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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)

LIN CAIHUO

JOINT ANNOUNCEMENT

- (1) INCREASE IN SHAREHOLDING BY
A SUBSTANTIAL SHAREHOLDER;
(2) POSSIBLE MANDATORY CONDITIONAL CASH OFFERS BY
BRILLIANT NORTON SECURITIES COMPANY LIMITED
ON BEHALF OF THE OFFEROR
TO ACQUIRE ALL THE ISSUED SHARES OF
YUHUA ENERGY HOLDINGS LIMITED AND
CANCEL ALL OUTSTANDING SHARE OPTIONS OF
YUHUA ENERGY HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR
AGREED TO BE ACQUIRED BY
THE OFFEROR AND PARTIES ACTING
IN CONCERT WITH HIM);
AND
(3) RESUMPTION OF TRADING**

Financial adviser to the Offeror



Independent financial adviser to the Independent Board Committee



INCREASE IN SHAREHOLDING BY A SUBSTANTIAL SHAREHOLDER

On 17 May 2016, the Offeror agreed to acquire a total of 28,000,000 Shares for an aggregate consideration of HK\$26,040,000. The Offeror and the Seller entered into a sale and purchase agreement on 17 May 2016 in respect of the Share Acquisition. The Seller was identified by a securities broker. The consideration was determined after arm's length negotiations between the Offeror and the Seller, taking into account the prevailing market prices of the Shares on the Stock Exchange. The Seller is independent from the Offeror and parties acting in concert with him. The consideration will be settled on the date of completion in cash. Completion of the Share Acquisition is not subject to any conditions precedent and is expected to occur on the next day following resumption of trading in the Shares after the publication of this joint announcement, which is on 25 May 2016. Completion of the Share Acquisition will be announced if and when it occurs.

POSSIBLE MANDATORY CONDITIONAL CASH OFFERS

Subject to completion of the Share Acquisition, the number of Shares held by the Offeror, directly and indirectly, will be increased from 208,278,946 Shares to 236,278,946 Shares, representing a change from approximately 26.92% to approximately 30.54% of the total issued share capital of the Company as at the date of this joint announcement. The Offeror will become a controlling shareholder (as defined in the Listing Rules) of the Company. Accordingly, upon completion of the Share Acquisition, the Offeror and parties acting in concert with him are required to make a conditional mandatory cash offer to acquire all issued Shares (other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with him) pursuant to Rule 26.1 of the Takeovers Code. Pursuant to Rule 13.5 of the Takeovers Code, the Option Offer will be made to cancel all outstanding Share Options.

Subject to and upon completion of the Share Acquisition, Brilliant Norton, on behalf of the Offeror and in compliance with the Takeovers Code, will conditionally make the Offers on terms to be set out in the Composite Document in accordance with the Takeovers Code on the following basis:

For each Offer Share HK\$0.93 in cash

For cancellation of each Share Option

with an exercise price of HK\$2.565 HK\$0.0001 in cash

The Share Offer Price of HK\$0.93 for each Offer Share is the same as the purchase price for each Sale Share paid by the Offeror under the Share Acquisition. The Share Offer will be extended to all Shareholders other than the Offeror and parties acting in concert with him in accordance with the Takeovers Code.

Under the Option Offer, since the exercise price of the outstanding Share Options is above the Share Offer Price, the outstanding Share Options are out of money and, therefore, the Option Offer Price for the cancellation of each outstanding Share Option is set at a nominal value of HK\$0.0001.

Confirmation of financial resources

The Offeror will finance the consideration under the Share Acquisition by his own resources and intends to finance the consideration payable under the Offers by the Loan.

Lego, the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy the amount of funds required for the full acceptance of the Offers.

GENERAL

Independent Board Committee

In accordance with the Takeovers Code, the Company has established the Independent Board Committee comprising all of the independent non-executive Directors, namely Mr. Liu Yang, Mr. Lum Pak Sum and Mr. Zhang Jiping, to advise the Independent Shareholders and the Optionholders in respect of the Offers.

Gram Capital has been appointed as the independent financial adviser to the Independent Board Committee in respect of the Offers. The appointment of Gram Capital has been approved by the Independent Board Committee.

