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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)

**SUPPLEMENTAL ANNOUNCEMENT -
DEPOSIT PAID FOR INVESTMENT**

Reference is made to the annual report of Shihua Development Company Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) for the year ended 31 March 2016, whereby it was disclosed in the section headed “Management discussion and analysis – Financial position – Deposit paid for investment” that during the year ended and as at 31 March 2016, a deposit amounted to HK\$106,714,000 (the “**Deposit**”) has been paid for an investment. The purpose of this announcement is to provide further information on the Deposit.

On 11 December 2015, Benxi Tongshengyuan Industry Limited* (本溪同盛遠實業有限公司) (the “**Purchaser**”), a wholly-owned subsidiary of the Company, entered into a memorandum of understanding (the “**MOU**”) with Benxi Yian Building Engineering Limited* (本溪易安土木工程有限公司) (the “**Vendor**”) regarding the potential acquisition by the Group of certain hydroelectric power stations (the “**Targets**”) in the People’s Republic of China (the “**Potential Acquisition**”). To the best of the Company’s knowledge, information and belief, the Vendor and its ultimate beneficial owners are independent third parties.

Pursuant to the MOU, it was agreed that, among other things, (i) the Purchaser is entitled to an exclusivity period of 6 months for the Targets; (ii) HK\$106,714,000, equivalent to RMB89,000,000 shall be paid to the Vendor as a refundable deposit, which shall apply for payment of consideration following the entering into of a definitive agreement; (iii) if the Potential Acquisition is not completed by 30 June 2016 or the Purchaser by written notice terminates the Potential Acquisition, the Vendor is required to refund such deposit in full within 10 business days; and (iv) the legal representative of the Vendor shall be the guarantor providing a personal guarantee for the refund of such deposit. Save for the terms in relation to confidentiality, exclusivity, the payment and refund of such deposit, the MOU is not legally binding.

As at the date of this announcement, the Group has decided not to proceed with the Potential Acquisition and the Deposit has been refunded in full.

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

Hong Kong, 15 August 2016

As at the date of this announcement, the board of directors of the Company comprises Mr. Wang Jing, Mr. Wang Xing Qiao and Mr. Zhao Shuang as executive Directors; Mr. Li Jun as non-executive Director; and Mr. Song Wenke, Mr. Wang Ping and Mr. Cheng Tai Kwan Sunny as independent non-executive Directors.

* *for identification purposes only*