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YUHUA ENERGY HOLDINGS LIMITED

裕華能源控股有限公司

(formerly known as Shinhint Acoustic Link Holdings Limited 成謙聲匯控股有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2728)

- (1) CONNECTED TRANSACTION RELATING TO
THE SUBSCRIPTION OF NEW SHARES
BY A SUBSTANTIAL SHAREHOLDER;
(2) APPLICATION FOR WHITEWASH WAIVER;
(3) APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER;
AND
(4) RESUMPTION OF TRADING**

Financial Adviser to the Company



SUBSCRIPTION OF NEW SHARES

On 26 November 2015 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber whereby the Subscriber conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue 640,000,000 new Shares at the Subscription Price of HK\$1.00 per Subscription Share.

The Subscription Shares represent (i) approximately 82.73% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 45.27% of the issued share capital of the Company as enlarged by the Subscription Shares, assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the Subscription Shares since the date of the Subscription Agreement and up to the Completion Date.

The Subscription Price of HK\$1.00 per Subscription Share: (i) is equivalent to the closing price of HK\$1.00 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) represents a discount of approximately 2.15% to the average closing price of HK\$1.022 per Share as quoted on the Stock Exchange for the last five consecutive trading days prior to but excluding the Last Trading Day; (iii) represents a discount of approximately 2.44% to the average closing price of HK\$1.025 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days prior to but excluding the Last Trading Day; and (iv) represents a premium of approximately 126.8% over the Group's unaudited consolidated net assets attributable to the Shareholders per Share as at 30 June 2015 of approximately HK\$0.441 (based on a total of 773,629,352 Shares as at the date of this announcement and the Group's unaudited consolidated net assets of approximately HK\$340,924,000 as at 30 June 2015).

At the EGM, the Company will seek the Specific Mandate from the Independent Shareholders in order to issue the Subscription Shares.

IMPLICATIONS UNDER THE LISTING RULES AND THE TAKEOVERS CODE

As at the date of this announcement, the Subscriber is a substantial Shareholder, the chairman of the Board and an executive Director holding, together with parties acting in concert with him, 208,278,946 Shares, representing approximately 26.92% of the issued share capital of the Company. Accordingly, the Subscriber is a connected person of the Company under Rule 14A.07 of the Listing Rules. Therefore, the Subscription constitutes a connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Upon Completion, the shareholding of the Subscriber and parties acting in concert with him will increase to approximately 60.01% of the issued share capital of the Company as enlarged by the Subscription Shares (assuming that no additional Shares other than the Subscription Shares will be allotted and issued since the date of the Subscription Agreement and up to the Completion Date). Pursuant to Rule 26.1 of the Takeovers Code,

the Subscriber and persons acting in concert with him will be required to make a mandatory general offer for all the issued securities of the Company (other than those already owned or agreed to be acquired by the Subscriber and parties acting in concert with him) in the absence of the Whitewash Waiver.

The Subscriber will make an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the issue of the Subscription Shares pursuant to the Subscription. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders by way of poll at the EGM. The Executive may or may not grant the Whitewash Waiver and in the event that it is not granted, the Subscription Agreement shall lapse and the Subscription will not proceed.

RESUMPTION OF TRADING

An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 7 December 2015.

The Subscription Agreement and the transactions contemplated thereunder are subject to the fulfilment of the Conditions which are set out in the paragraph headed “The Subscription Agreement – Conditions of the Subscription” in this announcement. As such, the Subscription Agreement and the transactions contemplated thereunder may or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

THE SUBSCRIPTION AGREEMENT

The major terms and conditions of the Subscription Agreement are set out below:

Date

26 November 2015 (after trading hours)

Parties

Issuer: the Company; and

Subscriber: Mr. Lin Caihuo, a substantial Shareholder, the chairman of the Board and an executive Director.

As at the date of this announcement, the Subscriber holds 208,278,946 Shares, representing approximately 26.92% of the issued share capital of the Company.

The Subscription Shares

Pursuant to the Subscription Agreement, the Subscriber conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue 640,000,000 new Shares at the Subscription Price of HK\$1.00 per Subscription Share. As at the date of this announcement, there are 773,629,352 Shares in issue. The Subscription Shares represent (i) approximately 82.73% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 45.27% of the issued share capital of the Company as enlarged by the Subscription Shares, assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the Subscription Shares since the date of the Subscription Agreement and up to the Completion Date.

