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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)**

### **CONNECTED TRANSACTIONS**

#### **SL16-5-4 WELL AGREEMENT AND SL27 WELL AGREEMENT**

On 24 October 2019 (after trading hour), Ningxia Deliheng and Beijing Huaye entered into the SL16-5-4 Well Agreement and the SL27 Well Agreement, pursuant to which Ningxia Deliheng agreed to provide drilling services of an aggregate of 19 oil wells for Beijing Huaye for the purpose of extraction of oil.

#### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Mr. Han Jinfeng is a majority ultimate beneficial shareholder of Beijing Huaye (holding 64% effective interest thereof). Mr. Han Jinfeng is a cousin of Mr. Chen Jinle, the Chairman, an executive Director and substantial shareholder of the Company. Therefore Beijing Huaye is an associate of a connected person of the Company and is therefore a connected person of the Company. The highest percentage ratio calculated on an aggregate basis pursuant to Rule 14A.81 of the Listing Rules is more than 25%. The SL16-5-4 Well Agreement and the SL27 Well Agreement and the transactions contemplated thereunder constituted connected transactions of the Company and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

#### **THE SL16-5-4 WELL AGREEMENT**

On 24 October 2019 (after trading hour), Ningxia Deliheng and Beijing Huaye entered into the SL16-5-4 Well Agreement, pursuant to which Ningxia Deliheng agreed to provide drilling services of 18 oil wells for Beijing Huaye for the purpose of extraction of oil.

The principal terms of the SL16-5-4 Well Agreement are set out below:

Date: 24 October 2019

Parties: 1. Beijing Huaye as developer; and  
2. Ningxia Deliheng as contractor.

Construction period: Construction period for each oil well is 15 days commencing from the date on which Beijing Huaye issued notice of commencement of construction to Ningxia Deliheng

Nature of transactions: Ningxia Deliheng shall provide drilling services of 18 wells for Beijing Huaye. Ningxia Deliheng shall prepare all equipment, materials and manpower. Ningxia Deliheng shall not subcontract without Beijing Huaye's approval.

Beijing Huaye has the right to inspect the conditions of the drilling sites and supervise the works of Ningxia Deliheng and may prohibit any designs or works which do not comply with the relevant requirements.

It is anticipated that the drilling work will be completed in 2020.

Fee: RMB225,536,750

For each oil well, Beijing Huaye shall pay Ningxia Deliheng:

- (a) 20% of the amount of fee as initiation fee;
- (b) 30% of the amount of fee upon completion of each oil well;
- (c) the remaining 50% of the amount of fee for each oil well within 3 months after completion of inspection of each completed well, subject to keeping of retention money equivalent to 10% of the fee, which shall be released upon expiry of the warranty period.

The fee was determined with reference to the costs, tax payable, and the anticipated amount of profits.

Warranty period: Ningxia Deliheng shall provide a warranty period of 6 months after delivery of each completed oil well, during which Ningxia Deliheng shall be responsible for the repair and maintenance of the oil well.

## THE SL27 WELL AGREEMENT

On 24 October 2019 (after trading hour), Ningxia Deliheng and Beijing Huaye entered into the SL27 Well Agreement, pursuant to which Ningxia Deliheng agreed to provide drilling services of an oil well for Beijing Huaye for the purpose of extraction of oil.

The principal terms of the SL27 Well Agreement are set out below:

- Date: 24 October 2019
- Parties: 1. Beijing Huaye as developer; and  
2. Ningxia Deliheng as contractor.
- Construction period: Construction period for each well is 35 days commencing from the day Beijing Huaye issued notice of commencement of construction to Ningxia Deliheng.
- Nature of transactions: Ningxia Deliheng shall provide drilling services of an oil well for Beijing Huaye. Ningxia Deliheng shall prepare all equipment, materials and manpower. Ningxia Deliheng shall not subcontract without Beijing Huaye's approval.
- Beijing Huaye has the right to inspect the conditions of the drilling sites and supervise the works of Ningxia Deliheng and may prohibit any designs or works which do not comply with the relevant requirements.
- It is anticipated that the drilling work will be completed in 2020.
- Fee: RMB8,486,219.50
- Beijing Huaye shall pay Ningxia Deliheng:
- (a) 20% of the amount of initiation fee upon commencement of construction;
  - (b) 30% of the amount of fee upon completion;
  - (c) the remaining 50% of the amount of fee for the oil well within 3 months after completion of inspection of the same, subject to keeping of retention money equivalent to 10% of the fee, which shall be released upon expiry of the warranty period.
- The fee was determined with reference to the costs, tax payable, and the anticipated amount of profits.
- Warranty period: Ningxia Deliheng shall provide a warranty period of 6 months after delivery of the completed oil well, during which Ningxia Deliheng shall be responsible for the repair and maintenance of the oil well.

