

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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
DISPOSAL OF THE ENTIRE INTEREST IN
CROWN MILLION INDUSTRIES (INTERNATIONAL) LIMITED**

Financial Adviser to the Company

MESSIS  **大有融資**

THE DISPOSAL

Reference is made to the announcement of the Company dated 30 September 2016 in relation to the possible disposal of the Target Company. The Board is pleased to announce that on 25 May 2018 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, and the Purchaser, entered into the Disposal Agreement, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the Sale Shares, which represent the entire issued share capital in the Target Company, at the Consideration.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules exceed 5% but all of the applicable percentage ratios do not exceed 25%, the Disposal contemplated under the Disposal Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements as set out in Chapter 14 of the Listing Rules.

As completion of the Disposal is subject to the fulfilment (or where applicable, waiver) of the conditions under the Disposal Agreement, the Disposal may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

THE DISPOSAL

Reference is made to the announcement of the Company dated 30 September 2016 in relation to the possible disposal of the Target Company. The Board is pleased to announce that on 25 May 2018 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, and the Purchaser, entered into the Disposal Agreement, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the Sale Shares, which represent the entire issued share capital in the Target Company, at the Consideration.

Principal terms of the Disposal Agreement are set out below:

Date

On 25 May 2018 (after trading hours)

Parties

- (1) the Vendor, an indirect wholly-owned subsidiary of the Company; and
- (2) the Purchaser.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Purchaser is an Independent Third Party.

Assets to be disposed of

The entire issued share capital in the Target Company.

Consideration

The Consideration will be determined by reference to the net asset value of the Target Group as at the Completion Date. Pursuant to the Disposal Agreement, the Purchaser shall prepare the closing accounts of the Target Group as at the Completion Date in accordance with Hong Kong Financial Reporting Standards and audited by an independent auditor. As per the Disposal Agreement, the amount of the consideration is estimated to be approximately HK\$34.2 million (the “**Estimated Consideration**”), with reference to the estimated net asset value of the Target Group as at 31 May 2018.

The Consideration shall be payable by the Purchaser in cash in three tranches in the following manner:

- (a) 50% of the Estimated Consideration shall be payable on the Completion Date;
- (b) 40% of the Consideration shall be payable on the day six (6) months after the Completion Date, plus or minus a payment in order to achieve that the payment of first tranche is in an amount equal to 50% of the Consideration; and
- (c) 10% of the Consideration shall be payable on the date falling on the first anniversary after the Completion Date.

The Consideration has been determined after arm’s length negotiations between the Vendor and the Purchaser with reference to the net asset value of the Target Group as at the Completion Date. Having considered the above and the factors described in the paragraph headed “Reasons for and benefits of the Disposal” below, the Directors are of the view that the terms of the Disposal Agreement (including the Consideration) are fair and reasonable and on normal commercial terms and in the interests of the Shareholders as a whole.

Conditions precedent

Completion is subject to, among others, the following conditions having been fulfilled or waived (as the case may be):

- (a) the relevant parties have, upon the Completion, executed the supply agreement in relation to the supply of speaker units for audio consumer electronic products by the Target Group to the Group, on terms satisfactory to the Vendor and the Purchaser;
- (b) all necessary consents and approvals required on the part of the Vendor in respect of the Disposal Agreement and the transactions contemplated thereby are in full force and effect;
- (c) no material adverse change in the state of affairs of the Target Group has occurred since 31 December 2016 up until the Completion Date;
- (d) The Target Group together with Purchaser have performed the inventory analysis in accordance to the Disposal Agreement;
- (e) The Vendor shall provide all necessary resolutions and documents of dividend payments that have been effectuated or declared by the Target Group as of 31 December 2017 and confirm that no additional dividend payments have been effectuated or initiated since then;
- (f) the relevant affiliates of Vendor and the Vendor have transferred all books relating to the Target Group to the Target Group;
- (g) no material breach of warranties and/or any failure by the Vendor in the performance of any obligation under the Disposal Agreement has occurred which have material adverse impact on the business or financial condition of the Target Group;
- (h) The Vendor shall procure that between 31 December 2017 and the Completion Date, and as per the Completion Date, all intercompany balances of non-trade nature and of trade nature more than 60 days outstanding are settled between the Target Group and the Group; and

- (i) The Purchaser shall procure that all the balance of non-trade nature and of trade nature more than 60 days outstanding due from the Purchaser to the Target Group are settled seven (7) Business Days before the Completion Date.

The Completion shall take place in Hong Kong (or such other place as may be agreed between the Purchaser and the Vendor), on 4 June 2018 (or such other dates as may be agreed between the Purchaser and the Vendor) provided that the conditions precedent having been fulfilled or waived (as the case may be). If the conditions set out above have not been satisfied or waived by the Purchaser (other than the condition precedent as set out in (b) above which may not be waived) on or before 30 June 2018, or such later date as the Vendor and the Purchaser may agree in writing, the Disposal Agreement shall cease and terminate and neither party shall take any action to claim for damages or to enforce specific performance or any other rights and remedies thereafter.