Subscription Price

The Subscription Price of HK\$1.00 per Subscription Share:

- (i) is equivalent to the closing price of HK\$1.00 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) represents a discount of approximately 2.15% to the average closing price of HK\$1.022 per Share as quoted on the Stock Exchange for the last five consecutive trading days prior to but excluding the Last Trading Day;
- (iii) represents a discount of approximately 2.44% to the average closing price of HK\$1.025 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days prior to but excluding the Last Trading Day; and

- (iv) represents a premium of approximately 126.8% over the Group's unaudited consolidated net assets attributable to the Shareholders per Share as at 30 June 2015 of approximately HK\$0.441 (based on a total of 773,629,352 Shares as at the date of this announcement and the Group's unaudited consolidated net assets of approximately HK\$340,924,000 as at 30 June 2015).

The Subscription Price was determined after arm's length negotiations between the Company and the Subscriber with reference to the financial conditions of the Company, the prevailing market prices of the Shares and the recent market conditions.

Ranking of the Subscription Shares

The Subscription Shares, when issued and fully paid, will rank *pari passu* in all respects among themselves and with all the Shares in issue at the date of allotment and issue of the Subscription Shares, including the right to any dividends or distributions made or declared on or after the date of allotment and issue of the Subscription Shares.

Conditions of the Subscription

Completion is conditional upon fulfillment of the Conditions set out as follow:

- (a) the Executive having granted the Whitewash Waiver;
- (b) all conditions attached to the Whitewash Waiver having been satisfied;
- (c) the Independent Shareholders having at the EGM approved the Subscription, the Whitewash Waiver, the Specific Mandate and the transactions contemplated thereunder;
- (d) the Company having obtained the approval from the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares, and such approval not having been revoked or cancelled prior to the Completion;
- (e) the Completion would not result in the Company not meeting the public float requirement as required under the Listing Rules; and

- (f) all other regulatory consents and authorisations of any governmental or regulatory body which are necessary and required for the purpose of implementing and completing the Subscription, the Whitewash Waiver, the Specific Mandate and the transactions contemplated under the Subscription Agreement having been obtained and remaining in full force and effect pursuant to the provisions of any laws or regulations in any relevant jurisdiction.

None of the Conditions can be waived by either party to the Subscription Agreement.

In the event that not all the Conditions have been fulfilled on or before the Long Stop Date, the Subscription Agreement shall terminate and lapse, and the Company and the Subscriber shall be released from all obligations thereunder and neither party shall have any claim against the other save for any antecedent breaches of the Subscription Agreement.

As at the date of this announcement, none of the Conditions have been fulfilled.

Completion

Subject to fulfillment of all the Conditions, Completion shall take place on the Completion Date.

Lock-up arrangement for the Subscription Shares

Pursuant to the Subscription Agreement, there is no lock-up arrangement for the Subscription Shares upon allotment and issue thereof.

Specific Mandate

The Subscription Shares will be allotted and issued under the Specific Mandate to be obtained from the Independent Shareholders at the EGM.

Application for listing

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Group is principally engaged in (i) trading and manufacturing of speaker units and provision of consultancy services in connection with research and development of headphones and speaker products; and (ii) trading of energy products including but not limited to fuel oil, oil, natural gas, biodiesel and chemical products (the “**Energy Trading Business**”).

In 2015, the Group has put tremendous effort in the operation and development of the Energy Trading Business generally through back-to-back purchase and sale of energy products. For the six months ended 30 June 2015, the revenue and the segment loss derived from the Energy Trading Business amounted to approximately HK\$822.2 million and HK\$39.3 million respectively. Without taking into account the one-off non-cash share-based payment expenses of approximately HK\$49.3 million relating to the grant of share options during the six months ended 30 June 2015, the Energy Trading Business would record a segment profit of approximately HK\$10.1 million.

In order to cope with the liquid capital needs for the expansion of the Energy Trading Business, the Group had conducted various fund-raising exercises in the second quarter of 2015. In April 2015, the Group raised approximately HK\$61.3 million by placing of new Shares under general mandate to independent third parties (the “**Placing**”). During the period commencing from 25 May 2015 to 15 June 2015, the Group entered into three separate loan agreements with a bank for loan in the principal amount of RMB50 million (“**Loan I**”), RMB49.75 million (“**Loan II**”) and RMB9.2 million (“**Loan III**”, and together with Loan I and Loan II, the “**Loans**”), respectively. The Loans were interest-bearing with an interest rate of 5.61% per annum. Loan I, Loan II and Loan III would be due on 25 November 2015, 26 November 2015 and 15 December 2015, respectively. Both the net proceeds from the Placing of approximately HK\$61.3 million and the Loans of RMB108.95 million (equivalent to approximately HK\$138.2 million, based on the exchange rate of RMB1.00 to HK\$1.2681 as at 30 June 2015) were applied towards the Energy Trading Business as the liquid capital for the on-and-off prepayment for the purchase of energy products.

