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If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Yuhua Energy Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale and transfer was effected for transmission to the purchaser(s) or the transferee(s).

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YUHUA ENERGY HOLDINGS LIMITED

裕華能源控股有限公司

(formerly known as Shinhint Acoustic Link Holdings Limited 成謙聲匯控股有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2728)

- (1) CONTINUING CONNECTED TRANSACTION –
SUPPLY OF CHEMICAL PRODUCTS**
- (2) DISCLOSEABLE AND CONNECTED TRANSACTION –
ACQUISITION OF PROPERTIES**
- (3) PROPOSED RE-ELECTION OF DIRECTOR
AND
(4) NOTICE OF EGM**

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



TC CAPITAL

A letter from the Board is set out on pages 6 to 29 of this circular.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 30 to 31 of this circular.

A letter from the Independent Financial Adviser, TC Capital Asia Limited, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 32 to 61 of this circular.

A notice convening the EGM to be held at Basement 2, the Wharney Guang Dong Hotel Hong Kong, 57-73 Lockhart Road, Wanchai, Hong Kong on Friday, 20 November 2015 at 10:30 a.m. is set out on pages EGM-1 to EGM-3 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 17M 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.

3 November 2015

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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:

| | |
|---------------------------|---|
| “Acquisitions” | collectively, the acquisitions of the Properties pursuant to the Acquisition Agreements |
| “Acquisition Agreements” | collectively, the acquisition agreements dated 7 September 2015 entered into between Xiamen Yuhua Energy (as purchaser) and Xiamen Ocean Star (as vendor) (as supplemented by two supplemental agreements both dated 7 September 2015) in relation to, among others, the Acquisitions |
| “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 |
| “Board” | the board of Directors |
| “Chemical Products” | biodiesel and chemical products supplied by Yuhua Energy (China) to Fujian Yuhua Petrochemical and Fujian Yuhua Energy (or any one or more of their subsidiaries) in accordance with the Sale and Purchase Framework Agreement |
| “Company” | Yuhua Energy Holdings Limited (裕華能源控股有限公司) (formerly known as Shinhint Acoustic Link Holdings Limited 成謙聲匯控股有限公司) (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 |
| “Consideration” | the total consideration of RMB88,741,660 (equivalent to approximately HK\$106,489,992) for the Acquisitions |

DEFINITIONS

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|-------------------------------|---|
| “Directors” | the directors of the Company |
| “EGM” | the extraordinary general meeting of the Company to be convened and held at Basement 2, the Wharney Guang Dong Hotel Hong Kong, 57-73 Lockhart Road, Wanchai, Hong Kong on Friday, 20 November 2015 at 10:30 a.m. to consider and, if thought fit, approve (i) the Sale and Purchase Framework Agreement and the transactions contemplated thereunder, (ii) the proposed annual caps of the Sale and Purchase Framework Agreement; (iii) the Acquisition Agreements and the transactions contemplated thereunder; and (iv) the proposed re-election of Director |
| “Fujian Fuhua Energy” | 富華(福建)能源有限公司 (Fujian Fuhua Energy Company Limited*), a company established in the PRC and is an indirect wholly-owned subsidiary of the Company |
| “Fujian Yuhua Energy” | 福建裕華能源有限公司 (Fujian Yuhua Energy Company Limited*), a company established in the PRC |
| “Fujian Yuhua Petrochemical” | 福建裕華石油化工有限公司 (Fujian Yuhua Petrochemical Company Limited*), a company established in the PRC |
| “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 Sale and Purchase Framework Agreement (including the proposed annual caps) as well as the Acquisition Agreements |

DEFINITIONS

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| “Independent Financial Adviser” or “TC Capital” | TC Capital Asia Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, and the independent financial adviser of the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Framework Agreement, the Acquisition Agreements and the transactions contemplated thereunder |
| “Independent Shareholders” | Shareholder(s) other than Mr. Lin and his associate(s) |
| “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 |
| “Internal Control Department” | the internal control department of the Company |
| “Land” | the land in 廈門海滄區05-13保稅港區海景路東側 (East of Haijing Road, 05-13 Free Trade Port Zone, Haicang District, Xiamen*) with a total site area of 12,272.689 square metres held by the Xiamen Ocean Star where the Properties are situated |
| “Latest Practicable Date” | 28 October 2015, 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 |
| “Mr. Lin” | Mr. Lin Caihuo (林財火先生), a substantial shareholder, the chairman of the Board and an executive Director |
| “Oil Storage Tanks and Ancillary Facility Agreement” | the oil storage tanks and ancillary facilities agreement dated 8 May 2015 entered into between Fujian Fuhua Energy (for itself and on behalf of its subsidiary(ies) or affiliate(s)) and Fujian Yuhua Petrochemical in relation to the provision of crude oil jetty and storage services |

