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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)

**(1) CONNECTED TRANSACTIONS
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



A letter from the Board is set out on pages 4 to 10 of this circular.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 11 to 12 of this circular.

A letter from Gram Capital, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 13 to 21 of this circular.

A notice convening the EGM to be held at Suites 903–905, 9th Floor, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong on 11 February 2020 at 4:00 p.m. is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you intend to attend the EGM, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event, not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form(s) of proxy will not preclude you from attending and voting in person at the EGM or at any adjourned meeting (as the case may be) should you so wish. In such event, the instrument appointing a proxy shall deemed be revoked.

23 January 2020

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DEFINITIONS

In this circular, unless otherwise defined or the context otherwise requires, the following expressions shall have the following meanings. Also, where terms are defined and used in only one section of this circular, these defined terms are not included in the table below:

“Articles of Association”	the articles of association of the Company as amended from time to time, and “Article” shall mean an article of the Articles of Association
“associate(s)”	has the meaning ascribe thereto under the Listing Rules
“Beijing Huaye”	Beijing Huaye Jinpuan 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 (裕華能源控股有限公司) (stock code: 2728), a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at Suites 903–905, 9th Floor, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong on 11 February 2020 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 Board Committee”	an independent board committee, comprising all of the independent non-executive Directors, formed to advise the Independent Shareholders in respect of the SL16-5-4 Well Agreement and the SL27 Well Agreement

DEFINITIONS

“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, and being the independent financial adviser of the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the SL16-5-4 Well Agreement and the SL27 Well Agreement and the transactions contemplated thereunder
“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
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial shareholder (within the meaning of the Listing Rules) of the Company, its subsidiaries or any of their respective associates
“Latest Practicable Date”	20 January 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“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, which for the purpose of this circular, excludes Hong Kong, Macau and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“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 drilling in an area labelled SL16-5-4 in Huian Oil Field, the PRC

DEFINITIONS

“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

* *The English names of the Chinese entities are translation of their Chinese names and are included herein for identification purpose only. In the event of any inconsistency, the Chinese names prevail.*

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Chen Jinle (*Chairman of the Board*)
Mr. Lin Caihuo
Mr. Yuan Hongbing

Non-executive Director:

Mr. Wang Shoulei

Independent non-executive Directors:

Mr. Liu Yang
Mr. Tche Heng Hou Kevin
Mr. Gao Han

Registered office:

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal place of business in Hong Kong:

Unit 1802, 18/F, Ruttonjee House,
11 Duddell Street,
Hong Kong

23 January 2020

To the Independent Shareholders

Dear Sir or Madam,

**(1) CONNECTED TRANSACTIONS
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 25 October 2019 in relation to, among other things, the SL16-5-4 Well Agreement and the SL27 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. After trading hours on the same day, 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 purpose of this circular is to provide, among other things, (i) details of the SL16-5-4 Well Agreement and SL27 Well Agreement; (ii) the recommendations from the Independent Board Committee to the Independent Shareholders in relation to the SL16-5-4 Well Agreement

LETTER FROM THE BOARD

and SL27 Well Agreement; (iii) the letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM.

CONNECTED TRANSACTIONS

SL16-5-4 Well Agreement

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.

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.

LETTER FROM THE BOARD

SL27 Well Agreement

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 35 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 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 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.

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.

LETTER FROM THE BOARD

BASIS OF CONSIDERATION

The consideration in the SL16-5-4 Well Agreement and SL27 Well Agreement was determined on a cost-plus basis and represents a mark-up rate of 30%, which is within the industry range of 20–50%.