Composite Document

It is the intention of the Offeror and the Board that the offer document from the Offeror and the offeree board circular from the Company be combined in a composite offer document. Pursuant to Rule 8.2 of the Takeovers Code, the Composite Document setting out, among other things, (i) details of the Offers (including the expected timetable and terms of the Offers); (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders and the Optionholders in relation to the Offers; and (iii) a letter of advice from Gram Capital to the Independent Board Committee in relation to the Offers, together with the relevant form of acceptance and transfer, will be despatched to the Shareholders and the Optionholders within 21 days of the date of this joint announcement or such later date as may be permitted by the Takeovers Code and agreed by the Executive and in compliance with the requirements of the Takeovers Code and other applicable regulations.

SUSPENSION AND RESUMPTION OF TRADING IN SHARES

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 18 May 2016 pending the release of this joint announcement. Application has been made by the Company for resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 24 May 2016.

Completion of the Share Acquisition may or may not occur and therefore, the Offers may or may not proceed. Shareholders and potential investors in the Company are advised to exercise extreme caution when dealing in the securities of the Company. If Shareholders and potential investors are in any doubt about their position, they should consult their professional advisers.

INCREASE IN SHAREHOLDING BY A SUBSTANTIAL SHAREHOLDER

The Company was informed by its substantial shareholder, the Offeror, an executive Director and the chairman of the Board, that on 17 May 2016, the Offeror agreed to acquire a total of 28,000,000 Shares for an aggregate consideration of HK\$26,040,000, equivalent to HK\$0.93 per Share. The Offeror and the Seller entered into a sale and purchase agreement on 17 May 2016 in connection with the Share Acquisition. The Seller was identified by a securities broker. The consideration was determined after arm's length negotiations between the Offeror and the Seller, taking into account the prevailing market prices of the Shares on the Stock Exchange. The Seller is independent from the Offeror and parties acting in concert with him. The consideration will be financed by the Offeror's own resources and be settled on the date of completion in cash. Completion of the Share Acquisition is not subject to any conditions precedent and is expected to occur on the next day following resumption of trading in the Shares after the publication of this joint announcement, which is on 25 May 2016. Completion of the Share Acquisition will be announced if and when it occurs.

POSSIBLE MANDATORY CONDITIONAL CASH OFFERS

As at the date of this joint announcement, the Offeror and parties acting in concert with him (including but not limited to Excel Precise and Mr. Law) own, control or have direction over 209,418,946 Shares, representing approximately 27.07% of the total issued share capital of the Company as at the date of this joint announcement. They do not own, control or have direction over any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, other than the interest in the Sale Shares. Immediately upon completion of the Share Acquisition, the Offeror and parties acting in concert with him (including but not limited to Excel Precise and Mr. Law) will be interested in a total of 237,418,946 Shares, representing approximately 30.69% of the total issued share capital of the Company as at the date of this joint announcement. The Offeror will become a controlling shareholder (as defined in the Listing Rules) of the Company upon completion of the Share Acquisition.

Accordingly, upon completion of the Share Acquisition, the Offeror and parties acting in concert with him are required to make a conditional mandatory cash offer to acquire all issued Shares (other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with him) pursuant to Rule 26.1 of the Takeovers Code. Pursuant to Rule 13.5 of the Takeovers Code, the Option Offer will be made to cancel all outstanding Share Options.

As at the date of this joint announcement, the Company has 773,629,352 Shares in issue and 38,500,000 outstanding Share Options in respect of 38,500,000 Shares, all of which are exercisable at the exercise price of HK\$2.565 during the exercise period from 19 June 2015 to 18 June 2025. All 38,500,000 outstanding Share Options were granted pursuant to the share option scheme adopted by the Company on 25 June 2005.

Save for the aforesaid, the Company does not have any outstanding shares, options, warrants, derivatives or other securities that are convertible or exchangeable into Shares or other types of equity interest and the Company has not entered into any agreement for the issue of such warrants, options, derivatives or securities convertible into Shares as at the date of this joint announcement.

Principal terms of the Offers

Subject to and upon completion of the Share Acquisition, Brilliant Norton, on behalf of the Offeror and in compliance with the Takeovers Code, will make the Offers on terms to be set out in the Composite Document in accordance with the Takeovers Code on the following basis:

The Share Offer

For each Offer Share HK\$0.93 in cash

The Option Offer

For cancellation of each Share Option

with an exercise price of HK\$2.565 HK\$0.0001 in cash

The Share Offer Price of HK\$0.93 for each Offer Share is the same as the purchase price for each Sale Share paid by the Offeror under the Share Acquisition. The Share Offer will be extended to all Shareholders other than the Offeror and parties acting in concert with him in accordance with the Takeovers Code.