DEFINITIONS

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| “Original Purchase Price” | The original purchase price of the Chemical Products when Yuhua Energy (China) (or any one or more of its subsidiaries) purchased from its suppliers who are Independent Third Parties |
| “Pre-sale Permit” | 商品房預售許可證 (commodity property pre-sale permit*), a permit issued on 22 July 2015 by a local housing and building administrative bureau or an equivalent authority in Xiamen with respect to pre-sale of the Properties |
| “Properties” | collectively, levels 2 to 7, 海之星國際營運中心A棟 (Block A of Ocean Star International Operation Center*) at 中國福建省廈門海滄區05-13保稅港區海景路東段 (the east session of Haijing Road, 05-13 Free Trade Port Zone, Haicang District, Xiamen, Fujian Province, PRC*) |
| “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 |
| “Sale and Purchase Framework Agreement” | the sale and purchase framework agreement dated 7 September 2015 entered into between Yuhua Energy (China) (as supplier) and Fujian Yuhua Petrochemical and Fujian Yuhua Energy (or any one or more of their subsidiaries) (as purchasers) in relation to the supply of the Chemical Products commencing from the effective date of the Sale and Purchase Framework Agreement and ending on 31 December 2017 |
| “Sales Department” | the sales department of the Company |
| “Shareholder(s)” | shareholder(s) of the Company |
| “Similar Chemical Products” | the biodiesel and chemical products with the same or substantial similar specifications with the Chemical Products |

DEFINITIONS

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|------------------------|--|
| “Trading Database” | as part of the internal control procedures of the Company, a trading database set up on 1 July 2015 updated on a daily basis which contains information in relation to (i) the current market price (including the purchase and selling prices) extracted from Sublime China Information; and (ii) historical transaction data of all the products sold by the Company (including information relating to the Similar Chemical Products) (if any). |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Xiamen Ocean Star” | 廈門海之星航運有限公司 (Xiamen Ocean Star Shipping Company Limited*), a company established in the PRC |
| “Xiamen Yuhua Energy” | 裕華能源(廈門)有限公司 (Xiamen Yuhua Energy Company Limited*), a company established in the PRC and is an indirect wholly-owned subsidiary of the Company |
| “Yuhua Energy (China)” | Yuhua Energy (China) Limited, a company incorporated in Hong Kong, an indirect wholly-owned subsidiary of the Company, and formerly known as Fortune Winner (Hong Kong) Limited in the announcement of the Company dated 7 September 2015. Yuhua Energy (China) Limited changes its name from Fortune Winner (Hong Kong) Limited with effect from 8 October 2015 |
| “%” | 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

(formerly known as Shinhint Acoustic Link Holdings Limited 成謙聲匯控股有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2728)

Executive Directors:

Mr. Lin Caihuo (*Chairman of the Board*)

Mr. Wang Enguang

Independent non-executive Directors:

Mr. Liu Yang

Mr. Lum Pak Sum

Mr. Zhang Jiping

Registered office:

Cricket Square

Hutchins Drive, P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Head office and principal place of
business in Hong Kong:*

Unit 1105, 11th Floor

Jubilee Centre

18 Fenwick Street

Wanchai, Hong Kong

3 November 2015

To the Independent Shareholders

Dear Sir or Madam,

- (1) CONTINUING CONNECTED TRANSACTION –
SUPPLY OF CHEMICAL PRODUCTS**
- (2) DISCLOSEABLE AND CONNECTED TRANSACTION –
ACQUISITION OF PROPERTIES**
- (3) PROPOSED RE-ELECTION OF DIRECTOR
AND**
- (4) NOTICE OF EGM**

INTRODUCTION

Reference is made to the announcement of the Company dated 7 September 2015 in relation to, among other things, the Sale and Purchase Framework Agreement and the Acquisition Agreements.