In determining the fee for oil well drilling service project, the Board works with Ningxia Deliheng's operation team (the “**Operation Team**”) and finance department (the “**Finance Department**”). The Operation Team estimates the equipment, materials and staff required for the project (including preparation of well drilling, drilling work and monitoring). Subsequently, the Operation Team informs (i) the Procurement Department regarding the estimated equipment and materials required for the project; and (ii) the Finance Department regarding the staff required for the project. In respect of the equipment, the Procurement Department invites quotations from suppliers and estimates the equipment cost. In respect of the materials, the Operation Team estimates the cost of materials and provide such estimation for the Procurement Department's confirmation. In respect of the staff cost, the Finance Department estimates the staff cost based on the information (including number of staff and categories of staff required for the project) provided by the Operation Team. The Operation Team and the Finance Department also estimate other costs associated with the project. The Operation Team consolidates the above cost estimation and prepare fee proposal after taking into account the mark-up rate. Thereafter, the Operation Team submits the fee proposal to Finance Department for review and Ningxia Deliheng's general manager for approval. For project with service fee over RMB1 million, Ningxia Deliheng's general manager also submits the fee proposal for the Board's approval. The above pricing mechanism is applicable for all customers, including connected persons and Independent Third Parties.

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. Ningxia Deliheng is authorised by Ningxia Hui Autonomous Region Market Regulation Bureau (寧夏回族自治區市場監督管理廳) to conduct oil well drilling and has established the necessary staff team consisting of five petroleum engineers and one geological engineer 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

LETTER FROM THE BOARD

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 Latest Practicable Date, 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.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, which comprises all independent non-executive Directors, namely Mr. Liu Yang, Mr. Tche Heng Hou Kevin and Mr. Gao Han, has been established to advise the Independent Shareholders as to whether the terms of the SL16-5-4 Well Agreement and the SL27 Well Agreements and the respective transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to make recommendations to the Independent Shareholders on how to vote at the EGM. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE BOARD

EGM

The EGM will be convened and held at Suites 903–905, 9th Floor, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong on Tuesday, 11 February 2020 at 4:00 p.m., for, among other things, considering, and, if thought fit, approving the SL16-5-4 Well Agreement and the SL27 Well Agreement and the transactions contemplated thereunder. Mr. Chen and his associate(s) will abstain from voting at the EGM.

A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the office of the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time for holding the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the extraordinary general meeting or any adjourned meeting (as the case may be) should you so wish.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on pages 11 to 12 of this circular. The Independent Board Committee, having taken into account the advice from Gram Capital, the text of which is set out on pages 13 to 21 of this circular, considers that the SL16-5-4 Well Agreement and the SL27 Well Agreement are entered into upon normal commercial terms following arm's length negotiations between the parties thereto and that the terms of the SL16-5-4 Well Agreement and the SL27 Well Agreement are fair and reasonable so far as the Independent Shareholders are concerned and is in the interest of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the SL16-5-4 Well Agreement and the SL27 Well Agreement and the respective transactions contemplated thereunder.

Taking into account of the letter from the Independent Board Committee and all other facts stated above as a whole, the Board considers that the transactions contemplated under the SL16-5-4 Well Agreement and the SL27 Well Agreement are in the ordinary and usual course of business, on normal commercial terms, which are arrived at after arm's length negotiations and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board also recommends all the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the SL16-5-4 Well Agreement and the SL27 Well Agreement and the respective transactions contemplated thereunder.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

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



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)

23 January 2020

To the Independent Shareholders

Dear Sir/Madam

**(1) CONNECTED TRANSACTIONS
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

We refer to the circular issued by the Company dated 23 January 2020 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee to consider the SL16-5-4 Well Agreement and the SL27 Well Agreement and the transactions contemplated thereunder and to advise the Independent Shareholders as to whether the SL16-5-4 Well Agreement and the SL27 Well Agreement and the transactions contemplated thereunder are fair and reasonable as far as the Independent Shareholders as a whole, and to recommend how the Independent Shareholders should vote at the EGM. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Details of the letter of advice from Gram Capital, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 13 to 21 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 4 to 10 of the Circular and the additional information set out in the Appendix I of the Circular.