Under the Option Offer, since the exercise price of the outstanding Share Options is above the Share Offer Price, the outstanding Share Options are out of money and, therefore, the Option Offer Price for the cancellation of each outstanding Share Option is set at a nominal value of HK\$0.0001.

Condition to the Offers

The Offers are subject to valid acceptances of the Share Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on or prior to the Offers Closing Date (or such later time(s) and/or date(s) as the Offeror may decide and the Executive may approve) in respect of such number of Shares which, together with the Shares already owned or agreed to be acquired before or during the Offers, would result in the Offeror and parties acting in concert with him holding more than 50% of the voting rights in the Company.

The Offeror will issue an announcement in relation to the revision, extension or lapse of the Offers or the fulfilment of the aforesaid condition to the Offers in accordance with the Takeovers Code and the Listing Rules. The latest time on which the Offeror can declare the Offers unconditional as to acceptance is 7:00 p.m. on the 60th day after the posting of the Composite Document (or such later date to which the Executive may consent).

Share Offer Price

The Share Offer Price of HK\$0.93 per Offer Share represents:

- (i) a discount of approximately 8.82% to the closing price of HK\$1.02 per Share as quoted on the Stock Exchange on 17 May 2016, being the Last Trading Day;
- (ii) a discount of approximately 5.87% to the average closing price of approximately HK\$0.99 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;
- (iii) a discount of approximately 5.78% to the average closing price of approximately HK\$0.99 per Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to and including the Last Trading Day;

- (iv) a discount of approximately 10.95% to the average closing price of approximately HK\$1.04 per Share as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day; and
- (v) a premium of approximately 102.2% over the audited net assets per Share of approximately HK\$0.46 as at 31 December 2015, calculated based on the Group's audited consolidated net assets of approximately HK\$353,756,000 as at 31 December 2015 and 773,629,352 Shares in issue as at the date of this joint announcement.

Highest and lowest closing price of the Shares

During the six-month period preceding the Last Trading Day:

- (i) the highest closing price of the Shares quoted on the Stock Exchange was HK\$1.20 per Share on 7 December 2015; and
- (ii) the lowest closing price of the Shares quoted on the Stock Exchange was HK\$0.70 per Share on 16 February 2016.

Effect of accepting the Offers

The acceptance of the Share Offer by any person will constitute a warranty by such person or persons to the Offeror that the Shares acquired under the Share Offer are sold by such person or persons free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them, including the right to receive all dividends and other distributions, if any, declared, made or paid on or after the date on which the Offers are made.

Acceptance of the Option Offer by the Optionholders will result in the cancellation of those outstanding Share Options, together with all rights attaching thereto.

Overseas Shareholders and Optionholders

As the Offers to persons not resident in Hong Kong may be affected by the applicable laws of the relevant jurisdiction in which they are resident, overseas Shareholders or Optionholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice. It is the responsibility of overseas Shareholders or Optionholders who wish to accept the Offers to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offers (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by the accepting overseas Shareholders or Optionholders in respect of such jurisdictions).

Any acceptance by any overseas Shareholder or Optionholder will be deemed to constitute a representation and warranty from such overseas Shareholder or Optionholder to the Offeror that all local laws and requirements in respect of such overseas Shareholder or Optionholder have been complied with and that the Share Offer and the Option Offer can be accepted by such overseas Shareholder or Optionholder lawfully under the laws of the relevant jurisdiction. The overseas Shareholders or Optionholders should consult their professional advisers if in doubt.

In the event that the despatch of the Composite Document to overseas Shareholders or Optionholders is prohibited by any relevant law or may only be effected after compliance with conditions or requirements that are unduly burdensome, subject to the Executive's waivers, the Composite Document will not be despatched to such overseas Shareholders or Optionholders. The Offeror will apply for such waivers as may be required by the Executive pursuant to Note 3 to Rule 8 of the Takeovers Code at such time. In any event, all material information in the Composite Document will be made available to such overseas Shareholders.