## **REASONS FOR AND BENEFITS OF THE ENTERING INTO THE SL16-5-4 WELL AGREEMENT AND THE SL27 WELL AGREEMENT**

Prior to entering into SL16-5-4 Well Agreement and SL27 Well Agreement, the Company was mainly engaged in the business of trading and transportation of energy and fuel. The Board believes that by entering into the above agreements, the Company can diversify its business and establish business in construction of energy-related facilities. The Group has satisfied the relevant eligibility requirement of oil well drilling and has established the necessary staff team to carry out the same. It is believed that this new business segment can enhance the profitability of the Company and to further develop experts and expertise in construction of energy-related facilities, so that the Company can collaborate with independent third parties in this field in the future.

### **VIEWS OF THE DIRECTORS**

The Directors (including the independent non-executive Directors) consider that the terms of the SL16-5-4 Well Agreement and the SL27 Well Agreement are on normal commercial terms and are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Mr. Chen Jinle, the Chairman, an executive Director and a substantial Shareholder who have interests in the transactions contemplated under the SL16-5-4 Well Agreement and the SL27 Well Agreement by virtue of his family relationship with the majority ultimate beneficial owner of Beijing Huaye, have abstained from voting on the board resolutions approving the SL16-5-4 Well Agreement and the SL27 Well Agreement.

### **INFORMATION ON THE GROUP**

The Group is principally engaged in speakers trading and energy trading businesses.

Ningxia Deliheng is principally engaged in oil well construction and repairment.

### **INFORMATION ON BEIJING HUAYE**

Based on the information available to the Group, Beijing Huaye is principally engaged in energy technology development, technology transfer, project investment, sale of electric devices, sale of computer and construction materials.

### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Mr. Han Jinfeng is a majority ultimate beneficial shareholder of Beijing Huaye (holding 64% effective interest thereof). Mr. Han Jinfeng is a cousin of Mr. Chen Jinle, the Chairman, an executive Director and substantial shareholder of the Company. Therefore Beijing Huaye is an associate of a connected person of the Company and is therefore a connected person of the Company. The highest percentage ratio calculated on an aggregate basis pursuant to Rule 14A.81 of the Listing Rules is more than 25%. The SL16-5-4 Well Agreement and the SL27 Well Agreement and the transactions contemplated thereunder constituted connected transactions of the Company and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

An EGM will be convened and held to consider and, if thought fit, to approve the SL16-5-4 Well Agreement and the SL27 Well Agreement and the transactions contemplated thereunder. A circular containing, among other things, further details of the SL16-5-4 Well Agreement and the SL27 Well Agreement and the transactions contemplated thereunder, is expected to be despatched to the Shareholders on or before 16 December 2019 as additional time is required to prepare and finalise the information to be included in the circular.

Details of the connected transactions of the Company will be disclosed in the Company's annual report and accounts in accordance with Rule 14A.49 of the Listing Rules.

## **APPOINTMENT OF INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The independent board committee of the Company comprising all the independent non-executive Directors has been established to advise and give recommendation to the Independent Shareholders on the SL16-5-4 Well Agreement and the SL27 Well Agreement.

An independent financial adviser will be appointed to make recommendations to the independent board committee of the Company and the Independent Shareholders in respect of the SL16-5-4 Well Agreement and the SL27 Well Agreement.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“Beijing Huaye”	Beijing Huaye Jinqun Petroleum Energy Technology Development Company Limited, Yanchi Branch Company (北京華燁金泉石油能源技術開發有限公司鹽池分公司), a company incorporated in the PRC and a connected person of the Company
“Board”	the board of directors of the Company
“Company”	Yuhua Energy Holdings Limited (stock code: 2728), a company incorporated in the Cayman Islands whose Shares are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider, and if thought fit, to approve, the SL16-5-4 Well Agreement and the SL27 Well Agreement
“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 Shareholders”	the Shareholders who are independent and not connected with Beijing Huaye and its associates and are not required to abstain from voting at the EGM
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ningxia Deliheng”	Ningxia Deliheng Oil and Gas Technology Service Company (寧夏德力恒油氣技術服務有限公司), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China, excluding Hong Kong and the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the holder of Shares in the Company
“Shares”	ordinary share(s) of HK\$0.00125 each in the share capital of the Company
“SL16-5-4 Well Agreement”	an agreement dated 24 October 2019 entered into between Beijing Huaye and Ningxia Deliheng regarding oil well drilling in an area labelled SL16-5-4 in Huian Oil Field, the PRC
“SL27 Well Agreement”	an agreement dated 24 October 2019 entered into between Beijing Huaye and Ningxia Deliheng regarding oil well drilling in an area labelled SL27 in Huian Oil Field, the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

By order of the Board  
**Yuhua Energy Holdings Limited**  
**Yuan Hongbing**  
*Executive Director*

Hong Kong, 24 October 2019

*As at the date of this announcement, the Company has three executive Directors, namely Mr. Chen Jinle (Chairman), Mr. Lin Caihuo and Mr. Yuan Hongbing, one non-executive Director, namely Mr. Wang Shoulei, and two independent non-executive Directors, namely Mr. Liu Yang and Mr. Tche Heng Hou Kevin.*