Having taken into account the SL16-5-4 Well Agreement and the SL27 Well Agreement and the transactions contemplated thereunder, and the advice from Gram Capital, we consider that the SL16-5-4 Well Agreement and the SL27 Well Agreement are entered into upon normal commercial terms following arm’s length negotiations between the parties thereto, the connected transactions are in the ordinary and usual course of business of the Group, the terms of the SL16-5-4 Well Agreement and the SL27 Well Agreement are fair and reasonable so far as the Independent Shareholders are concerned, and the SL16-5-4 Well Agreement and the SL27 Well Agreement are in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions at the EGM to approve the SL16-5-4 Well Agreement and the SL27 Well Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of the Independent Board Committee of

Yuhua Energy Holdings Limited

LIU Yang TCHE Heng Hou Kevin GAO Han

Independent non-executive Directors

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

23 January 2020

*To: The independent board committee and the independent shareholders
of Yuhua Energy Holdings Limited*

Dear Sir/Madam,

CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the SL16-5-4 Well Agreement and the SL27 Well Agreement, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 23 January 2020 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

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 (the “**Transactions**”).

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 Independent Board Committee comprising Mr. Liu Yang, Mr. Tche Heng Hou Kevin and Mr. Gao Han (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Transactions are on normal commercial terms and are fair and reasonable; (ii) whether the Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should

LETTER FROM GRAM CAPITAL

vote in respect of the resolution(s) to approve the Transactions at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Transactions. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Ningxia Deliheng, Beijing Huaye or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

LETTER FROM GRAM CAPITAL

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Transactions, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the Transactions

Information on the Group

With reference to the Board Letter, the Group is principally engaged in speakers trading and energy trading businesses. Ningxia Deliheng is principally engaged in oil well construction and repairment.

Set out below are the financial information of the Group for the two years ended 31 December 2018 and the six months ended 30 June 2019 (with comparative figures in 2018) as extracted from the Company's annual report for the year ended 31 December 2018 (the "2018 Annual Report") and interim report for the six months ended 30 June 2019 (the "2019 Interim Report"), respectively:

	For the year ended 31 December 2018	For the year ended 31 December 2017	Year-on-year change
	(audited)	(audited)	
	<i>HK\$'000</i>	<i>HK\$'000</i>	%
Revenue	1,848,844	9,500,029	(80.54)
Gross profit	19,471	90,520	(78.49)
(Loss)/profit attributable to owners of the Company	(351,811)	46,853	N/A
	For the six months ended 30 June 2019	For the six months ended 30 June 2018	Year-on-year change
	(unaudited)	(unaudited)	
	<i>HK\$'000</i>	<i>HK\$'000</i>	%
Revenue	20,988	1,672,559	(98.75)
Gross (loss)/profit	(3,419)	26,997	N/A
Loss for the period attributable to owners of the Company	(306,601)	(1,266)	(24,118.09)

LETTER FROM GRAM CAPITAL

As depicted from the table above, the Group's revenue for the year ended 31 December 2018 ("FY2018") amounted to approximately HK\$1.85 billion, representing a substantial decrease of approximately 80.54% as compared to that for the year ended 31 December 2017 ("FY2017"). With reference to the 2018 Annual Report, such decrease in revenue was mainly attributable to significant decrease in sales income in the Group's energy trading business. The decrease in the Group's revenue from FY2017 to FY2018 also led to substantial decrease in the Group's gross profit.

The Group recorded loss attributable to owners of the Company for FY2018 of approximately HK\$351.81 million as compared to profit attributable to owners of the Company of approximately HK\$46.85 million for FY2017. With reference to the 2018 Annual Report, such loss was mainly due to (i) decrease in sales income from the energy trading business of the Group; (ii) disposal of high gross profit margin segment of oil tanker transportation and speaker manufacturing; (iii) increase in finance cost; (iv) fair value loss from investment properties; and (v) provision for impairment of trade receivables and prepayments.

The Group's revenue continued to decrease for the six months ended 30 June 2019 ("HY2019") as compared to that for the six months ended 30 June 2018 ("HY2018"). The Group recorded gross loss for HY2019 and recorded much more loss attributable to owners of the Company in HY2019 as compared to that for HY2018.