Hong Kong stamp duty

Seller's ad valorem stamp duty arising in connection with acceptance of the Share Offer will be payable by the relevant Shareholders at the rate of 0.1% of (i) the value of the consideration arising on acceptance of the Share Offer; or (ii) the market value of the Offer Shares, whichever is higher, and will be deducted from the amount payable to the Shareholders who accept the Share Offer. The Offeror will bear buyer's ad valorem stamp duty in respect of acceptance of the Share Offer and will be responsible to account to the Stamp Office of Hong Kong for all the stamp duty payable for the sale and purchase of the Offer Shares which are validly tendered for acceptance under the Share Offer.

No stamp duty is payable in connection with the acceptance of the Option Offer.

Settlement of the consideration

Subject to the Offers having become unconditional, settlement of the consideration in cash in respect of the acceptances of the Offers will be made as soon as, but in any event within seven business days (as defined under the Takeovers Code) of (i) the date of receipt of a duly completed acceptance in respect of the Offers, or (ii) the date of the Offers becoming unconditional, whichever is the later. Relevant documents evidencing title must be received by or on behalf of the Offeror to render such acceptance of the Offers complete and valid.

Value of the Offers

Based on the Share Offer Price of HK\$0.93 per Offer Share and 773,629,352 Shares in issue as at the date of this joint announcement, the total issued share capital of the Company is valued at HK\$719,475,297.36. Based on the Share Offer Price of HK\$0.93 per Offer Share for 536,210,406 Offer Shares, the Share Offer is valued at HK\$498,675,677.58.

As at the date of this joint announcement, there are in total 38,500,000 outstanding Share Options in respect of 38,500,000 Shares. Assuming that no Share Options are exercised before the Offers Closing Date, the total consideration required to satisfy the cancellation of all the outstanding Share Options is HK\$3,850.

Based on the above and assuming that no Share Options are exercised before the Offers Closing Date, the Offers are valued at HK\$498,679,527.58 in aggregate.

In the event that all outstanding Share Options are exercised before the Offers Closing Date, the Company will have to issue 38,500,000 new Shares, representing approximately 4.74% of the enlarged issued share capital of the Company. Assuming that the Share Offer is accepted in full (including all Shares issued and allotted as a result of the exercise of the Share Options), the maximum value of the Share Offer will be increased to HK\$534,480,677.58 as a result thereof. In that case, no amount will be payable by the Offeror under the Option Offer.

Confirmation of financial resources

The Offeror will finance the consideration under the Share Acquisition by his own resources and intends to finance the consideration payable under the Offers by the Loan.

Lego, the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy the amount of funds required for the full acceptance of the Offers.

The Offeror has entered into the Loan Agreement with Excel Precise, a holder of money lenders licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong), pursuant to which Excel Precise agreed to grant to the Offeror the Loan of HK\$536,000,000 in aggregate for financing the Offers. Pursuant to the provisions of the Loan Agreement and the Share Charge, among other things, (a) the Offeror will charge the 208,278,946 Shares held by the Offeror as at the date of the Loan Agreement and the date of this joint announcement, the Sale Shares acquired under the Share Acquisition and the Offer Shares possibly to be acquired under the Share Offer in favour of Excel Precise to secure the repayment obligations of the Offeror; and (b) the Offeror shall (i) repay the portion of the Loan which was not used for the Offers on the Offers Closing Date; (ii) make repayment within one month following the Offers Closing Date so that the Loan immediately after such repayment shall not exceed the amount of HK\$200,000,000; and (iii) repay the remaining portion of the Loan in full on the date falling on the last day of the period of six months following the date on which the announcement in relation to the results of the Offers is published. The Loan has been drawn down as at the date of this joint announcement. The Loan is subject to interest rate of 1.75% per month during the period from the date of drawing of the Loan to the Offers Closing Date and 2% per month during the period subsequent to the Offers Closing Date up to the final payment of the Loan. The Share Charge shall be released upon the repayment of the Loan in full.

OFFEROR'S INTERESTS IN SECURITIES OF THE COMPANY

Mr. Law, the controlling shareholder and director of Excel Precise, has acquired in aggregate 1,140,000 Shares during 20 January 2016 to 22 January 2016 at prices ranging from HK\$0.80 per Share to HK\$0.92 per Share. Save for the aforesaid and the Share Acquisition, the Offeror and parties acting in concert with him (including but not limited to Excel Precise and Mr. Law) have not dealt for value in any shares, options, derivatives, warrants or other securities convertible into the Shares or other types of equity interest in the Company during the six-month period prior to 17 May 2016, being the Last Trading Day.

