and the Supplement Agreement and they are not required to abstain from voting on the Board’s resolution approving the 2nd Framework Purchase Agreement and the Supplemental Agreement.

LISTING RULES IMPLICATIONS

The transactions contemplated under the Supplemental Agreement (which amended the terms of the 2nd Framework Purchase Agreement) together with 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 the Supplemental Agreement; and (2) the Directors (including all the independent non-executive Directors) confirmed that the terms of the 2nd Framework Purchase Agreement and the Supplemental Agreement are fair and reasonable, and that the 2nd Framework Purchase Agreement and the Supplemental Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the 2nd Framework Purchase Agreement and the Supplemental Agreement are 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, 9 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.