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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)**

### **CONTINUING CONNECTED TRANSACTIONS SUPPLY AND R&D SERVICE AGREEMENT**

#### **CONTINUING CONNECTED TRANSACTIONS**

##### **The Supply and R&D Service Agreement**

Reference is made to the Announcement and the Circular in relation to, among other things, the Existing Supply Agreement.

As the term of the Existing Supply Agreement has expired on 31 December 2016, on 8 February 2017 (after trading hours), SHL, an indirect wholly-owned subsidiary of the Company, entered into the Supply and R&D Service Agreement with TSI for the period from 1 January 2017 to 31 December 2017.

##### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Mr. Cheung is the director of SHL, an indirect wholly-owned subsidiary of the Company, while he is also the ultimate beneficial owner and director of the TSI. Therefore, Mr. Cheung and TSI are connected persons of the Company at the subsidiary level. Accordingly, the transactions contemplated under the Supply and R&D Service Agreement constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

All the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Annual Caps are more than 0.1% but less than 5%. By virtue of Rule 14A.101 of the Listing Rules, as (i) Mr. Cheung and TSI are connected persons of the Company at the subsidiary level; (ii) the Supply and R&D Service Agreement is on normal commercial terms; (iii) the Board has approved the Supply and R&D Service Agreement; and (iv) the independent non-executive Directors have confirmed that the terms of Supply and R&D Service Agreement are fair and reasonable and that the Supply and R&D Service Agreement are on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, the Supply and R&D Service Agreement is subject to the reporting and announcement requirements but is exempt from the circular, independent financial advice and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## THE SUPPLY AND R&D SERVICE AGREEMENT

On 8 February 2017 (after trading hours), SHL, an indirect wholly-owned subsidiary of the Company, entered into the Supply and R&D Service Agreement with TSI for the period from 1 January 2017 to 31 December 2017.

The principal terms of the Supply and R&D Service Agreement are set out below:

Date: 8 February 2017

Parties:

1. SHL as supplier of speaker units and purchaser of the R&D Service; and
2. TSI as purchaser of speaker units and provider of the R&D Service.

Term and termination: The term of the Supply and R&D Service Agreement shall be for a period from 1 January 2017 to 31 December 2017. The Supply and R&D Service Agreement may be terminated on such other date as may be agreed between SHL and TSI.

Nature of transactions:

- 1) Supply of speaker units by SHL or any of its subsidiaries to TSI; and
- 2) Provision of the R&D Service by TSI to SHL or any of its subsidiaries.

Pricing basis: The purchase price for speaker units to be charged by SHL or any of its subsidiaries shall be determined on a fair basis and normal commercial terms and commercial transaction management and monitoring procedures of the Group, and shall not be less favourable than the prevailing prices that SHL or any of its subsidiaries charges its independent customers from time to time.

The service fee for the provision of the R&D Service to be charged by TSI shall be determined on a fair basis and normal commercial terms and commercial transaction management and monitoring procedures of the Group, and shall not be less favourable than the service fee that SHL or any of its subsidiaries is charged by an independent third party from time to time.

Annual Caps and  
the basis of  
determination:

The Annual Caps for the supply of speaker units and the R&D Service are HK\$20 million and HK\$2.4 million respectively for the year ending 31 December 2017.

The Annual Cap for the supply of speaker units for the year ending 31 December 2017 was determined with reference to (i) the actual amount of the supply of speaker units supplied by SHL or its subsidiaries to TSI for the year of 2015 and 2016 which amounted to approximately HK\$22 million and HK\$12 million respectively; (ii) the production capacity of the Group, including that of the potential disposal group as mentioned in the announcement of the letter of intent dated 30 September 2016 for the production of speaker units; and (iii) TSI's expected demand for speaker units projected by TSI for the year ending 31 December 2017.

The Annual Cap for the R&D Service Agreement for the year ending 31 December 2017 was determined with reference to the expected cost to be incurred by the R&D department as if it is operated by SHL. The service fee in respect of the R&D Service paid to TSI was amounted to approximately HK\$1.7 million for the year 2016.

### **Reasons for and benefits of the Supply and R&D Service Agreement**

TSI is principally engaged in the trading and manufacturing of moulds, headphones and speakers and SHL and its subsidiaries are principally engaged in the trading and manufacturing of speaker units. TSI has been sourcing speaker units from SHL and its subsidiaries. It is expected that the Supply and R&D Service Agreement will enable the Group to be supported with research and development of its manufacturing and allow the Group to utilise its capacity in the manufacturing of speaker units and generate additional revenue for the Group in view of TSI's demand for speaker units. The Directors consider that the terms of the Supply and R&D Service Agreement are on arm's length basis, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **INFORMATION ON THE GROUP**

The Group is principally engaged in speaker units manufacturing and energy trading businesses.

### **INFORMATION ON TSI**

TSI is principally engaged in the trading and manufacturing of moulds, headphones and speakers.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Mr. Cheung is the director of SHL, an indirect wholly-owned subsidiary of the Company, while he is also the ultimate beneficial owner and director of the TSI. Therefore, Mr. Cheung and TSI are connected persons of the Company at the subsidiary level. Accordingly, the transactions contemplated under the Supply and R&D Service Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

All the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Annual Caps are more than 0.1% but less than 5%. By virtue of Rule 14A.101 of the Listing Rules, as (i) Mr. Cheung and TSI are connected persons of the Company at the subsidiary level; (ii) the Supply and R&D Service Agreement is on normal commercial terms; (iii) the Board have approved the Supply and R&D Service Agreement; and (iv) the independent non-executive Directors have confirmed that the terms of Supply and R&D Service Agreement are fair and reasonable and that the Supply and R&D Service Agreement are on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, the Supply and R&D Service Agreement is subject to the reporting and announcement requirements but is exempt from the circular, independent financial advice and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors has a material interest in the transactions under the Supply and R&D Service Agreement and needs to abstain from voting on the relevant resolution(s) in the Board meeting to approve the Supply and R&D Service Agreement.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“Announcement”	the announcement of the Company dated 21 November 2013 in relation to, among other things, the Existing Supply Agreement
“Annual Caps”	the annual caps for the transactions under the Supply and R&D Agreement
“Board”	the board of directors of the Company
“Circular”	the circular of the Company dated 8 January 2014 in relation to, among other things, the Existing Supply Agreement
“Company”	Yuhua Energy Holdings Limited (Stock Code: 2728), a company incorporated in the Cayman Islands whose Shares are listed on the Stock Exchange

“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“Existing Supply Agreement”	the supply agreement dated 28 February 2014 and entered into between Crown Million Industries (International) Limited, an indirect wholly-owned subsidiary of the Company, as supplier and TSI as purchaser for the supply of speaker units
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Cheung”	Mr. Cheung Wah Keung, the director of SHL and the ultimate beneficial owner and the director of TSI
“PRC”	the People’s Republic of China, excluding Hong Kong and the Macau Special Administrative Region of the PRC
“R&D Service”	the provision of services by TSI to SHL or any of its subsidiaries in connection with the research and development of headphones and speaker products
“Shareholder(s)”	the holder of Shares in the Company
“Shares”	ordinary share(s) of HK\$0.005 each in the share capital of the Company
“SHL”	Shinhint Industries Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supply and R&D Service Agreement”	the Supply and R&D Service Agreement dated 8 February 2017 entered into between SHL and TSI in relation to the supply of speaker units and provision of the R & D Service

“TSI” Tai Sing Industrial Company Limited, a company incorporated in Hong Kong

“%” means per cent

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

Hong Kong, 8 February 2017

*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 Ms. Wong Yan Ki, Angel.*