The Offeror confirms that as at the date of this joint announcement:

- (i) save for 209,418,946 Shares held by the Offeror and parties acting in concert with him (including but not limited to Excel Precise and Mr. Law) and the Sale Shares, neither the Offeror nor any person acting in concert with him (including but not limited to Excel Precise and Mr. Law) owns or has control or direction over any voting rights or rights over the Shares or convertible securities, warrants, options of the Company or any derivatives in respect of such securities;
- (ii) save for the Share Charge there is no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or the Shares and which might be material to the Offers;
- (iii) save for the Share Acquisition, the Loan Agreement and the Share Charge, there is no agreement or arrangement to which the Offeror or any person acting in concert with him (including but not limited to Excel Precise and Mr. Law), is a party which relates to circumstances in which it may or may not seek to invoke a pre-condition or a condition to the Offers;
- (iv) neither the Offeror nor any person acting in concert with him (including but not limited to Excel Precise and Mr. Law) has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (v) neither the Offeror nor any person acting in concert with him (including but not limited to Excel Precise and Mr. Law) has received any irrevocable commitment to accept the Offers; and

(vi) there is no outstanding derivative in respect of the securities of the Company entered into by the Offeror or any person acting in concert with him (including but not limited to Excel Precise and Mr. Law).

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below illustrates the shareholding structure of the Company as mentioned below:

- (i) immediately before completion of the Share Acquisition;
- (ii) immediately following completion of the Share Acquisition and as at the date of this joint announcement (assuming no Share Option is exercised); and
- (iii) immediately following completion of the Share Acquisition and as at the date of this joint announcement (assuming all outstanding Share Options are exercised),

Shareholders	Immediately before completion of the Share Acquisition		Immediately following completion of the Share Acquisition and as at the date of this joint announcement (assuming no Share Option is exercised)		Immediately following completion of the Share Acquisition and as at the date of this joint announcement (assuming all outstanding Share Options are exercised)	
	<i>Approximate</i>		<i>Approximate</i>		<i>Approximate</i>	
	<i>Number of Shares</i>	<i>% of issued Shares</i>	<i>Number of Shares</i>	<i>% of issued Shares</i>	<i>Number of Shares</i>	<i>% of issued Shares</i>
Offeror	208,278,946	26.92	236,278,946	30.54	236,278,946	29.09
Mr. Law	1,140,000	0.15	1,140,000	0.15	1,140,000	0.14
Sub-total of the Offeror and parties acting in concert with him	209,418,946	27.07	237,418,946	30.69	237,418,946	29.23
<i>Public Shareholders</i>						
Optionholders	–	–	–	–	38,500,000	4.74
Other public Shareholders	564,210,406	72.93	536,210,406	69.31	536,210,406	66.03
Total	773,629,352	100.00	773,629,352	100.00	812,129,352	100.00

INFORMATION ON THE GROUP

The Group is principally engaged in the manufacturing and trading business, which can be categorised as (i) energy trading; and (ii) speaker units business.

Set out below is a summary of the financial information of the Group for the three years ended 31 December 2015:

	As at 31 December		
	2015	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)
Net assets	353,756	267,437	260,945
	For the year ended 31 December		
	2015	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)
Revenue	4,735,523	551,117	433,643
Profit before tax	5,876	7,401	1,053
(Loss)/Profit attributable to the owners of the Company	(10,172)	7,572	5,583

INFORMATION ON THE OFFEROR

Mr. Lin is an executive Director and the Chairman of the Board. He has been engaging in the business of trading, warehousing, transporting and distributing oil products since 2003. The Offeror has been the vice president of Fujian Oil and Gas Association* (福建省油氣商會副會長) since 2014. In July 2014, he was elected as the executive vice president of the Chamber of Commerce of Zhangzhou Xiamen* (廈門市漳州商會常務副會長). The Offeror was appointed as a representative of Zhangzhou City at Fifteenth People's Congress* (漳州市第十五屆人民代表大會代表) and was the honorary president of the Chamber of Zhangzhou Oil* (第三屆漳州市石油商會名譽會長). In addition, the Offeror was appointed as the first vice president of the Federation of Enterprises and Entrepreneurs of Dongshan County* (第一屆東山縣企業與企家聯合會副會長) and the vice chairman of the Ninth Dongshan County Chamber of Commerce* (第九屆東山縣工商聯合會(商會)副主席). Since August 2012, he has been the honorary president of Charity of Dongshan County* (東山縣慈善總會榮譽會長). He was an executive director of Sino Haijing Holdings Limited (stock code: 1106) from 10 July 2014 to 2 November 2014, a company whose shares are listed on the Main Board of the Stock Exchange.

