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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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO PROPOSED ISSUE OF CONVERTIBLE NOTES UNDER GENERAL MANDATE

Reference is made to the announcement of Yuhua Energy Holdings Limited (the “**Company**”) dated 29 May 2019 (the “**Announcement**”) in relation to the issue of Convertible Notes under the General Mandate. Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as defined in the Announcement.

ADJUSTMENT OF THE CONVERSION PRICE FOR CERTAIN DILUTIVE EVENTS

As disclosed in the Announcement, the Conversion Price will be subject to adjustment for certain dilutive events. The Board would like to supplement the details of such Conversion Price adjustment events and the adjustment mechanism as follows:

- (i) **Consolidation or sub-division of Shares:** If and whenever the Shares by reason of any consolidation, sub-division, re-denomination or re-classification become of a different nominal amount, the Conversion Price in force immediately prior thereto shall be adjusted by multiplying it by the following fraction:

$$\frac{A}{B}$$

where:

A = the nominal amount of one Share immediately after such alteration; and

B = the nominal amount of one Share immediately before such alteration.

Each of such adjustment shall be effective from the close of business in Hong Kong on the day the alteration takes effect.

- (ii) **Capitalisation of profits:** If and whenever the Company shall issue (other than in lieu of a cash dividend) any Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund), the Conversion Price in force immediately prior to such issue shall be adjusted by multiplying it by the following fraction:

$$\frac{C}{C + D}$$

where:

C = the aggregate nominal amount of the issued Shares immediately before such issue;
and

D = the aggregate nominal amount of the Shares issued in such capitalisation.

Each of such adjustment shall be effective on the date of issue of such Shares or (if the record date is fixed therefore) immediately after the record date for such issue.

- (iii) **Capital Distribution:** If and whenever the Company shall make any capital distribution (except where, and to the extent that, the Conversion Price falls to be adjusted under adjustment event (ii) above) to holders (in their capacity as such) of Shares (whether on a reduction of capital or otherwise) or shall grant to such holders rights to acquire for cash assets of the Company or any of its subsidiaries, the Conversion Price in force immediately prior to such distribution or grant shall be adjusted by multiplying it by the following fraction:

$$\frac{E - F}{E}$$

where:

E = the market price of one Share on the date on which the Capital Distribution or, as the case may be, the grant is publicly announced; and

F = the fair market value on the day of such announcement, as determined in good faith by the bank appointed by the Company or the auditors of the Company for the time being, of the portion of the Capital Distribution or of such rights which is attributable to one Share;

Provided that:

- (a) if in the opinion of the bank to be appointed by the Company, the use of the fair market value as aforesaid produces a result which is significantly inequitable, it may instead determine, and in such event the above formula

shall be construed as if F meant, the amount of the said market price which should properly be attributed to the value of the Capital Distribution or rights; and

- (b) this adjustment event shall not apply in relation to the issue of Shares paid out of profits or reserves and issued in lieu of a cash dividend.

Each of such adjustment shall be effective (if appropriate retroactively) from the date the distribution is actually made or if a record date is fixed therefore, immediately after the record date for the Capital Distribution or grant.

- (iv) ***Rights issue, options and warrants:*** If and whenever the Company shall offer to Shareholders new Shares for subscription by way of rights issue, or shall grant to Shareholders any options or warrants to subscribe for new Shares, at a price which is less than 90% of the market price at the date of the announcement of the terms of the offer or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of the announcement of such offer or grant by a fraction of which the numerator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares which the aggregate of the amount (if any) payable for the rights, options or warrants and of the amount payable for the total number of new Shares comprised therein would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of such announcement plus the aggregate number of Shares offered for subscription or comprised in the options or warrants (such adjustment to become effective (if appropriate retroactively) from the commencement of the date of issue of such Shares or issue or grant of such option, warrants or other rights or where a record date is fixed, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants, as the case may be. Provided however that no such adjustment shall be made if the Company shall make a like offer or grant (as the case may be) at the same time to the Holder (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong) as if it had exercised the Conversion Rights under the Note in full on the day immediately preceding the record date for such offer or grant.

(v) ***Convertibles:***

- (a) If and whenever the Company shall issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares, and the total Effective Consideration per Share (as defined below) initially receivable for such securities is less than 90% of the market price at the date of the announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the issue by a fraction of which the numerator is the number of Shares in issue immediately before the date of the issue plus the number of Shares which the total Effective Consideration receivable for the securities issued would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of the issue plus the number of Shares to be issued

upon conversion or exchange of, or the exercise of the subscription rights conferred by, such securities at the initial conversion or exchange rate or subscription price. Such adjustment shall become effective (if appropriate retrospectively) from the close of business in Hong Kong on the Business Day (whichever is the earlier) of the date on which the issue is announced and the date on which the Company determines the conversion or exchange rate or subscription price.