LETTER FROM THE BOARD

On 7 September 2015 (after trading hours), Yuhua Energy (China) (as supplier) and Fujian Yuhua Petrochemical and Fujian Yuhua Energy (as purchasers) entered into the Sale and Purchase Framework Agreement, pursuant to which Yuhua Energy (China) conditionally agreed to supply the Chemical Products to Fujian Yuhua Petrochemical and Fujian Yuhua Energy (or any one or more of their subsidiaries) commencing from the effective date of the Sale and Purchase Framework Agreement and ending on 31 December 2017.

In addition, on 7 September 2015 (after trading hours), Xiamen Yuhua Energy (as purchaser) entered into the Acquisition Agreements with Xiamen Ocean Star (as vendor) (as supplemented by two supplemental agreements entered into on the same date), pursuant to which Xiamen Ocean Star conditionally agreed to sell and Xiamen Yuhua Energy conditionally agreed to acquire the Properties at a total consideration of RMB88,741,660.

Reference is also made to the announcement of the Company dated 15 July 2015 in respect of, among other things, the appointment of Mr. Zhang Jiping as an independent non-executive Director.

The purpose of this circular is to provide, among other things, (i) details of the Sale and Purchase Framework Agreement and the proposed annual caps to be proposed at the EGM, and the Acquisition Agreements; (ii) the recommendations from the Independent Board Committee to the Independent Shareholders in relation to the Sale and Purchase Framework Agreement and the proposed annual caps to be proposed at the EGM and the Acquisition Agreements; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) the property valuation report of the Properties; (v) further information regarding the re-election of Director; and (vi) a notice of the EGM.

CONTINUING CONNECTED TRANSACTION

Sale and Purchase Framework Agreement

| | |
|----------|--|
| Date: | 7 September 2015 (after trading hours) |
| Parties: | (1) Yuhua Energy (China) (as supplier) (2) Fujian Yuhua Petrochemical and Fujian Yuhua Energy (as purchasers) |
| Term: | Commencing from the effective date of the Sale and Purchase Framework Agreement to 31 December 2017 |

LETTER FROM THE BOARD

Subject Matter

Pursuant to the Sale and Purchase Framework Agreement, Yuhua Energy (China) conditionally agreed to supply the Chemical Products to Fujian Yuhua Petrochemical and Fujian Yuhua Energy (or any one or more of their subsidiaries). The parties to the Sale and Purchase Framework Agreement shall enter into separate individual agreement for each transaction under and in accordance with the terms and conditions of the Sale and Purchase Framework Agreement.

Pursuant to the Sale and Purchase Framework Agreement, Yuhua Energy (China) shall mainly supply Chemical Products such as biodiesel, xylene, ethylene glycol, PTA and petroleum coke to Fujian Yuhua Petrochemical and Fujian Yuhua Energy respectively.

Payment Term

The purchase price will be settled by Fujian Yuhua Petrochemical and/or Fujian Yuhua Energy in cash within 30 days upon receipt of the Chemical Products from Yuhua Energy (China) for each transaction.

Pricing Basis

The Company will only purchase the relevant Chemical Products from its suppliers upon receiving purchase orders from the potential customers on the basis that it complies with the Company's internal pricing policy.

As agreed between the parties to the Sale and Purchase Framework Agreement, the selling price of the Chemical Products will be calculated by a mark-up in a range of 0.5% to 2.0% based on the Original Purchase Price. The Company will make reference to:

- (1) the selling price of the Similar Chemical Products provided by two to three Independent Third Parties during the same period;
- (2) other major terms in the sale and purchase agreement of selling Similar Chemical Products from the Independent Third Parties to Fujian Yuhua Petrochemical and Fujian Yuhua Energy during the same period. The other major terms include but not limited to: (a) quality of goods to be delivered, taking into account of factors such as the guarantee of outer moisture, inner moisture, ash content, fixed carbon, volatile matter, heating value and total sulphur of Similar Chemical Products; (b) delivery terms including cost, insurance & freight, method of delivery and time of delivery; (c) quantity of goods agreed to be sold; and (d) costs of inspection and by whom it should be borne; and
- (3) the pricing information contained in the Trading Database.

LETTER FROM THE BOARD

When determining whether to accept the purchase order of the relevant Chemical Products from Fujian Yuhua Petrochemical and/or Fujian Yuhua Energy, the Company will compare the following:

- (1) the mark-up between selling the Similar Chemical Products to Fujian Yuhua Petrochemical and Fujian Yuhua Energy with that to the Independent Third Parties during the same period; and
- (2) the selling price of the Similar Chemical Products to Fujian Yuhua Petrochemical and Fujian Yuhua Energy, with that to the Independent Third Parties.

