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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)**

**PROPOSED ISSUE OF HK\$100 MILLION  
6% NOTES DUE 2018  
AND  
ANNOUNCEMENT PURSUANT TO RULE 13.17 AND  
RULE 13.18 OF THE LISTING RULES**

This announcement is made by the Company pursuant to Rule 13.09(2)(a), Rule 13.17 and Rule 13.18 of the Listing Rules and Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Board is pleased to announce that after trading hours of the Stock Exchange on 26 April 2017, the Company and Zhongtai entered into the Subscription Agreement, pursuant to which, the Company conditionally agreed to issue the Notes to Zhongtai and Zhongtai conditionally agreed to subscribe for the Notes from the Company on the Closing Date.

In connection with the Subscription Agreement, on the Closing Date, Mr. Lin and Zhongtai will enter into the Share Charge Agreement, whereby Mr. Lin will agree to charge the Charged Shares in favour of Zhongtai.

In addition to the Share Charge Agreement, to further secure the performance of obligations of the Company under the Subscription Agreement, Mr. Lin and Zhongtai will also enter into the Deed of Guarantee on the Closing Date, whereby Mr. Lin will unconditionally, irrevocably and absolutely guarantee as a primary obligor the due and punctual performance of all of the obligations of the Company under the Subscription Agreement, the Share Charge Agreement and other relevant documents.

**As the Conditions to the completion of the Subscription Agreement may or may not be satisfied and the Subscription Agreement may be terminated upon the occurrence of certain events, shareholders of the Company and prospective investors are advised to exercise caution when dealing in the securities of the Company.**

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## **THE SUBSCRIPTION AGREEMENT**

### **Parties**

- (a) The Company as the issuer; and
- (b) Zhongtai as the investor.

Save that Mr. Lin charged Shares to Zhongtai by way of a first fixed charge under the First Share Charge Agreement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Zhongtai and its ultimate beneficial owner(s) is an independent third party and not a connected person of the Company as defined in the Listing Rules.

## **Subject Matter**

Subject to the satisfaction of the Conditions, the Company agreed to issue to Zhongtai and Zhongtai agreed to subscribe for the Notes from the Company, for a price equal to an aggregate amount of HK\$100,000,000, which will mature on the Maturity Date, unless earlier redeemed pursuant to the terms of the Notes.

## **Conditions Precedent**

The obligation of Zhongtai to complete the subscription of the Notes is conditional upon, amongst others, the fulfillment or waiver (as the case maybe) of the following Conditions:

- (a) the warranties given by the Company under the Subscription Agreement remaining true, accurate and not misleading in each case in all aspects;
- (b) the Share Charge Agreement being entered into by Mr. Lin and Zhongtai;
- (c) Zhongtai receiving on or before the Closing Day, the resolutions of the Board authorizing the execution of the issue documents, the issue of the Notes and the entry into and performance of the transactions contemplated under the Subscription Agreement; and
- (d) no adverse change or any development reasonably likely to involve an adverse change in the financial or trading position, condition, results of operations, profitability, shareholders' equity business, properties, general affairs, management or prospects of the Company that is material in the context of the issue of the Notes.

## **Status and Form**

The Notes constitutes direct, guaranteed, unconditional and secured obligations of the Company. The Notes shall rank senior to the share capital of the Company from time to time and at least rank pari passu with all other present and future secured and subordinated obligations of the Company, save for such exceptions as may be preferred by mandatory provisions of law. The Notes will be issued in registered form and only one note certificate will be issued to the Zhongtai in respect of its registered holdings under the Notes.

## **Interest**

The Notes shall bear interest on its outstanding principal amount from 28 April 2017 to the Maturity Date, at the rate of 6% per annum, due and payable in arrear by the Company on 28 July 2017, 28 October 2017, 28 January 2018 and 28 April 2018; and, if the Maturity Date is extended to 28 April 2019, due and payable in arrear on 28 July 2018, 28 October 2018, 28 January 2019 and 28 April 2019.

## **Closing**

Completion shall take place on the Closing Date, subject to the fulfillment or waiver of the Conditions.

## **CHARGE OF SHARES BY THE CONTROLLING SHAREHOLDER**

To secure the indebtedness and liabilities of the Company to Zhongtai under the Notes, it was provided in the Subscription Agreement that the Share Charge Agreement shall be executed between Mr. Lin as the chargor and Zhongtai as the chargee on or prior to the Closing Date.

As such, Mr. Lin and Zhongtai will enter into the Share Charge Agreement on the Closing Date, whereby, Mr. Lin will agree to charge the Charged Shares in favor of Zhongtai by way of a second-ranking charge and security, ranking only behind the charge and security under the First Share Charge Agreement.

Immediately upon the release of the security under the First Share Charge Agreement, the Share Charge Agreement will become a first-ranking charge of the Company in favour of Zhongtai.