INTENTIONS OF THE OFFEROR REGARDING THE GROUP

Following the close of the Offers, the Offeror intends to continue the existing principal businesses of the Group. The Offeror has no intention to change the management of the Group or to terminate the employment of any employee or other personnel of the Group.

Public float and maintaining the listing status of the Company

The Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offers. In the event that after the completion of the Offers, the public float of the Company falls below 25%, the Directors will undertake to the Stock Exchange that they will take appropriate steps to restore the minimum public float as required under the Listing Rules as soon as possible following the close of the Offers.

The Stock Exchange has stated that if, at the close of the Offers, less than 25% of the Shares are held by the public, or if the Stock Exchange believes that:

- (a) a false market exists or may exist in the trading of the Shares; or
- (b) there is insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend trading in the Shares until a level of sufficient public float is attained.

GENERAL

Independent Board Committee

In accordance with the Takeovers Code, the Company has established the Independent Board Committee comprising all of the independent non-executive Directors, namely Mr. Liu Yang, Mr. Lum Pak Sum and Mr. Zhang Jiping, to advise the Independent Shareholders and the Optionholders in respect of the Offers.

Gram Capital has been appointed as the independent financial adviser to the Independent Board Committee in respect of the Offers. The appointment of Gram Capital has been approved by the Independent Board Committee.

Composite Document

It is the intention of the Offeror and the Board that the offer document from the Offeror and the offeree board circular from the Company be combined in a composite offer document. Pursuant to Rule 8.2 of the Takeovers Code, the Composite Document setting out, among other things, (i) details of the Offers (including the expected timetable and terms of the Offers); (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders and the Optionholders in relation to the Offers; and (iii) a letter of advice from Gram Capital to the Independent Board Committee in relation to the Offers, together with the relevant form of acceptance and transfer, will be despatched to the Shareholders and the Optionholders within 21 days of the date of this joint announcement or such later date as may be permitted by the Takeovers Code and agreed by the Executive and in compliance with the requirements of the Takeovers Code and other applicable regulations.

Disclosure of dealings

In accordance with Rule 3.8 of the Takeovers Code, associates of the Company or the Offeror (including persons holding 5% or more of a class of relevant securities of the Company) are reminded to disclose their dealings in the securities of the Company pursuant to the Takeovers Code.

The full text of Note 11 of Rule 22 of the Takeovers Code is reproduced below pursuant to Rule 3.8 of the Takeovers Code:

“Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 of the Takeovers Code and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant provisions of the Takeovers Code. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than HK\$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

SUSPENSION AND RESUMPTION OF TRADING IN SHARES

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 18 May 2016 pending the release of this joint announcement. Application has been made by the Company for resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 24 May 2016.

Completion of the Share Acquisition may or may not occur and therefore, the Offers may or may not proceed. Shareholders and potential investors in the Company are advised to exercise extreme caution when dealing in the securities of the Company. If Shareholders and potential investors are in any doubt about their position, they should consult their professional advisers.

DEFINITIONS

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

“acting in concert”	has the meaning ascribed thereto in the Takeovers Code
“associate(s)”	has the meaning ascribed thereto in the Takeovers Code
“Board”	the board of Directors
“Brilliant Norton”	Brilliant Norton Securities Company Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO
“Company”	Yuhua Energy Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Composite Document”	the composite offer document and offeree board circular in respect of the Offers to be despatched to the Shareholders and the Optionholders
“Director(s)”	director(s) of the Company
“Excel Precise”	Excel Precise International Limited, a company incorporated in Hong Kong and a holder of a money lenders license under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) which is owned as to 25% by Mr. Law, 73.5% by True Promise Investments Limited and 1.5% by Mega Business Group Limited, both incorporated in the British Virgin Islands. True Promise Investments Limited is wholly-owned by Mr. Law. Mega Business Group Limited is wholly-owned by Ms. Chen Angela. Each of Excel Precise, Mr. Law, True Promise Investments Limited, Mega Business Group Limited and Ms. Chen Angela is a party acting in concert with the Offeror