The Trading Database contains pricing information in relation to (i) the current market price (including the purchase and selling prices) of the Chemical Products extracted from Sublime China Information; and (ii) historical transaction data of the Chemical Products sold by the Company (if any).

The Company shall use the historical transaction data for the most recent month as comparative figures. Since the setting up of the Trading Database, the Company has not yet commenced its sales of Chemical Products. As a result, the Company has sourced comparable market data from Sublime China Information (commodity pricing platform) for reference and as comparative figures in building its Trading Database. The Trading Database at present contains pricing information collected from Sublime China Information and is updated on a daily basis.

When the Company commences its sales of the Chemical Products in the future, the Company will also record the historical transaction data into its Trading Database for reference.

Sublime China Information was first established in 2004 and is the leading website for information on the PRC commodities. It covers data and pricing information for a wide range of industrial products such as energy, chemicals, plastics metals, construction materials, etc.

It cooperates with the National Bureau of Statistics of the PRC (the “Bureau”) and to publish the data jointly. Certain government departments such as the PRC Customs, will obtain the data from Sublime China Information and conduct analysis thereof so as to supervise the market development.

The pricing information in Sublime China Information is derived from the information provided by various market participants (such as production factories, downstream user, traders etc), which reflects the range of actual transaction prices before the closing time on each trading day. It also provides the highest price, the lowest price and the average price for reference.

LETTER FROM THE BOARD

Accordingly, the Directors consider that Sublime China Information has a reliable market-recognised source for obtaining the relevant pricing information of the Chemical Products.

The Company shall continue to build and develop its Trading Database and record all pricing information of all Chemical Products sold by the Group in the future.

The Company will not accept purchase order from Fujian Yuhua Petrochemical and Fujian Yuhua Energy if the selling price is lower than the comparative figures derived from the Trading Database as set out above.

The Company will not supply Chemical Products if the pricing information of such Chemical Products cannot be sourced from Sublime China Information.

The Company has established internal control measures so as to ensure that the transactions under the Sale and Purchase Framework Agreement are in accordance with the pricing policies and the terms of the Sale and Purchase Agreement and accordingly the selling price of the Chemical Products are on normal commercial terms or on terms no less favourable than those terms offered by the Group to Independent Third Parties for Similar Chemical Products in its ordinary and usual course of business during the same period. Such internal control measures employed by the Company include the following:

1. The Company has an internal pricing policy manual in place to guide the sales of Chemical Products and its pricing basis. The management of the Company will make reference to the Trading Database maintained by the Sales Department. The Sales Department shall regularly conduct market research in order to estimate and determine the current market price for the same or substantially similar products offered by the competitors of the Company, and will update the Trading Database on a daily basis for the price, payment terms and other relevant information (including but not limited to the transaction date, the parties to the transactions, and the products supplied by the Group and the competitors for similar transactions).
2. All the products to be sold by the Company (including those selling to Fujian Yuhua Energy and Fujian Yuhua Petrochemical, and that to the Independent Third Parties) shall be subject to the same internal pricing procedures.
3. After receiving the enquiry from the potential customers, the Sales Department will, in accordance with the selling price that the potential customers can accept, and with reference to the Trading Database, evaluate the type of products enquired and their original purchase price from the Group's suppliers which are Independent Third Parties. The Sales Department will also evaluate all the estimated costs for provision of the products enquired, including logistics, handling, duties and other fees. The Sales Department will then negotiate with the potential customer in good faith and determine the selling prices, with reference to the Trading Database and also based on pricing terms no more favourable than those normally applicable for sales by the

LETTER FROM THE BOARD

Group to the Independent Third Parties and also to take into account reasonable profit margin. In finalizing the actual selling price and as there is no historical amount of any similar previous transactions available for the Trading Database as of the Latest Practicable Date, the Company will initially use the average daily price of the Chemical Products listed on Sublime China Information for the last trading date immediately preceding to estimate and determine the current market price for the same or substantially similar products offered by the competitors of the Company. Upon the Company's commencement of its sales of the Chemical Products, the Company shall compare, amongst others, the average daily price of the Chemical Products for the last trading date immediately preceding and also the historical transaction data for the last 30 trading days (if any), the higher of which shall be used for determining the actual selling price.

