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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 SHARE SUBDIVISION

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The Board proposes to subdivide every one (1) existing issued and unissued Share of a par value of HK\$0.005 each into two (2) Subdivided Shares of a par value of HK\$0.0025 each.

The Share Subdivision will become effective upon the fulfilment of the conditions set out in the paragraph headed “Conditions of the Share Subdivision”. All Subdivided Shares will rank pari passu with each other in all respects with the Shares in issue and the Share Subdivision will not result in any change in the relevant rights of the Shareholders.

The Shares are currently traded in board lot size of 4,000 Shares. Upon the Share Subdivision become effective, the board lot size of the Subdivided Shares for trading on the Stock Exchange will remain unchanged with 4,000 Subdivided Shares for each board lot.

GENERAL

An EGM will be convened and held to consider and, if thought fit, to approve the Share Subdivision in which an ordinary resolution to approve the Share Subdivision will be proposed. No Shareholder will be required to abstain from voting at the EGM.

The Circular containing, among other things, further details of the Share Subdivision, together with the notice of the EGM and proxy form, will be despatched to the Shareholders on or before 30 March 2017.

PROPOSED SHARE SUBDIVISION

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Conditions of the Share Subdivision

The Share Subdivision is conditional upon:

- (i) the passing of an ordinary resolution to approve the Share Subdivision by the Shareholders at the EGM; and
- (ii) the Stock Exchange granting approval for the listing of, and permission to deal in, the Subdivided Shares.

The Share Subdivision will become effective after the conditions of the Share Subdivision above are fulfilled.

Listing application

An application will be made by the Company to the Stock Exchange for the listing of and the permission to deal in the Subdivided Shares. Subject to the granting of the listing of, and permission to deal in, the Subdivided Shares on the Stock Exchange, the Subdivided Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Subdivided Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Effects of the Share Subdivision

As at the date of this announcement, the authorised share capital of the Company is HK\$20,000,000 divided into 4,000,000,000 Shares of par value of HK\$0.005 each, of which 773,629,352 Shares have been issued and are fully paid or credited as fully paid.

Upon the Share Subdivision becoming effective and on the basis that no further Shares will be allotted and issued or repurchased prior thereto, the authorised share capital of the Company will be HK\$20,000,000 divided into 8,000,000,000 Subdivided Shares of par value of HK\$0.0025 each, of which 1,547,258,704 Subdivided Shares will be in issue and fully paid or credited as fully paid. All Subdivided Shares will rank *pari passu* with each other in all respects with the Shares in issue and the Share Subdivision will not result in any change in the relevant rights of the Shareholders.

The Shares are currently traded in board lot size of 4,000 Shares. Upon the Share Subdivision become effective, the board lot size of the Subdivided Shares for trading on the Stock Exchange will remain unchanged with 4,000 Subdivided Shares for each board lot.

As at the date of this announcement, the Company has outstanding Share Options entitling the holders thereof to subscribe for a total of 30,800,000 Shares at an exercise price of HK\$2.565 per Share (subject to adjustment, if any). Under the relevant terms and conditions of the Share Option Scheme, the Share Subdivision may lead to adjustments to the exercise price and/or the number of Shares falling to be issued upon the exercise of the Share Options. The Company will make further announcement(s) on such adjustments as and when appropriate.

Exchange of Share certificates

Upon the Share Subdivision becoming effective, the Shareholders can submit their existing share certificates for the existing Shares to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, in exchange, at the expense of the Company, for the new share certificates for the Subdivided Shares during the business hours from 9:00 a.m. to 4:30 p.m. on any business day from 27 April 2017 to 7 June 2017 (both days inclusive). After the expiry of such period, existing share certificates for the Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be specified by the Stock Exchange) for each existing share certificate cancelled or new share certificate issued (whichever number of share certificates involved is higher). Nevertheless, existing share certificates for Shares will continue to be good evidence of legal title and may be exchanged for share certificates for Subdivided Shares for trading, settlement and registration purpose at any time.

It is expected that the new share certificates for the Subdivided Shares will be available for collection within a period of ten business days after the submission of the existing share certificates for the Shares to Computershare Hong Kong Investor Services Limited for exchange.

The new share certificates for the Subdivided Shares will be issued in blue colour to distinguish from the existing share certificates for the Shares which are in pink colour.

ODD LOT ARRANGEMENT

As it is expected that no odd lot of the Shares will be created as a result of the Share Subdivision, no odd lot arrangement to match the sales and purchase of odd lots will be made.

REASONS FOR THE SHARE SUBDIVISION

Upon the proposed Share Subdivision becoming effective, the par value of each Share will decrease and the total number of shares of the Company in issue will increase. The Share Subdivision will result in a downward adjustment to the trading price of the shares of the Company. Based on the closing price of HK\$1.4 per Share as quoted on the Stock Exchange on 13 March 2017, the market value per board lot of 4,000 existing Shares is HK\$5,600. The market value per board lot of 4,000 Subdivided Shares will theoretically be reduced to HK\$2,800 immediately upon the Share Subdivision becoming effective. The Board believes that the reduced market value of each board lot of Subdivided Shares helps the Subdivided Shares to be perceived as more attractive and therefore entice new investors, and in turn may help improve the liquidity in trading of the Subdivided Shares. In fact, during the period from 1 September 2016 to the date of this announcement, the monthly average closing price of the Shares increased from approximately HK\$0.95 in September 2016 to approximately HK\$1.36 in March 2017, while the monthly average trading volume decreased from 1,909,143 Shares in September 2016 to 425,333 Shares in March 2017. The Directors consider that as the Share price gets higher and higher, some investors may feel the price is too high for them to buy, or small investors may feel it is unaffordable.