POSSIBLE FINANCIAL EFFECT ON THE DISPOSAL AND USE OF PROCEEDS

Immediately after the Completion, the Target Group, will cease to be subsidiaries of the Group and the financial results of the Target Group will no longer be consolidated into the Group's financial statements.

As the Consideration will be equal to the net asset value of the Target Group as at the Completion Date, it is expected that no gain or loss will therefore arise on the Disposal.

The Directors currently intend to apply the net proceeds from the Disposal (after deducting relevant costs and expenses in connection with the Disposal) as general working capital.

INFORMATION ON PARTIES

The Group

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

The Purchaser

The Purchaser is a company incorporated in Belgium and is a member company of a Belgium-based global supplier of automotive and consumer sound solutions, which is a former subsidiary group of one of the world's largest consumer electronic conglomerates.

The Target Group

The Target Company is a limited liability company incorporated in Hong Kong and principally engaged in the business of investment holding. It is wholly-owned by the Vendor as at the date of this announcement.

As at the date of this announcement, the Target Company holds the entire interest of DongGuan Shinhint, which is established under the laws of the PRC. DongGuan Shinhint is principally engaged in manufacturing and trading of consumer and automotive speaker systems.

Selected audited financial statements of the Target Group for the two years ended 31 December 2017 are set out below:

	For the year ended 31 December 2016 (audited) <i>(approximate)</i> (HK\$'000)	For the year ended 31 December 2017 (audited) <i>(approximate)</i> (HK\$'000)
Revenue	459,283	557,463
Net profit (before taxation)	19,099	15,467
Net profit (after taxation)	17,346	14,765

As at
31 December
2017
(audited)
(approximate)
(HK\$'000)

Net assets 30,656

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Target Group has maintained approximately 13 years of business relationship with the Purchaser and its subsidiaries and as at the date of this announcement, the Purchaser and its subsidiaries are still a major customer of the Target Group. However, due to the change in the Purchaser's customer requirements in the automotive industry, the current business model between the Group and the Purchaser is no longer sustainable and the Purchaser has been considering acquiring or setting up its own automotive speaker system business in order to have direct ownership on manufacturers to ensure quality enhancement. In light of the above circumstances, if the Disposal does not proceed, the Group may be left with the Target Group that has lost all the business transactions with the Purchaser, which may adversely affect the profitability of the speaker units segment of the Group if the Group fails to dispose of the Target Company to the Purchaser. In addition, it is the Company's goal to become an integrated global energy supply chain service provider of the energy business. As such, the Company is of the view that the Disposal can provide an appropriate opportunity for the Company to reallocate resources to energy trading segment as well as other business opportunities to achieve further business growth.

Upon the Completion, the Group will still maintain its other audio speaker business by sale of speaker units for audio consumer electronic products, which will mainly be supplied by the relevant production lines of the DongGuan Shinhint under the supply agreement, which will be entered into with the relevant subsidiaries of the Purchaser and the Vendor and will come into effect after the Completion.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules exceed 5% but all of the applicable percentage ratios do not exceed 25%, the Disposal contemplated under the Disposal Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements as set out in Chapter 14 of the Listing Rules.

As completion of the Disposal is subject to the fulfilment (or where applicable, waiver) of the conditions under the Disposal Agreement, the Disposal may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

DEFINITIONS

“Board”	The board of Directors
“Business Day(s)”	any day (excluding Saturday, Sunday or public holiday) on which normal commercial banks in Hong Kong are open for ordinary banking business throughout their normal business hours
“Company”	Yuhua Energy Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Disposal Agreement
“Completion Date”	the date on which the Completion takes place
“Consideration”	the total consideration payable by the Purchaser for the Disposal pursuant to the terms of the Disposal Agreement
“Director(s)”	the director(s) of the Company

“Disposal”	the disposal of the Sale Shares by the Vendor to the Purchaser pursuant to the Disposal Agreement
“Disposal Agreement”	the sale and purchase agreement dated 25 May 2018 entered into between the Vendor and the Purchaser relating to the Disposal
“DongGuan Shinhint”	DongGuan Shinhint Audio Technology Limited* (東莞成謙音響科技有限公司), a company established under the laws of the PRC
“Group”	the Company and its subsidiaries
“HK\$”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) who is/are independent of, and not connected with, the Company and its connected persons (as defined in the Listing Rules)
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, excluding Hong Kong, The Macau Special Administrative Region of The People’s Republic of China and Taiwan
“Purchaser”	PSS Belgium NV, a company incorporated in Belgium
“Sale Shares”	the entire issued shares of the Target Company
“Shareholder(s)”	holder(s) of the issued Share(s)

“Share(s)”	ordinary share(s) of nominal value of HK\$0.00125 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Crown Million Industries (International) Limited, a company incorporated in Hong Kong with limited liability
“Target Group”	the Target Company and its subsidiaries
“Vendor”	Shinhint Industries Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“%”	per cent

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

Hong Kong, 25 May 2018

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

The English transliteration of the Chinese name(s) in this announcement, where indicated with “”, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).*