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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)**

### **LETTER OF INTENT IN RESPECT OF PROPOSED DISPOSAL**

This announcement is made by Yuhua Energy Holdings Limited (the “**Company**”, together with its subsidiaries, collectively the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong).

#### **LETTER OF INTENT**

The board of directors of the Company (the “**Board**” or the “**Directors**”) hereby announces that on 30 September 2016 (after trading hours), the Company entered into a letter of intent (the “**LOI**”) with an independent third party (the “**Purchaser**”) in relation to the potential disposal of the entire issued share capital in Crown Million Industries (International) Limited (the “**Target Company**” together with its subsidiaries, collectively the “**Target Group**”) (the “**Proposed Disposal**”). As at the date of this announcement, the Target Company holds the entire equity interests of Donguan Shinhint Audio Technology Limited.

The Proposed Disposal is subject to the entering into definitive sales and purchases agreement and the terms thereof are subject to finalisation.

As at the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are independent third parties of the Company and its connected persons (as defined in the Listing Rules).

Pursuant to the LOI, (i) the Company shall not during the period from the date of the LOI and ending 31 December 2016 negotiate or enter into any agreement or letter of intent with any party relating to the Proposed Disposal unless the Purchaser notifies the Company in writing that the Purchaser decides not to proceed with the Proposed Disposal; and (ii) the Purchaser shall be entitled to carry out due diligence review within the period from the date of the LOI and ending 30 November 2016.

The LOI is non-legally binding save for the provisions relating to, among other things, commitments, confidentiality, exclusivity, governing law and enforceability of the LOI.

## **REASONS FOR ENTERING INTO THE LOI**

The Purchaser and the Target Group have enjoyed a long last business relationship and the Purchaser is a major customer of the Target Group as at the date of this announcement. However, as advised by the Purchaser, 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. Hence, the Purchaser is interested in acquiring the Target Group. Should the Proposed Disposal not materialise, the Directors consider that the Purchaser may not continue the business relationship with the Target Group.

In view of the above and taking into consideration the modest development of the speaker unit segment and the Group does not have any intention to allocate further resources to this segment, the Company is of the view that the Proposed Disposal will 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.

Based on the aforesaid, the Directors consider that the entering into the LOI and the Proposed Disposal are in the interests of the Company and its shareholders (the “**Shareholders**”) as a whole.

## **INFORMATION ON THE PURCHASER, THE GROUP AND THE TARGET COMPANY**

The Purchaser is a company incorporated in Belgium with limited liability and its principal business is to design, develop, produce, and commercialise sound systems for automotive and consumer electronics markets in Belgium and internationally. As at the date of the LOI, the Purchaser and its subsidiaries are a major customer of the Target Group.

The Group is engaged in (i) sale of speaker units mainly comprising speaker drivers for automotive, flat-panel TV and audio applications; and (ii) energy trading mainly comprising fuel oil, oil and natural gas.

The Target Company is a company incorporated in Hong Kong with limited liability. As at the date of this announcement, the Target Group is principally engaged in investment holding, producing and trading of home theatre and automotive speaker systems.

## **IMPLICATIONS UNDER THE LISTING RULES**

Should the Proposed Disposal materialise, it is expected the Proposed Disposal will constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules. Further announcement(s) will be made by the Company as and when appropriate.

Shareholders and potential investors of the Company should note that there was a change in control of the Company on 17 May 2016 when Mr. Lin Caihuo acquired approximately 3.6% of the then issued share capital of the Company which allowed Mr. Lin Caihuo and parties acting in concert with him to increase his respective shareholdings to approximately 30.54% of the then issued share capital of the Company. For further information, please refer to the Company’s announcement dated 23 May 2016. Pursuant to Rule 14.92 of the Listing Rules, a company may not dispose of its existing business for a period of 24 months after a change in control (as defined in the Hong Kong Code on Takeovers and Mergers). Hence, the Proposed Disposal is subject to the application to and approval from the Stock Exchange in relation to waiver from strict compliance with Rule 14.92 of the Listing Rules.

## **GENERAL**

**The LOI may or may not lead to the entering into a definitive and binding agreement for the Proposed Disposal. In addition, the Proposed Disposal is subject to the application to and approval from the Stock Exchange in relation to a waiver from strict compliance with Rule 14.92 of the Listing Rules. Since the Proposed Disposal may or may not materialise or eventually be consummated, Shareholders and potential investors of the Company are urged to exercise caution when dealing in the shares of the Company.**

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

Hong Kong, 30 September 2016

*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.*