Other than the expenses to be incurred in relation to the Share Subdivision, including professional fees and printing charges, the implementation of the Share Subdivision will not alter the underlying assets, business operations, management or financial position of the Company or the shareholdings, rights and interests of the Shareholders. In addition, the Share Subdivision will not create odd lot. While the expenses to be incurred in relation to the Share Subdivision is expected to be insignificant, the Directors consider the aforesaid benefits of the proposal outweigh the costs. In view of the foregoing, the Board (including the independent non-executive Directors) considers that the Share Subdivision is beneficial to the Company and the Shareholders as a whole.

As at the date of this Announcement, the Board currently have no fund raising plans in the next twelve months.

EXPECTED TIMETABLE

The expected timetable for the implementation of the Share Subdivision is set out below:

Despatch of the circular in relation to the Share Subdivision
together with the notice of the EGM and proxy form on or before Thursday,
30 March 2017

Latest time for lodging transfers of shares to
qualify for attending the EGM. 4:30 p.m. on Tuesday,
18 April 2017

Closure of register of members for the purpose of
determining members who are entitled to
attend the EGM (both dates inclusive). Wednesday, 19 April 2017 to
Wednesday, 26 April 2017

Latest time for lodging proxy form for the EGM
(not less than 48 hours prior to the time of EGM). 11:00 a.m. on Monday,
24 April 2017

Record Date Wednesday,
26 April 2017

Expected date and time of the EGM 11:00 a.m. on Wednesday,
26 April 2017

Announcement of poll results of the EGM Wednesday, 26 April 2017

The following events are conditional on the fulfilment of the conditions for the implementation of the Share Subdivision as set out in the paragraph headed “Conditions of the Share Subdivision” above.

Effective date of the Share Subdivision. Thursday, 27 April 2017

First day of free exchange of existing share certificates for
new share certificates for the Subdivided Shares. Thursday, 27 April 2017

Dealings in the Subdivided Shares commence. 9:00 a.m. on Thursday,
27 April 2017

Original counter for trading in the existing Shares
(in board lots of 4,000 existing Shares)
temporarily closes 9:00 a.m. on Thursday,
27 April 2017

Temporary counter for trading in the Subdivided Shares
in board lots of 8,000 Subdivided Shares
(in the form of existing share certificates
in pink colour) opens. 9:00 a.m. on Thursday,
27 April 2017

Original counter for trading in the Subdivided Shares
in board lots of 4,000 Subdivided Shares
(in the form of new share certificates
in blue colour) re-opens. 9:00 a.m. on Monday,
15 May 2017

Parallel trading in existing Shares and the Subdivided Shares
(in the form of existing share certificates in pink colour
and new share certificates in blue colour) commences. 9:00 a.m. on Monday,
15 May 2017

Temporary counter for trading in the Subdivided Shares
in board lots of 8,000 Subdivided Shares
(in the form of existing share certificates
in pink colour) closes 4:00 p.m. on Monday,
5 June 2017

Parallel trading in existing Shares and the Subdivided Shares
(in the form of existing share certificates in pink colour
and new share certificates in blue colour) ends 4:00 p.m. on Monday,
5 June 2017

Free exchange of existing share certificates for
new share certificates in blue colour ends Wednesday, 7 June 2017

Note: All times and dates in this announcement refer to Hong Kong local times and dates.

Date or deadlines specified in this announcement are indicative only and may be varied by the Company. Any consequential changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.

GENERAL

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The Circular containing, among other things, further details of the Share Subdivision, together with the notice of the EGM and proxy form, will be despatched to the Shareholders on or before 30 March 2017.

DEFINITIONS

In this announcement, unless the context otherwise defined, the following expressions shall have the following meanings:

“Board”	the board of Directors
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	Yuhua Energy Holdings Limited (Stock code: 2728), a company incorporated in the Cayman Islands with limited liability whose Shares are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider, and if thought fit, to approve the Share Subdivision
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Record Date”	the date for determining Shareholders’ voting rights
“Share(s)”	existing ordinary share(s) of a par value of HK\$0.005 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s) or Subdivided Share(s), as the case may be
“Share Option(s)”	option(s) to subscribe for Shares granted by the Company in accordance with the Share Option Scheme

“Share Option Scheme”	the share option scheme adopted by the Company on 25 June 2005
“Share Subdivision”	the proposed subdivision of every one (1) existing issued and unissued Share into two (2) Subdivided Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subdivided Share(s)”	ordinary share(s) of a par value of HK\$0.0025 each in the share capital of the Company upon the Share Subdivision becoming effective

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

Hong Kong, 13 March 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.