With the additional liquid capital from the Placing and the Loans, the liquid capital allocated for the Energy Trading Business, including prepayment, inventory and cash, increased to approximately HK\$400 million. Subsequently, the Group has recorded a gradual growth in the number of back-to-back energy trading transactions in recent months. During the period commencing from 1 July 2015 to 31 October 2015, the average monthly turnover of the Group's Energy Trading Business amounted to approximately HK\$533.6 million, representing a significant increase of approximately 289.5% as compared to the average monthly turnover of the Group's Energy Trading Business of approximately HK\$137.0 million for the six months ended 30 June 2015.

The management foresees that the Energy Trading Business is optimistic in the coming years. Relying on the experience and connection accumulated in 2015, the management targets to double the current monthly transaction volume of the Energy Trading Business in 2016. In order to secure a solid and friendly relationship with the customers and suppliers, the Group has been actively negotiating with various customers and suppliers in respect of entering into of certain framework purchase and sale agreements. On 26 November 2015, Yuhua Energy (Xiamen) Company Limited* (裕華能源(廈門)有限公司) (“**Xiamen Yuhua Energy**”) (as purchaser), a wholly-owned subsidiary of the Company, entered into sale and purchase framework agreements with Zhong Shang Tou Hao Jia (Shanghai) Investment Holdings Company Limited* (中商投灝嘉(上海)投資控股有限公司) (“**Zhong Shang Tou Hao Jia**”) and Guangzhou Bao Ta Chemical Company Limited* (廣州寶塔石化有限公司) (“**Bao Ta Chemical**”) (as vendors), respectively, pursuant to which Zhong Shang Tou Hao Jia and Bao Ta Chemical agreed to sell and Xiamen Yuhua Energy agreed to purchase fuel oil in the target amount of not less than RMB1,000 million and RMB500 million, respectively, from 1 January 2016 to 31 December 2016. On the same day, Xiamen Yuhua Energy (as vendor) entered into a fuel oil purchase framework agreement with Shanghai Ludi Petroleum and Chemical Industry Company Limited* (上海綠地石油化工有限公司) (“**Shanghai Ludi**”) (as purchaser) pursuant to which Xiamen Yuhua Energy agreed to sell and Shanghai Ludi agreed to purchase fuel oil in the preliminary target volume of 30,000 tonnes per month for a period of one year commencing from the date of the agreement, provided that the terms offered by Xiamen Yuhua Energy to Shanghai Ludi are similar to or more favourable than the terms offered by third parties to Shanghai Ludi. Each of Zhong Shang Tou Hao Jia, Bao Ta Chemical and Shanghai Ludi and their respective ultimate beneficial owners is third party independent of the Company and its connected persons and is not interested in any Shares. In addition to the aforementioned framework agreements, the Group is currently in the negotiation with other existing or potential suppliers and purchasers of fuel oil. However, no legally-binding agreement has been reached as at the date of this announcement.

As at 30 June 2015, the bank balances and cash position of the Group amounted to approximately HK\$59.5 million while prepayment for the Energy Trading Business amounted to approximately HK\$308.1 million. With the increasing number of energy trading transactions in recent months, the cash position of the Group further dropped to approximately HK\$21.7 million as at 31 October 2015 as majority of the cash were applied towards the prepayment for the Energy Trading Business. In December 2015, the Group will reallocate approximately HK\$106.5 million from cash used for the Energy Trading Business to settle the purchase of the properties located at levels 2 to 7 of 海之星國際營運中心 (Ocean Star International Operation Centre*) pursuant to the acquisition agreements dated 7 September 2015 entered into between the Group and Xiamen Ocean Star Shipping Company Limited* (廈門海之星航運有限公司) (“**Xiamen Ocean Star**”) (as supplemented by two supplemental agreements both dated 7 September 2015), which further tightened the liquidity level of the Group. Xiamen Ocean Star is wholly owned by Fujian Yuhua Group Limited* (福建裕華集團有限公司), which is, in turn, owned by the Subscriber and his spouse (who is deemed to be interested in the 208,278,946 Shares held by the Subscriber for the purpose of the SFO) as to 90% and 10%, respectively. Details of the acquisition of the properties located at levels 2 to 7 of 海之星國際營運中心(Ocean Star International Operation Centre*) were disclosed in the circular of the Company dated 3 November 2015 and the poll results announcement of the Company dated 20 November 2015. The management envisaged that the current capital level of the Group is insufficient to cope with the expansion of the Energy Trading Business. Based on the target of doubling the current monthly transaction volume of the Energy Trading Business in 2016, the Directors estimated that the Group should double the amount of the existing liquid capital for the on-and-off prepayment for the purchase of energy products in order to achieve the above target.

