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YUHUA ENERGY HOLDINGS LIMITED

裕華能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2728)

SUPPLEMENTAL ANNOUNCEMENT CONNECTED TRANSACTIONS

Reference is made to the announcement of Yuhua Energy Holdings Limited (the “**Company**”) dated 24 October 2019 in relation to the SL16-5-4 Agreement and SL27 Agreement entered into between Ningxia Deliheng and Beijing Huaye (the “**Announcement**”). Capitalised terms used herein shall have the same meanings as those defined in the Announcement unless otherwise stated. The Board wishes to provide additional information to the shareholders in relation to the SL16-5-4 Agreement and SL27 Agreement.

BASIS OF CONSIDERATION

The consideration in the SL16-5-4 Agreement and SL27 Agreement was determined on a cost-plus basis and represents a mark-up rate of 30%, which is within the industry range of 20–50%.

In determining the fee, the board of directors of the Company will work with the operation team and finance department to obtain fee quotations and estimate the total costs, which mainly include, *inter alia*, the costs of preparation of well drilling, the cost for drilling work (including, *inter alia*, equipment, staff cost, electricity and water expenses, etc.) and monitoring cost. The fee is arrived at after taking into account the mark-up rate.

LISTING RULES IMPLICATION

The Company is principally engaged in energy-related business. Therefore, the oil well drilling business is a new business within its ordinary and usual course of business. The SL16-5-4 Agreement and SL27 Agreement and the transactions contemplated thereunder do not have any implications under Chapter 14 of the Listing Rules.

By Order of the Board
Yuhua Energy Holdings Limited
Yuan Hongbing
Executive Director

Hong Kong, 27 November 2019

As at the date of this announcement, the Company has three executive Directors, namely Mr. Chen Jinle (Chairman), Mr. Lin Caihuo and Mr. Yuan Hongbing, one non-executive Director, namely Mr. Wang Shoulei, and three independent non-executive Directors, namely Mr. Liu Yang, Mr. Tche Heng Hou Kevin and Mr. Gao Han.