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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)

**INSIDE INFORMATION – LETTER OF INTENT REGARDING  
ACQUISITION OF HYDROELECTRIC POWER STATIONS**

This announcement is made by Shihua Development Company Limited (the “**Company**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

The board (“**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce that on 21 December 2015 (after trading hours), the Company entered into a letter of intent (the “**LOI**”) with Benxi Duoyi Resources Development Limited\* (本溪多益資源開發有限公司) (the “**Vendor**”) regarding the acquisition by the Company of all or some of the hydroelectric power stations directly or indirectly owned by the Vendor.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Vendor is a company incorporated in the People’s Republic of China with limited liability which is, and whose ultimate beneficial owner(s) are, independent of and not connected with the connected persons (as defined under the Listing Rules) of the Company. As at the date of this announcement, the Vendor directly and indirectly owns five hydroelectric power stations with total installed capacity of 20 MW in Northern China (mainly in Liaoning Province).

Pursuant to the term of the LOI, (i) the exclusivity period is 3 months from the date of the LOI, within which period the Vendor shall obtain the written consent of the Company if it signs any power station transfer agreement with any third party; (ii) the Company shall conduct due diligence within the exclusivity period; and (iii) the parties agree to enter into a definitive agreement (the “**Definitive Agreement**”) to specify the payment terms, payment time and other terms in detail after the due diligence by the Company.

Save for the terms in relation to confidentiality and exclusivity contained in the LOI, among others, the LOI is not legally binding.

\* *For identification purpose only*

There is no assurance that the Definitive Agreement will be signed between the Company and the Vendor. The acquisition contemplated under the LOI may or may not constitute a notifiable transaction for the Company under the Listing Rules. Further announcement in relation to the acquisition will be made by the Company as and when appropriate in compliance with the Listing Rules. Shareholders and investors of the Company should exercise cautions when dealing in the securities of the Company.

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

Hong Kong, 22 December 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.*