In view of the above, the Board has considered various fund raising methods including long term bank borrowing, placement of new Shares to independent third parties, rights issue, open offer and the Subscription. In respect of long-term bank borrowings, commercial banks would request for assets pledge and guarantee which the size of the Group’s property, plant and equipment may not be sufficient. In addition, the finance cost of the Group would increase significantly taking into account the considerable size of the loan principal. As to equity fund raising exercise (such as placement of new Shares to independent third parties, rights issue and/or open offer), the Group has approached several brokers about the possibility and feasibility of acting as placing agent or underwriter of the Company. Upon enquiry, the brokers requested a placing/underwriting commission ranging from 2.5% to 5.0% on the total fund raising size and also a deep discount on the placing/subscription price so as to increase

the attractiveness of the equity fund raising exercise. The placing would be conducted on best effort basis and as such the amount to be raised from the placing would be uncertain and subject to market condition. The rights issue and open offer would take a few months to complete and would be set at deep discount with a high offer ratio.

Having considered the restrictions of the alternative fund raising methods as discussed above, the Subscriber, being an executive Director, the chairman of the Board and a substantial Shareholder, expressed his willingness to subscribe for the new Shares at the prevailing market price. The Subscription enables the Group to issue the new Shares at the prevailing market price and save the finance cost or commission which the Group would need to incur if alternative fund raising methods are adopted.

The gross proceeds and the net proceeds to be raised from the Subscription will be HK\$640.0 million and approximately HK\$637.8 million respectively. The net subscription price per Subscription Share would be approximately HK\$0.9965. The Board intends to apply the net proceeds as follow:

Intended use of net proceeds	<i>HK\$ million</i>
Liquid capital for Energy Trading Business	450.0
Repayment of the New Loans upon due date (<i>Note 1</i>)	139.3
	<i>(Note 2)</i>
General working capital	<u>48.5</u>
 Total	 <u><u>637.8</u></u>

Notes:

- In late November and early December 2015, the Group entered into six new loan agreements with the bank, which is, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, third party independent of the Company and its connected persons and is not interested in any Shares, for an aggregate loan amount of RMB115 million (the "New Loans") for the repayment of the Loans where the New Loans are interest-bearing with an interest rate of 4.785% per annum and will be due in late May and early June 2016. The Loans were subsequently fully repaid.
- The principal amount of the New Loans is denominated in Renminbi in the amount of RMB115 million which is converted into Hong Kong Dollars at the exchange rate of RMB1.00 to HK\$1.2117 as at 30 November 2015.

The Directors (other than the independent non-executive Directors who will express their view after considering the advice from the Independent Financial Adviser) consider that the Subscription represents a straightforward and cost-effective means of financing for the Group and is fair and reasonable and on normal commercial terms and the entering into of the Subscription Agreement is in the interests of the Group and the Independent Shareholders as a whole.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

Save as disclosed below, the Company had not conducted any other equity fund raising activities in the past twelve months immediately preceding the date of this announcement.

Date of announcement	Fund raising activity	Net proceeds raised	Proposed use of proceeds	Actual use of proceeds
16 April 2015 and 23 April 2015	Placing of 64,369,112 new Shares at the placing price of HK\$0.97 per placing Share	approximately HK\$61.3 million	To use for general working capital of the Group as the purchase of fuel oil, oil and natural gas	Applied towards the purchase of energy products

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after Completion assuming that there is no change in the issued share capital of the Company since the date of this announcement and up to the Completion Date.