The Company considers that a mark-up of approximately 0.5% to 2% is consistent with the Company's sales policy and upon satisfaction of such condition, the Sales Department shall then make a recommendation as to the selling price to the Internal Control Department for their further review and approval.

4. Upon receiving the recommended selling price, the Internal Control Department will then consider the recommended selling price by reference to:
 - (i) (a) reviewing the current average market price of the same or substantially similar products through the Trading Database; and (b) assessing current market condition and conduct independent market research to verify the reasonableness of the data collected in its Trading Database.
 - (ii) evaluate reasonable costs and profit margin;
 - (iii) historical selling prices;
 - (iv) in the event that the recommended selling price is accepted by the potential customers, to consider the transaction itself together with the historical aggregate consideration paid to the Company and to ensure that the applicable annual caps will not be exceeded.
 - (v) to ensure that the terms of the relevant sale and purchase agreement shall be on normal commercial terms on terms no less favourable than those terms offered by the Group to Independent Third Parties for similar Chemical Products in its ordinary and usual course of business and are fair and reasonable.

LETTER FROM THE BOARD

5. Upon review and approval of the Internal Control Department of the Company, the recommended selling price will pass to the members of the senior management of the Sales Department (which shall not be Mr. Lin and/or his associate(s) for connected transactions) for final approval. Upon final approval, the recommended selling price will be sent to the potential customers for confirmation.
6. If the recommended selling price is accepted by the potential customers, a member of the senior management of the Sales Department (other than Mr. Lin and/or his associate(s) for connected transactions) will enter into the relevant sale and purchase agreement for and on behalf of the Group with the potential customers.

Proposed Annual Caps and Basis of Determination

Since the sale of Chemical Products is a new type of transaction for the Group, there was no historical amount of any similar previous transactions available for the purpose of determining the proposed annual caps.

The proposed annual caps for the sale and purchase of the Chemical Products under the Sale and Purchase Framework Agreement for the three financial years ending 31 December 2015, 2016 and 2017 are set out as follows:

| | Proposed annual caps for the financial years ending 31 December | | |
|--------------------------------|--|----------------|----------------|
| | 2015 | 2016 | 2017 |
| Proposed annual cap amounts | RMB100,000,000 | RMB300,000,000 | RMB300,000,000 |

The above proposed annual caps have been determined with reference to (i) the expected purchase volume of the Chemical Products by Fujian Yuhua Petrochemical and Fujian Yuhua Energy; (ii) the average historical market price of the Chemical Products in August 2015; (iii) the current market conditions in relation to the sale of Chemical Products; (iv) the business plans of the Group; and (v) the delivery schedules for the potential transactions under the Sale and Purchase Framework Agreement.

The expected purchase volume is calculated with reference to the historical purchase volume of the Chemical Products by Fujian Yuhua Petrochemical and Fujian Yuhua Energy for the year 2014. The historical average market prices of the Chemical Products were sourced from the comparable market prices extracted for the month August 2015 from Sublime China Information, a commodity pricing platform.

LETTER FROM THE BOARD

The comparable pricing information sourced by the Company from Sublime China Information for August 2015 are set out as follows:

August 2015

| | Quantity (tonnes) | Unit Price (RMB) | Highest (RMB) | Lowest (RMB) | Total price (RMB) |
|-----------------|----------------------|---------------------|------------------|-----------------|----------------------|
| Biodiesel | 3500 | 4,575 | 4,900 | 4,200 | 16,012,500.00 |
| PTA | 100 | 4,423 | 4,540 | 4,080 | 442,305.00 |
| Petroleum Coke | 90000 | 825 | 860 | 790 | 74,250,000.00 |
| Ethylene glycol | 230 | 5,846 | 6,450 | 5,200 | 1,344,637.50 |
| Xylene | 100 | 5,509 | 5,750 | 5,250 | 550,875.00 |
| Total | | | | | <u>92,600,317.50</u> |

Further, based on the total purchase amount of approximately RMB4 billion in 2014, and the proposed annual caps for the purchase amount of the Chemical Products from the Group for the financial years ending 31 December 2015, 2016 and 2017 of RMB100 million, RMB300 million and RMB300 million, respectively, the expected purchase amount to be supplied by the Group to Fujian Yuhua Petrochemical and/or Fujian Yuhua Energy only represents a small portion of their total purchase amount of the Chemical Products in 2014.