“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
“Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser to the Independent Board Committee in respect of the Offers
“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
“Independent Board Committee”	the independent board committee of the Board, comprising all of the independent non-executive Directors, formed to advise the Independent Shareholders and the Optionholders in respect of the Offers
“Independent Shareholders”	Shareholders other than the Offeror and parties acting in concert with him
“Last Trading Day”	17 May 2016, being the last full trading day immediately prior to suspension of trading in the Shares pending the release of this joint announcement
“Lego”	Lego Corporate Finance Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO, who has been appointed as the financial adviser to the Offeror
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the loan facility granted by Excel Precise as lender, to the Offeror as borrower in an aggregate amount of HK\$536,000,000 for the financing of the Share Offer in accordance with the Loan Agreement

“Loan Agreement”	the loan agreement dated 17 May 2016 (as supplemented on 19 May 2016) entered into between the Offeror and Excel Precise in respect of the Loan
“Mr. Law”	Mr. Law Fei Shing, who beneficially owns 98.5% of the issued share capital of Excel Precise and a director of Excel Precise
“Offers”	the Share Offer and the Option Offer
“Offeror”	Mr. Lin Caihuo, the chairman of the Board and an executive Director
“Offers Closing Date”	the date to be stated in the Composite Document as the first closing date of the Offers, which is 21 calendar days after the posting of the Composite Document, or any subsequent offers closing date of the Offers in accordance with the Takeovers Code
“Offer Shares”	536,210,406 Shares that are subject to the Share Offer and “Offer Share” means any of them
“Optionholder(s)”	holder(s) of the Share Option(s)
“Option Offer”	the mandatory conditional cash offer made by Brilliant Norton, on behalf of the Offeror, for cancellation of all outstanding Share Options in accordance with the Takeovers Code
“Option Offer Price”	the price at which the Option Offer will be made, being HK\$0.0001 per outstanding Share Option
“PRC”	the People’s Republic of China (for the purpose of this joint announcement, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan)

“Sale Shares”	28,000,000 Shares acquired by the Offeror pursuant to the Share Acquisition, which represents approximately 3.62% of the total issued share capital of the Company as at the date of this joint announcement
“Seller”	vendor of the Sale Shares
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.005 each in the issued share capital of the Company
“Share Charge”	a share charge dated 17 May 2016 (as supplemented on 19 May 2016) entered into between the Offeror and Excel Precise in relation to the charge over the 208,278,946 Shares held by the Offeror as at the date of the Loan Agreement and the date of this joint announcement, the Sale Shares and the Offer Shares possibly to be acquired by the Offeror under the Share Offer in favour of Excel Precise as security for the Loan
“Shareholder(s)”	holder(s) of Share(s)
“Share Offer”	the mandatory conditional cash offer made by Brilliant Norton, on behalf of the Offeror, for all the issued Shares not already owned or agreed to be acquired by the Offeror and parties acting concert with him in accordance with the Takeovers Code
“Share Offer Price”	the price at which the Share Offer will be made, being HK\$0.93 per Offer Share
“Share Option(s)”	option(s) to subscribe for Shares granted by the Company in accordance with the share option scheme adopted by the Company on 25 June 2005

“Share Acquisition”	acquisition of the Sale Shares by the Offeror from the Seller
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers
“%”	per cent.

By order of the board of
Yuhua Energy Holdings Limited
Wang Enguang
Executive Director

Lin Caihuo

Hong Kong, 23 May 2016

As at the date of this joint 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.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than that relating to the Offeror and parties acting in concert with him (including but not limited to Excel Precise and Mr. Law)) and confirm that, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than those expressed by the Offeror and parties acting in concert with him (including but not limited to Excel Precise and Mr. Law)) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statements in this joint announcement misleading.

The Offeror accepts full responsibility for the accuracy of the information contained in this joint announcement (other than that relating to the Group) and confirms that, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this joint announcement (other than those expressed by the Group) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement the omission of which would make any statements in this joint announcement misleading.

* For identification purpose only