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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)

DISCLOSEABLE TRANSACTION IN RELATION TO DISPOSAL OF A VESSEL

The Board announces that on 17 August 2018 (after trading hours), the Seller, a wholly owned subsidiary of the Company, entered into the Agreement with the Buyer, in relation to the disposal of the Vessel at a consideration of US\$5.71 million (approximately HK\$44.82 million).

As one or more of the applicable percentage ratios as set out in the Listing Rules in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules and is required to be disclosed by way of announcement.

INTRODUCTION

The board (the “**Board**”) of directors (the “**Director(s)**”) of Yuhua Energy Holdings Limited (the “**Company**”, together with its subsidiaries referred to as the “**Group**”) announces that on 17 August 2018 (after trading hours), Yuhua Energy (Hong Kong) Limited (the “**Seller**”), a wholly owned subsidiary of the Company, as seller, entered into a memorandum of agreement (the “**Agreement**”) with Hongkong Asia International Marine Limited (the “**Buyer**”), as buyer, in relation to the disposal (the “**Disposal**”) of the Vessel. A summary of the major terms of the Agreement is set out below.

THE AGREEMENT

Date: 17 August 2018

Parties:

Seller: Yuhua Energy (Hong Kong) Limited, a wholly owned subsidiary of the Company which is incorporated in Hong Kong

Buyer: Hongkong Asia International Marine Limited, a company incorporated in Hong Kong

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Buyer is principally engaged in shipping business. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiry, the Buyer and its ultimate beneficial owners are not connected persons (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”)) of the Company, and are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Asset to be disposed of:

Pursuant to the Agreement, the Seller has agreed to sell and the Buyer has agreed to buy Yuhua Star (formerly known as “MT ZHU MIN VICTORIA”) (the “**Vessel**”) with the following particulars:

- | | | |
|-----|----------------------------|----------------------------|
| (1) | IMO Number: | 9157519 |
| (2) | Classification Society: | Nippon Kaiji Kyokai |
| (3) | Class Notation: | NS(TOB/CT II&III)(ESP) MNS |
| (4) | Year of Build: | 1997 |
| (5) | Flag: | Panama |
| (6) | Place of Registration: | Panama |
| (7) | Gross Tonnage/Net Tonnage: | 9,549/4,830 |

The Seller wholly owns the Vessel and the Vessel is engaged in oil tanker transportation business.

The Vessel has been wholly owned by the Group since January 2017, so the figure for net profit (before and after tax) attributable to the Vessel for the year ended 31 December 2016 is not available. As at 30 June 2018, the unaudited carrying value of the Vessel in the book of the Seller was approximately HK\$43.73 million. Set out below is the net profit (before and after tax) attributable to the Vessel for the financial year ended 31 December 2017:

	For the year ended 31 December 2017 (Unaudited) <i>HK\$ million</i>
Net profit before tax	5.02
Net profit after tax	4.21

Consideration:

Under the Agreement, the Seller agrees to dispose of the Vessel for a cash consideration of US\$5.71 million (approximately HK\$44.82 million) payable by the Buyer as follows:

1. (i) a deposit of 10% (the “**Deposit**”) of the consideration shall be paid in an interest bearing account for the Parties with the deposit holder within three banking days (i.e. days on which banks are open both in the United States of America and the PRC) after the date that the Agreement has been signed by the Parties and exchanged in original or by email or telefax, and (ii) the deposit holder has confirmed in writing to the Parties that the account has been opened.
2. On delivery of the Vessel, but not later than three banking days after the date that notice of readiness has been given, (i) the Deposit shall be released to the Seller, and (ii) the balance of the consideration and other sums payable on delivery by the Buyer to the Seller shall be paid in full free of bank charges to the Seller’s account.

If the Deposit is not lodged in accordance with the above, the Seller has the right to cancel the Agreement, and it shall be entitled to claim compensation for its losses and for all expenses incurred together with interest.

If the consideration is not paid in accordance with the above, the Seller has the right to cancel the Agreement, in which case the Deposit together with interest earned, if any, shall be released to the Seller. If the Deposit does not cover its loss, the Seller shall be entitled to claim further compensation for its losses and for all expenses incurred together with interest.

Time and place of delivery:

The Vessel shall be delivered and taken over safely afloat at a safe and accessible berth or anchorage at Nantong, the PRC. The Seller shall keep the Buyer well informed of the Vessel’s itinerary and shall provide the Buyer with 20, 10, 5 and 3 days’ notice of the date the Seller intends to tender a notice of readiness, which shall not be tendered before 25

August 2018, and of the intended place of delivery. When the Vessel is at the place of delivery and physically ready for delivery in accordance with the Agreement, the Seller shall give the Buyer a written notice of readiness for delivery.