With reference to the 2019 Interim Report, the Group will continue to explore new investment and business opportunities in different sectors such as energy transportation, petroleum exploration technology services, petroleum refinery services and retail of the petroleum products. In addition to the implementation of the aforesaid investment and improvement plans, the Group will further optimize its management team and cost control measures in order to enhance the profitability of the Group.

Information on Beijing Huaye

With reference to the Board Letter, 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. Beijing Huaye is a connected person of the Company.

Reasons for and benefits of the Transactions

With reference to the Board Letter, 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

LETTER FROM GRAM CAPITAL

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.

Given the deterioration of the Group's existing business operations as illustrated under the section headed "Information on the Group" above, we consider that it is reasonable for the Group to diversify its business by undertaking the Transactions. Besides, it is the Group's intention to explore new investment and business opportunities in different sectors.

Having considered the above, we concur with the Directors that, although the Transactions are not conducted in the ordinary and usual course of business of the Group, they are in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the Transactions

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

Date: 24 October 2019

Parties: Beijing Huaye as developer; and
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;

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- (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.

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

Date: 24 October 2019

Parties: Beijing Huaye as developer; and
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 of each oil well;

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- (c) the remaining 50% of the amount of fee for the 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.

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 Fee

With reference to the Board Letter, the fee in the SL16-5-4 Well Agreement and SL27 Well Agreement (the “**Fee**”) was determined on a cost-plus basis and represents a mark-up rate of 30% (the “**Mark-up Rate**”), which is within the industry range of 20–50%.

In determining the fee for oil well drilling service project, the Board works with Ningxia Deliheng’s operation team (i.e. the Operation Team) and finance department (i.e. the Finance Department).

The Operation Team estimates the equipment, materials and staff required for the project (including preparation of well drilling, drilling work and monitoring). Subsequently, the Operation Team informs (i) Ningxia Deliheng’s procurement department (i.e. the Procurement Department) regarding the estimated equipment and materials required for the project; and (ii) Finance Department regarding the staff required for the project.

In respect of the equipment, the Procurement Department invites quotations from suppliers and estimates the equipment cost. In respect of the materials, the Operation Team estimates the materials cost and provide such estimation for the Procurement Department’s confirmation. In respect of the staff cost, the Finance Department estimates the staff cost based on the information (including number of staff and categories of staff required for the project) provided by the Operation Team. The Operation Team and the Finance Department also estimates other costs associated with the project.

The Operation Team consolidates the above cost estimation and prepares fee proposal after taking into account the mark-up rate. Thereafter, the Operation Team submits the fee proposal to Finance Department for review and Ningxia Deliheng’s general manager for approval. For project with service fee over RMB1 million, Ningxia Deliheng’s general manager also submits fee proposal for the Board’s approval.

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The above pricing mechanism is applicable for all customers (including connected persons and Independent Third Parties). Accordingly, we consider the above pricing mechanism can ensure fair pricing of the oil well drilling service project.

For our due diligence purpose, we obtained from the Company the Transactions cost breakdown and Fee calculation which included the Mark-up Rate. The Directors advised us that, with the Mark-up Rate of 30%, they expect the operating profit margin of the Transactions to be approximately 21% (the “**Expected OP Margin**”).

For the purpose of assessing the fairness and reasonableness of the Fee, we (i) searched for companies listed in Hong Kong which are engaged in oil well drilling/completion, and derived over 50% of their revenue/operating income from such business based on their respective latest published financial information; and (ii) observed their operating profit margin for comparison. To the best of our knowledge and as far as we are aware of, we found 5 Hong Kong listed companies which meet the said criteria (the “**Comparable Companies**”). Shareholders should note that the businesses and operations of the Comparable Companies may not be exactly the same as the Transactions.