## **DEED OF GUARANTEE**

In addition to the Share Charge Agreement, to further secure the performance of obligations of the Company under the Subscription Agreement, Mr. Lin and Zhongtai will also enter into the Deed of Guarantee on the Closing Date, pursuant to which, among other things, Mr. Lin will unconditionally, irrevocably and absolutely:

- (a) guarantee to Zhongtai the due and punctual observance and performance of all of the obligations of, and/or expressed to be assumed, by the Company under the Subscription Agreement, the Share Charge Agreement and other relevant documents; and
- (b) agree as a primary obligor to indemnify Zhongtai from time to time from and against any loss incurred as a result of any of the obligations of or expressed to be assumed by the Company under or pursuant to any or all of the Subscription Agreement, Share Charge Agreement and other relevant documents being or becoming void, voidable, unenforceable or ineffective as against the Company or any reason whatsoever, the amount of such loss being the amount which Zhongtai would otherwise have been entitled to recover from the Company.

## **SPECIFIC PERFORMANCE OBLIGATIONS OF THE CONTROLLING SHAREHOLDERS**

It is an event of default under the conditions of the Notes if, among others, (i) Mr. Lin owns or beneficially owns less than 58.85% of the voting Shares or (ii) Mr. Lin is no longer in a position to control the composition of a majority of the Board or (iii) the Shares charged under the Share Charge Agreement constitutes less than 58.85% of the issued shares of the Company.

Upon occurrence of an event of default, the Notes shall become immediately due and repayable in accordance with the conditions of the Notes, and Zhongtai is entitled to redeem all the Notes.

## **REASONS FOR AND BENEFITS OF ISSUE OF NOTES**

The Group is principally engaged in speaker units manufacturing and energy trading businesses. Having considered the recent market conditions, the Board considers that the issue of the Notes represents a suitable opportunity to raise funds. The Company intends to use the net proceeds of the Notes issued for general working capital purposes.

The Directors consider that the terms of the Subscription Agreement in relation to the issue of the Notes are on normal commercial terms, fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

## **GENERAL**

No listing of the Notes on the Stock Exchange or other stock exchanges will be sought.

**As the Conditions to the completion of the Subscription Agreement may or may not be satisfied and the Subscription Agreement may be terminated upon the occurrence of certain events, shareholders of the Company and prospective investors are advised to exercise caution when dealing in the securities of the Company.**

## **DEFINITIONS**

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Board”	The board of the Directors;
“Charged Shares”	910,526,556 Shares of HK\$0.0025 each, such shares representing the 455,263,278 Shares of HK\$0.005 each before the Share Subdivision becoming effective from 27 April 2017 (representing 58.85% of the issued share capital of the Company as at the date of this announcement), and such other Shares as are from time to time deposited in the securities account of in the name of Zhongtai owned by Mr. Lin to be charged in favour of Zhongtai under the Share Charge Agreement;
“Closing Date”	28 April 2017
“Company”	Yuhua Energy Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange (stock code: 2728);

“Conditions”	the conditions precedent to the Subscription Agreement;
“Deed of Guarantee”	a deed of guarantee to be entered into between Mr. Lin and Zhongtai on the Closing Date, pursuant to which, among the other things, Mr. Lin will unconditionally, irrevocably and absolutely guarantee the due and punctual performance of all of the obligations of the Company under the Subscription Agreement, the Share Charge Agreement and other relevant documents;
“Directors”	the directors of the Company;
“First Share Charge Agreement”	a share charge agreement dated 28 October 2016 entered into between Mr Lin, as the chargor and Zhongtai as the chargee, pursuant to which, Mr. Lin agreed to charge the total number of 455,263,278 Shares and such other Shares as are from time to time deposited in the securities account of in the name of Zhongtai owned by Mr. Lin in favour of Zhongtai as a continuing security for the indebtedness and liabilities of Infinity Group Holdings Limited, a company incorporated in Hong Kong with limited liability and wholly owned by Mr. Lin;
“Group”	the Company and its subsidiaries;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Lin”	Mr. Lin Caihuo, being the controlling shareholder of the Company and chairman of the Board as at the date of this announcement;
“Maturity Date”	the date when the Notes will be redeemed at their principal amount, being the later of 28 April 2018 and such other date as agreed by the Company and Zhongtai in writing;

“Notes”	the notes with an aggregate principal amount of HK\$100,000,000 with interest rate of 6% per annum, due in 2018 to be issued by the Company under the Subscription Agreement;
“Share(s)”	the ordinary share(s) in the share capital of the Company;
“Share Charge Agreement”	a share charge agreement to be entered into between Mr Lin and Zhongtai on the Closing Date, pursuant to which, Mr. Lin, as the chargor, will agree to charge the Charged Shares, in favour of Zhongtai as the chargee;
“Share Subdivision”	The share subdivision which will become effective from 27 April 2017 and pursuant to which, one existing Share of HK\$0.005 will be subdivided into two Shares of HK\$0.0025 each;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription Agreement”	a subscription agreement entered into between the Company and Zhongtai on 26 April 2017, pursuant to which, the Company conditionally agreed to issue to Zhongtai and Zhongtai conditionally agreed to subscribe from the Company the Notes;
“Zhongtai”	Zhongtai Financial Investment Limited; and
“%”	per cent.

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

Hong Kong, 26 April 2017

*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 Mr. Wang ShouLei and three independent non-executive Directors, namely Mr. Liu Yang, Mr. Lum Pak Sum and Ms. Wong Yan Ki, Angel.*