Cancelling Date

If the Seller anticipates that, notwithstanding the exercise of due diligence by the Seller, the Vessel will not be ready for delivery by 15 September 2018 (the “**Cancelling Date**”), it may notify the Buyer in writing stating the date when it anticipates that the Vessel will be ready for delivery and proposing a new Cancelling Date. Upon receipt of such notification the Buyer shall have the option of either cancelling the Agreement within three banking days of receipt of the notice or of accepting the new date as the new Cancelling Date. If the Buyer has not declared the option within three banking days of receipt of the Seller’s notification or if the Buyer accepts the new date, the date proposed in the Seller’s notification shall be deemed to be the new Cancelling Date and shall be substituted for the Cancelling Date.

In the event that the Buyer elects to cancel the Agreement, the Deposit together with interest earned, if any, shall be released to the Buyer immediately.

BASIS OF CONSIDERATION

The consideration for the Disposal was determined on normal commercial terms after arm’s length negotiations between the parties taking into account of (i) the market intelligence as gathered by the Group from shipbrokers; (ii) the Group’s own analysis of recently concluded sale and purchase transactions of vessels of comparable size and year of build in the market; (iii) the unaudited book value of the Vessel of approximately HK\$43.73 million as at 30 June 2018.

FINANCIAL IMPACT OF THE DISPOSAL

Subject to the actual carrying value of the Vessel to be finalised on the date of completion of the Disposal, it is expected that the Group would record a pre-tax gain of approximately HK\$0.34 million upon completion of the Disposal, which represents the difference between the net consideration for the Disposal of approximately HK\$44.07 million (after deducted agent commission) and the unaudited book value of the Vessel of approximately HK\$43.73 million as at 30 June 2018. Such pre-tax gain is an estimate calculated and provided for illustrative purposes only and the finalised gain as a result of the Disposal will be subject to the actual carrying value of the Vessel and exchange rate adopted as at the date of the completion of the Disposal and further adjustments (if any) to be made following review by the auditors of the Company.

USE OF PROCEEDS

The net proceeds from the Disposal are intended to be used for the general working capital of the Group.

INFORMATION OF THE GROUP AND THE SELLER

The Group is principally engaged in energy trading, including mainly trading of fuel oil and kerosene, oil tanker transportation and speaker units businesses. The Group has operations mainly in Hong Kong and the PRC.

The Seller is a wholly owned subsidiary of the Group and is engaged in oil tanker transportation business.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The principal activities of the Group are (a) energy trading; (b) oil tanker transportation; (c) speaker units businesses.

Recently, the Group received the offer from the Buyer with the intention to acquire the Vessel. After taking into account (i) the age of the Vessel of more than 21 years which is considered to be old and less attractive as the charterers in the market prefer younger vessels; (ii) the age of the Vessel implies higher cost of maintenance, which is likely to exceed the future chartering return generated by the Vessel; (iii) the offer price by the Buyer is considered as attractive for vessels of similar age with reference to the prevailing vessel market conditions and vessel valuation; and (iv) the proceeds from the Disposal will further enhance and strengthen the Group's financial position and liquidity, the Board is of the view that the Disposal is beneficial to the Group's overall operation and financial position in response to the prevailing market conditions, which allows the Group to strategise its operations by striking an optimal balance between costs and benefits and to consolidate and reallocate the Group's financial resources across its various business segments.

Delivery of the Vessel will be conducted after the Group has fulfilled existing orders. The Company is considering to purchase vessel(s) with a lower age in order to lower the maintenance costs.

The Directors believe that the terms of the Agreement, which were normal commercial terms and determined after arm's length negotiations, are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios (as calculated in accordance with Rule 14.07 of the Listing Rules) for the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules and is required to be disclosed by way of this announcement.

By order of the Board
Yuhua Energy Holdings Limited
Lin Caihuo
Chairman

Hong Kong, 17 August 2018

As at the date of this announcement, the two executive Directors are Mr. Lin Caihuo (Chairman) and Mr. Wang Enguang, the non-executive Director is Mr. Wang ShouLei and the three independent non-executive Directors are Mr. Liu Yang, Mr. Lum Pak Sum and Ms. Wong Yan Ki, Angel.