- (b) If and whenever the rights of conversion or exchange or subscription attached to any such securities as are mentioned in event (a) above are modified so that the total Effective Consideration per Share initially receivable for such securities shall be less than 90% of the market price at the date of announcement of the proposal to modify such rights of conversion or exchange or subscription, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by a fraction of which the numerator is the number of Shares in issue immediately before the date of such modification plus the number of Shares which the total Effective Consideration receivable for the securities issued at the modified conversion or exchange price would purchase at such market price and of which the denominator is the number of Shares in issue immediately before such date of modification plus the maximum number of Shares to be issued upon conversion or exchange of or the exercise of the subscription rights conferred by such securities at the modified conversion or exchange rate or subscription price. Such adjustment shall become effective as at the date upon which such modification shall take effect. A right of conversion or exchange or subscription shall not be treated as modified for the foregoing purposes where it is adjusted to take account of rights issue or capitalisation issues and other events normally giving rise to adjustment of conversion or exchange terms.

For the purposes of this adjustment event, the “**total Effective Consideration**” receivable for the securities issued shall be deemed to be the consideration receivable by the Company for any such securities plus the additional minimum consideration (if any) to be received by the Company upon (and assuming) the conversion or exchange thereof or the exercise of such subscription rights, and the Effective Consideration per Share initially receivable for such securities shall be such aggregate consideration divided by the number of Shares to be issued upon (and assuming) such conversion or exchange at the initial conversion or exchange rate or the exercise of such subscription rights at the initial subscription price, in each case without any deduction for any commissions, discounts or expenses paid, allowed or incurred in connection with the issue.

- (vi) *Shares issued at more than 10% discount to market price:* If and whenever the Company shall issue wholly for cash any Shares at a price per Share which is less than 90% of the market price at the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by a fraction of which the numerator is the number of Shares in issue immediately before such issue plus the number of Shares which the aggregate amount receivable for the issue would purchase at such market price per Share and the denominator is the number of Shares in issue immediately before such issue plus the number of Shares so issued. Such adjustment shall become effective on the date of the issue.

(vii) *Shares where total Effective Consideration per Share is issued more than 10% discount on market price:* If and whenever the Company shall issue Shares for the acquisition of asset at a total Effective Consideration per Share (as defined below) which is less than 90% of the market price at the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of such announcement by a fraction of which the numerator shall be the total Effective Consideration per Share and the denominator shall be such market price. Each such adjustment shall be effective (if appropriate retroactively) from the date of issue of such Shares. For the purpose of this adjustment event, “**total Effective Consideration**” shall be the aggregate consideration credited as being paid for such Shares by the Company on acquisition of the relevant asset without any deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof, and the “**total Effective Consideration per Share**” shall be the total Effective Consideration divided by the number of Shares issued as aforesaid.

As disclosed in the Announcement, exercise of the conversion rights of the Holder is subject to, among others, the Board has sufficient general mandate for issuing new Conversion Shares upon conversion of the Convertible Notes.

Save as disclosed above, the Conversion Price will not be subject to adjustment for other dilutive events.

General Mandate Threshold

As disclosed in the Announcement and assuming full conversion of the Convertible Notes at the Conversion Price, the total number of Conversion Shares to be allotted or issued will not exceed General Mandate Threshold.

If any adjustment made to the Conversion Price would require the Company to allot and issue Shares in excess of the General Mandate Threshold of 618,903,481 Shares, the Holders would be entitled to convert up to the maximum of 618,903,481 Conversion Shares and all remaining portion of the principal amount will be redeemed on a dollar-to-dollar basis plus interest accrued on the conversion date of the Convertible Notes.

THE RELATIONSHIP BETWEEN THE GUARANTOR AND THE COMPANY

The Board would also like to clarify that Mr. Han is the cousin of Mr. Chen, who is a substantial Shareholder.

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

Hong Kong, 11 June 2019

As at the date of this announcement, the Company has three executive Directors, namely Mr. Lin Caihuo (Chairman), Mr. Chen Jinle and Mr. Yuan Hongbing, one non-executive Director, namely Mr. Wang ShouLei and two independent non-executive Directors, namely Mr. Liu Yang and Mr. Xu Changyin.