Set out below are operating profit margin of the Comparable Companies based on their latest published financial information:

Company name (stock code)	Year-end date	Operating profit margin %
Sinopec Oilfield Service Corporation (1033)	31 December 2018	1
SPT Energy Group Inc. (1251)	31 December 2018	9
Petro-king Oilfield Services Limited (2178)	31 December 2018	N/A (<i>Note</i>)
China Oilfield Services Limited (2883)	31 December 2018	3
Anton Oilfield Services Group (3337)	31 December 2018	22
Maximum		22
Minimum		1
Average		9
The Expected OP Margin		21

Note: The selected company recorded operating loss for its latest financial year.

We noticed from the above table that the operating profit margin of the Comparable Companies ranged from approximately 1% to 22% with an average of approximately 9%. The Expected OP Margin is within the said range and higher than the average of the Comparable Companies.

In light of the above, we consider the Fee to be fair and reasonable.

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Other terms

Upon our enquiry, the Directors advised us that the construction periods under the SL16-5-4 Well Agreement and SL27 Well Agreement were estimated by the Operation Team and providing warranty period for the Transactions is a common practice. We obtained profile of key personnel of the Operation Team and noted that they have 3 to 12 years of experience in oil well drilling. Therefore, we have no doubt on the fairness and reasonableness of such terms.

In light of the above, we are of the view that the terms of the Transactions are on normal commercial terms and are fair and reasonable.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Transactions are on normal commercial terms and are fair and reasonable; and (ii) although the Transactions are not conducted in the ordinary and usual course of business of the Group, the Transactions are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Transactions and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and Chief Executives' Interests and short positions in the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have been taken under such provisions of the SFO) or the Model Code for Securities Transactions by Directors of Listed Issuers or which were required to be entered in the register required to be kept under section 352 of the SFO were as follows:

Name of Directors	Capacity	Number of ordinary Shares (Note 1)	Approximate percentage of the issued Shares (%)
Yuan Hongbing	Beneficial owner	4,000	0.00
Chen Jinle	Interest of controlled corporation (Note 2)	892,768,273	24.56
Lin Caihuo	Beneficial owner	928,284,839	25.54

Notes:

- (1) Interests in shares stated above represent long positions.
- (2) These shares were held by Oriental Gold Honour Joy International Holdings Limited, which was wholly owned by Mr. Chen Jinle. By virtue of the SFO, Mr. Chen Jinle was deemed to be interested in the Shares held by such company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such

provisions of the SFO), or to be entered in the register maintained by the Company under section 352 of the SFO or to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or proposed Directors was a director or employee of a company which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(b) Substantial shareholders' interests and short positions in shares and underlying shares

As at the Latest Practicable Date, so far as any Directors are aware, the interest or short positions owned by the following parties (other than the Directors or chief executives of the Company) in the Shares, underlying Shares or debentures of the Company which are required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO were as follows:

Long and short positions in Shares and underlying Shares of the Company

Name of Shareholder	Capacity	Number of Shares <i>(Note 1)</i>	Approximate percentage of the issued Shares (%)
Zhongtai International Asset Management Limited	Investment manager	1,821,053,112	50.10
Winwin International Funds SPC (acting for and on behalf of Win Win Stable No. 1 Fund SP)	Person having a security interest in shares	1,821,053,112	50.10
Zhongtai Innovation Capital Management Limited	Investment manager	1,821,053,112	50.10
Lin Caihuo	Beneficial owner	928,284,839	25.54
Lin Ai Hua	Interest of spouse <i>(Note 2)</i>	928,284,839	25.54
Oriental Gold Honour Joy International Holdings Limited	Beneficial owner	892,768,273	24.56

Name of Shareholder	Capacity	Number of Shares (Note 1)	Approximate percentage of the issued Shares (%)
Chen Jinle	Interest of controlled corporation (Note 3)	892,768,273	24.56
Super Wise International Investment Limited	Beneficial owner	540,000,000	14.86

Notes:

- (1) Interests in shares stated above represent long positions.
- (2) Lin Ai Hua is the spouse of Lin Caihuo.
- (3) These shares were held by Oriental Gold Honour Joy International Holdings Limited, which was wholly owned by Mr. Chen Jinle. By virtue of the SFO, Mr. Chen Jinle was deemed to be interested in the Shares held by such company.