	As at the date of this announcement		Immediately after the Completion	
	No. of Shares	Approximate %	No. of Shares	Approximate %
The Subscriber and parties acting in concert with him (Note 1)	208,278,946	26.92	848,278,946	60.01
Public Shareholders	565,350,406	73.08	565,350,406	39.99
Total	<u>773,629,352</u>	<u>100.00</u>	<u>1,413,629,352</u>	<u>100.00</u>

Notes:

1. All these Shares are held by the Subscriber directly.
2. As at the date of this announcement, there are Share Options granted under the Share Option Scheme outstanding entitling the holders thereof to subscribe for an aggregate of 38,500,000 new Shares. Other than the aforementioned Share Options, the Company has no other outstanding warrants, options or securities convertible into shares of the Company.

GENERAL

Implications under the Listing Rules and the Takeovers Code

As at the date of this announcement, the Subscriber is a substantial Shareholder, the chairman of the Board and an executive Director holding, together with parties acting in concert with him, 208,278,946 Shares, representing approximately 26.92% of the issued share capital of the Company. Accordingly, the Subscriber is a connected person of the Company under Rule 14A.07 of the Listing Rules. Therefore, the Subscription constitutes a connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Upon Completion, the shareholding of the Subscriber and parties acting in concert with him will increase to approximately 60.01% of the issued share capital of the Company as enlarged by the Subscription Shares (assuming that no additional Shares other than the Subscription shares will be allotted and issued since the date of the Subscription Agreement and up to the Completion Date). Pursuant to Rule 26.1 of the Takeovers Code, the Subscriber and persons acting in concert with him will be required to make a mandatory general offer for all the issued securities of the Company (other than those already owned or agreed to be acquired by the Subscriber and parties acting in concert with him) in the absence of the Whitewash Waiver.

The Subscriber will make an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the issue of the Subscription Shares pursuant to the Subscription. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders by way of poll at the EGM. The Executive may or may not grant the Whitewash Waiver and in the event that it is not granted, the Subscription Agreement shall lapse and the Subscription will not proceed.

It is one of the Conditions that the Whitewash Waiver be granted by the Executive and approved by the Independent Shareholders by way of poll at the EGM. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Subscription Agreement will not become unconditional and the Subscription will not proceed.

As at the date of this announcement, other than 208,278,946 Shares held by the Subscriber and all the transactions contemplated under the Subscription and as disclosed in this announcement, neither the Subscriber nor any of parties acting in concert with him:

- (i) holds, owns, controls or directs any shares, convertible securities, warrants, options or derivatives in respect of the securities in the Company nor has entered into any outstanding derivatives in respect of the securities in the Company;
- (ii) has secured any irrevocable commitment from any Independent Shareholders to vote in favour of or against the resolutions approving the transactions contemplated under the Subscription Agreement, the Specific Mandate and/or the Whitewash Waiver;
- (iii) has any arrangement as referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) or contracts with any other parties in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company which might be material to the Subscription, the Specific Mandate and/or the Whitewash Waiver;
- (vi) has any agreement or arrangement to which the Subscriber or any of parties acting in concert with him is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Subscription, the Specific Mandate and/or the Whitewash Waiver; and
- (v) has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

Save for the entering into of the Subscription Agreement, neither the Subscriber nor any of parties acting in concert with him has acquired or disposed of any voting rights of the Company or has dealt for value in any shares, convertible securities, warrants, options or derivatives in respect of the securities of the Company in the six-month period prior to the date of this announcement. The Subscriber and parties acting in concert with him will not acquire or dispose of any voting rights of the Company after the date of this announcement until Completion.

EGM

The EGM will be convened for the purpose of considering and, if thought fit, approving the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver.

In accordance with the Listing Rules and the Takeovers Code, (i) the Subscriber and his associates; (ii) any parties acting in concert with the Subscriber; and (iii) Shareholders involved or interested in the Subscription or the Whitewash Waiver will be required to abstain from voting on the resolution(s) to approve the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver at the EGM. Save as the Subscriber, no other Shareholder has a material interest in or is involved in or interested in the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate or the Whitewash Waiver, and will be required to abstain from voting on the resolution(s) at the EGM.

Furthermore, as the Subscriber, being an executive Director and a substantial Shareholder, was considered to have a material interest in the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver, he had abstained from voting on the Board resolution(s) approving the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver.

INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

Pursuant to the Listing Rules and the Takeovers Code, the Independent Board Committee (comprising all the independent non-executive Directors) has been formed to advise the Independent Shareholders on the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver. In this connection, Goldin Financial Limited has been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders as to whether the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver are fair and reasonable and make recommendation on voting.