The Company wishes to build up this new business by establishing good working relationship with the suppliers through entering into the Sale and Purchase Framework Agreement with Fujian Yuhua Petrochemical and Fujian Yuhua Energy. The Company considers it as a good opportunity to open up sales channel for the business in the future and that the Company will gradually be able to source its own clients, expand its client base and thus reducing its reliance on the conduct of continuing connected transactions with Fujian Yuhua Petrochemical and Fujian Yuhua Energy.

The annual cap for the year ended 31 December 2015 accounts for only one-third of the annual caps for the years ended 31 December 2016 and 2017, respectively. Supply of Chemical Products is a newly established business segment of the Group and since three quarters of the year 2015 has already passed and taking into account factors such as the expected demand for the remaining three months of 2015, the Company has proposed the annual cap for the year ended 31 December 2015 as one-third of the annual cap for the year ended 31 December 2016 and 2017, respectively. The proposed annual caps for the sale of Chemical Products have been determined with reference to a number of factors as mentioned above.

LETTER FROM THE BOARD

The Directors are of the view that the proposed annual caps of the transactions contemplated under the Sale and Purchase Framework Agreement are fair and reasonable, and are in the interest of the Company and the Shareholders as a whole.

Conditions Precedent

The completion of the Sale and Purchase Framework Agreement is subject to the Company obtaining all necessary or appropriate approvals, authorisations, confirmation, consents and licences required under the Listing Rules, including but not limited to approval of the Independent Shareholders by way of poll at the EGM for the Sale and Purchase Framework Agreement, the transactions contemplated thereunder and the proposed annual caps.

If the conditions precedent have not been fulfilled by 31 December 2015, the parties to the Sale and Purchase Framework Agreement agree to postpone its effective date to 30 June 2016 (or such other date as the parties to the Sale and Purchase Framework Agreement may otherwise agree in writing).

The Group has no intention to supply Chemical Products to Fujian Yuhua Petrochemical and/or Fujian Yuhua Energy from the Latest Practicable Date to the date of the EGM.

Historical Transaction

As at the Latest Practicable Date, no historical transaction is available in relation to the supply of the Chemical Products from the Group to either Independent Third Parties or connected persons.

Reliance on Fujian Yuhua Petrochemical and Fujian Yuhua Energy

As at 31 August 2015, the Group's energy trading tax-free income amounted to a total of RMB1.5 billion, and the amount for the year ending 31 December 2015 is expected to reach approximately RMB3 billion.

The revenue and asset ratios are calculated based on the Company's audited financial figures as at 31 December 2014. The Company commenced its energy trading business in December 2014 and therefore the financial information as at 31 December 2014 only included the revenue generated by the Group from its new energy trading business for less than a month, which accounted for approximately 6.2% of the total revenue of the Group for the year ended 31 December 2014.

LETTER FROM THE BOARD

As disclosed in the interim report of the Company for the six months ended 30 June 2015, due to the rapid expansion of the energy trading business, (i) the consolidated revenue of the Group reached approximately HK\$1,068.92 million out of which the revenue from energy trading business amounted to approximately HK\$822.17 million; and (ii) the total assets of the Group amounted to approximately HK\$665.60 million. On a pro rata basis, the Group's consolidated revenue would amount to HK\$2,137.84 million for the year ending 31 December 2015.

Based on the Group's total revenue of HK\$1,068.92 million for the six months ended 30 June 2015 and total assets of HK\$665.60 million as at 30 June 2015 as well as the maximum annual cap of RMB300 million, the revenue and assets ratios would be 35.10% and 56.34%, respectively. It is expected that the rapid growth of the Group's energy trading business will continue and the revenue ratio will decrease to less than 20% based on the estimated revenue of the Group of HK\$2,137.84 million for the year ending 31 December 2015. Taking into account the aforesaid and the sales contributions from Fujian Yuhua Petrochemical and/or Fujian Yuhua Energy as referred to on page 14 of this circular, the Directors are of the view that the continuing connected transactions under the Sale and Purchase Framework Agreement would not result in the Group's excessive reliance on Fujian Yuhua Petrochemical and/or Fujian Yuhua Energy as a single customer.