Saved as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or chief executives of the Company) in the Shares or underlying Shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under Section 336 of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has any existing or proposed service contracts with any member of the Group which is not determinable by the Company within one (1) year without payment of any compensation (other than statutory compensation).

4. QUALIFICATIONS AND CONSENT OF EXPERT

The following are the qualifications of the expert who have given opinions or advice which are contained in this circular:

Name	Qualifications
Gram Capital Limited	A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Gram Capital has given and confirmed that it has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, report, advice, opinion and/or references to its name in the form and context in which it respectively appears.

As at the Latest Practicable Date, Gram Capital did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group.

As at the Latest Practicable Date, Gram Capital did not have any interest, either directly or indirectly, in any assets which have been since 31 December 2018 (being the date to which the latest published audited consolidated financial statements of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

5. MATERIAL ADVERSE CHANGE

The Directors confirmed that there was no material adverse change in the financial or trading position or outlook of the Group since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up and up to the Latest Practicable Date.

6. COMPETING INTERESTS

As at the Latest Practicable Date, Mr. Lin had interests in the following business conducted through the companies named below:

Name of company	Nature of interest	Description of business of the company
Fujian Yuhua Petrochemical Company Limited* (福建裕華石油化工有限公司)	Executive Director and the General Manager Mr. Lin and his spouse indirectly held 90% and 10% of the equity interest respectively	Petroleum product trade, storage, transportation and distribution business
Fujian Yuhua Energy Company Limited* (福建裕華能源有限公司)	Executive Director and the General Manager Mr. Lin and his spouse indirectly held 90% and 10% of the equity interest respectively	Wholesale and retail of dangerous chemicals, petroleum products, chemical products and machinery equipment leasing

Name of company	Nature of interest	Description of business of the company
Fujian Yuhua Group Limited* (福建裕華集團有限公司)	Shareholder, Executive Director and the General Manager Mr. Lin and his spouse indirectly held 90% and 10% of the equity interest respectively	Wholesale and retail of petroleum products, management of real estate investment, development, sales, rental, property management and equity investment, business consulting, and enterprise financial management consulting
Xiamen Oceanstar Shipping Company Limited* (廈門海之星航運有限公司)	Executive director and the general manager Mr. Lin and his spouse indirectly held 90% and 10% of the equity interest respectively	Coastal cargo transportation, inland cargo transportation, ship port services, ship management business and real estate development and operation

Save as disclosed above, none of the Directors or their respective associate(s) had any interests in a business which competed or might compete with the business of the Group and had any other conflicts of interests with the Group.

7. DIRECTORS' INTERESTS IN CONTRACT, ASSETS AND ARRANGEMENT OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors had any interest in any assets which have been since 31 December 2018 (being the date to which the latest published audited financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

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. The entering into of the same constitutes connected transactions on the part of the Company under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 24 October 2019 for further details.

As at the Latest Practicable Date, other than Mr. Chen who is deemed to have interests in the SL16-5-4 Well Agreement and the SL27 Well Agreement and the respective transactions contemplated thereunder by reason of his shareholding interests and directorship in the parties

to the agreements abovementioned as disclosed in this circular, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which would be significant in relation to the business of the Group.

8. MISCELLANEOUS

- (a) The principal place of business of the Company in Hong Kong is situated at Unit 1802, 18/F, Ruttonjee House, 11 Duddell Street, Central, Hong Kong. The registered office of the Company in the Cayman Islands is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands;
- (b) The branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong;
- (c) The secretary of the Company is Mr. Zhou Chen, a member of The Association of Chartered Certified Accountants and the Institute of Singapore Chartered Accountants; and
- (d) The translation into Chinese language of this circular is for reference only. In the event of any inconsistency, the English text of this circular shall prevail over the Chinese language text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (i.e. from 9:00 a.m. to 1:00 p.m. and from 2:00 p.m. to 5:00 p.m.) at the head office and principal place of business of the Company on any business day from the date of this circular until up to and including the date of the EGM:

- (i) the memorandum of association and articles of association of the Company;
- (ii) the letter from the Independent Board Committee, the text of which is set out on pages 11 to 12 of this circular;
- (iii) the letter from Gram Capital, the text of which is set out on pages 13 to 21 of this circular;
- (iv) the written consents of Gram Capital as referred to in the section headed “Qualification and consent of expert” in this appendix;
- (v) the SL16-5-4 Well Agreement;
- (vi) the SL27 Well Agreement; and
- (vii) this circular.

* *for identification purpose only*

NOTICE OF EGM



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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of the shareholders of Yuhua Energy Holdings Limited (the “Company”) will be held at Suites 903–905, 9th Floor, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong, on 11 February 2020 at 4:00 p.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT** the SL16-5-4 Well Agreement entered into between Beijing Huaye Jinquan 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) (“**Beijing Huaye**”) as developer and Ningxia Deliheng Oil and Gas Technology Service Company (寧夏德力恒油氣技術服務有限公司) (“**Ningxia Deliheng**”) as contractor dated 24 October 2019 (the “**SL16-5-4 Well Agreement**”) and the transactions contemplated thereunder be approved, ratified and confirmed, and any one director of the Company be and is hereby authorised to do all such acts and things, negotiate, approve, sign, initial, ratify and/or execute all documents which may in his/her opinion be necessary, desirable or expedient to implement and give effect to any matters arising from, relating to or incidental to the SL16-5-4 Well Agreement and the transactions contemplated thereunder.”
2. “**THAT** the SL27 Well Agreement entered into between Beijing Huaye as developer and Ningxia Deliheng as contractor dated 24 October 2019 (the “**SL27 Well Agreement**”) and the transactions contemplated thereunder be approved, ratified and confirmed, and any one director of the Company be and is hereby authorised to do all such acts and things, negotiate, approve, sign, initial, ratify and/or execute all documents which may in his/her opinion be necessary, desirable or expedient to implement and give effect to any matters arising from, relating to or incidental to the SL27 Well Agreement and the transactions contemplated thereunder.”

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

Hong Kong, 23 January 2020

NOTICE OF EGM

As at the date of this notice, 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 three independent non-executive Directors, namely Mr. Liu Yang, Mr. Tche Heng Hou Kevin, and Mr. Gao Han.

Notes:

1. Every shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint a proxy to attend and vote in his stead. A shareholder who is the holder of two or more shares of the Company may appoint more than one proxy. A proxy need not be a shareholder of the Company.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorized in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.
3. In the case of a joint holding, any one of such persons may vote at the EGM, either in person or by proxy; but if more than one joint holders are present at the EGM in person or by proxy, the said person whose name stands first on the register of members of the Company in respect of the relevant joint holding shall alone be entitled to vote in respect thereof.
4. The instrument appointing a proxy and (if required by the Board) the power of attorney or other authority (if any) under which it is signed, or certified copy of such power or authority must be delivered to the office of Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than forty-eight (48) hours before the time appointed for holding the EGM or any adjournment thereof at which the person named in the instrument proposes to vote and in default the instrument of proxy shall not be treated as valid.
5. Delivery of an instrument appointing a proxy shall not preclude a shareholder of the Company from attending and voting in person at the EGM and in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. If a "black" rainstorm warning signal or a tropical cyclone warning signal number 8 or above is in force in Hong Kong at any time between 5:00 a.m. and 9:00 a.m. on 11 February 2020, it will be proposed that the EGM will not be held on that day. An announcement will be made in such event.
7. Pursuant to Rule 13.39(4) of the Rules Governing the Listing of Securities on the Stock Exchange, any vote of shareholders at a general meeting must be taken by poll. Accordingly, at the EGM, the chairman of the meeting will exercise his power under Article 66 of the Articles of Association of the Company to put each of the resolutions set out in this notice to be voted by way of poll.