DESPATCH OF CIRCULAR

A circular containing, among others, (i) further details of the Subscription, the Subscription Agreement, the Specific Mandate and the Whitewash Waiver; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders on the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver; (iv) a notice of EGM; and (v) other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 24 December 2015.

RESUMPTION OF TRADING

Reference is made to the announcement of the Company dated 27 November 2015 (the “**Suspension Announcement**”) in relation to the trading suspension of the Shares on the Stock Exchange. As disclosed in the Suspension Announcement, trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 27 November 2015 pending the release of this announcement.

An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 7 December 2015.

The Subscription Agreement and the transactions contemplated thereunder are subject to the fulfilment of the Conditions which are set out in the paragraph headed “The Subscription Agreement – Conditions of the Subscription” in this announcement. As such, the Subscription Agreement and the transactions contemplated thereunder may or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

DEFINITIONS

In this announcement, the following terms have the following meanings unless the context requires otherwise:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday or Sunday, or a day on which a tropical cyclone warning signal numbered 8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.) on which licensed banks in Hong Kong are open for business and the Stock Exchange is open for the business of dealing in securities
“Company”	Yuhua Energy Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning as ascribed to it under the Listing Rules
“Completion”	completion of the Subscription in accordance with the terms and subject to the conditions of the Subscription Agreement
“Completion Date”	the date of Completion, being any day within 10 Business Days from the day on which all the Conditions have been fulfilled, or such later date as may be agreed between the Company and the Subscriber
“Conditions”	the conditions precedent to the Completion, as more particularly set out under the paragraph headed “The Subscription Agreement – Conditions of the Subscription” in this announcement
“Director(s)”	the director(s) of the Company

“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of its delegates
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Company, comprising all independent non-executive Directors, namely Mr. Liu Yang, Mr. Lum Pak Sum and Mr. Zhang Jiping, which has been established by the Board for the purpose of advising the Independent Shareholders on the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver and as to voting
“Independent Financial Adviser”	Goldin Financial Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver and as to voting
“Independent Shareholders”	Shareholders other than (i) the Subscriber and his associates; (ii) any parties acting in concert with the Subscriber; and (iii) parties involved or interested in the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and/or the Whitewash Waiver

“Last Trading Day”	26 November 2015, being the last trading day of the Shares on the Stock Exchange prior to the entering into of the Subscription Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	29 February 2016, or such later date as may be agreed in writing between the Company and the Subscriber
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.005 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Share Options”	the share options granted pursuant to the Share Option Scheme
“Share Option Scheme”	the share option scheme of the Company approved and adopted by the Company on 25 June 2005, pursuant to which a total of 38,500,000 Share Options are still outstanding as at the date of this announcement
“Specific Mandate”	the specific mandate proposed to be obtained from the Independent Shareholders at the EGM to issue the Subscription Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subscriber”	Mr. Lin Caihuo, a substantial Shareholder, the chairman of the Board and an executive Director
“Subscription”	the proposed subscription of the Subscription Shares by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the conditional share subscription agreement dated 26 November 2015 entered into between the Company and the Subscriber in relation to the Subscription
“Subscription Price”	HK\$1.00 per Subscription Share
“Subscription Shares”	640,000,000 new Shares to be allotted and issued to the Subscriber pursuant to the terms and subject to the conditions of the Subscription Agreement
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Whitewash Waiver”	a waiver from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code of the obligation on the part of the Subscriber to make a general offer for all securities of the Company (other than those already owned or agreed to be acquired by the Subscriber and parties acting in concert with him) as a result of the allotment and issue of the Subscription Shares under the Subscription Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

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

Hong Kong, 4 December 2015

As at the date of this announcement, the Company has two executive Directors, namely Mr. Lin Caihuo (Chairman) and Mr. Wang Enguang and three independent non-executive Directors, namely Mr. Liu Yang, Mr. Lum Pak Sum and Mr. Zhang Jiping.

The Directors jointly and severally accept full responsibility for the accuracy of information contained in this announcement (other than that relating to the Subscriber and parties acting in concert with him) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement (other than opinions expressed by the Subscriber and parties acting in concert with him) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

The Subscriber accepts full responsibility for the accuracy of information contained in this announcement (other than that relating to the Group) and confirms, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed in this announcement (other than opinions expressed by the Group) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

** For identification purpose only*