The supply of Chemical Products is a newly established business of the Group and the Company aims to expand the customer base of its trading business through its expansion into trading of the Chemical Products and entering into the Sale and Purchase Framework Agreement with Fujian Yuhua Petrochemical and Fujian Yuhua Energy. In order to further expand its customer base and reduce its reliance on Fujian Yuhua Petrochemical and/or Fujian Yuhua Energy, the management of the Group will (i) attend industry conferences and exhibitions to make new acquaintances and potential customers; (ii) gain access to industry information websites and as well as PRC and international business forums to connect to potential customers; (iii) contact potential customers recommended by peers or existing customers; and (iv) sponsor relevant activities in order to gain public awareness, aiming to promote own brand and enhance own brand value.

LETTER FROM THE BOARD

Sales Contributions from Fujian Yuhua Petrochemical and Fujian Yuhua Energy

The Company currently has approximately 28 customers for its energy trading business. Details of the Group's top five customers for its energy trading business and the sales amount to each of them for the eight months ended 31 August 2015 are set out as follows:

- a. Customer A: approximately RMB415,577,000.
- b. Customer B: approximately RMB264,936,000.
- c. Customer C: approximately RMB173,471,000.
- d. Customer D: approximately RMB158,120,000.
- e. Customer E: approximately RMB130,938,000.

Accordingly, as at 31 August 2015, the total contribution of the sales amount to the top five customers to the Company's revenue from the energy trading business is approximately RMB1,143,042,000 or 75%.

The above-mentioned top five customers are third parties independent of the Company and its connected persons.

Since energy prices are associated closely with market conditions and for risk control concerns, the Group has not entered into any long-term binding contract with each of the top five customers in respect of future sales.

On the basis that the expected consolidated revenue from the energy trading business for the three years ending 31 December 2017 would amount to RMB3 billion, RMB10 billion and RMB10 billion, respectively, and the total sales to Fujian Yuhua Petrochemical and Fujian Yuhua Energy for the corresponding financial years would amount to RMB100 million, RMB300 million and RMB300 million, respectively, the expected contribution of the sales from Fujian Yuhua Petrochemical and Fujian Yuhua Energy to the total sales of the Group for the three years ending 31 December 2017 would be approximately 3.0%, 3.0% and 3.0% respectively.

LETTER FROM THE BOARD

The sales amount under the Sales and Purchase Framework Agreement would be included in the related party transactions of the Company as Fujian Yuhua Petrochemical and Fujian Yuhua Energy are regarded as related parties of the Company under the HKFRS.

The Group cooperates with Fujian Yuhua Petrochemical and Fujian Yuhua Energy in relation to the supply of Chemical Products such as biodiesel, xylene, ethylene glycol, PTA and petroleum coke. Yuhua Energy (China) acts as the supplier of Chemical Products, while Fujian Yuhua Petrochemical and Fujian Yuhua Energy are the customers. Continuing connected transactions are expected to be carried out after all the relevant approvals are obtained.

DISCLOSEABLE AND CONNECTED TRANSACTION

Acquisition Agreements

- Date: 7 September 2015 (after trading hours)
- Parties: (1) Xiamen Yuhua Energy (as purchaser)
- (2) Xiamen Ocean Star (as vendor)

Assets to be Acquired

The Properties are located at levels 2 to 7 of 海之星國際營運中心 (Ocean Star International Operation Center*) at 中國福建省廈門海滄區05-13保稅港區海景路東段 (the east session of Haijing Road, 05-13 Free Trade Port Zone, Haicang District, Xiamen, Fujian Province, PRC*) with a total gross floor area of approximately 6,338.69 square metres. The Land was acquired by Xiamen Ocean Star on 18 March 2013. The historical cost invested by Xiamen Ocean Star in the Properties for development was approximately RMB63,386,900.

Ocean Star International Operation Center is currently under construction and is expected to be completed by June 2016. On 22 July 2015, 廈門市國土資源與房產管理局 (Xiamen Municipal Bureau of Land Resources and Real Estate Management*) has granted the Pre-sale Permit for Ocean Star International Operation Center.

It is the intention of the Company that the Properties will be used as investment properties for rental purpose.

LETTER FROM THE BOARD

PRC Legal Opinion

Pursuant to the legal opinion issued by an independent PRC lawyer of the Company for the Acquisitions, among other things:

- (1) 廈門市國土資源局海滄分局 (Xiamen Land and Resources Administrative Bureau Haicang Branch*), as grantor, has granted the land use rights of the Land with a site area of 12,272.689 square metres to Xiamen Ocean Star for commercial use at a land premium of RMB50,000,000;
- (2) The land premium and deed tax have been fully settled by Xiamen Ocean Star;
- (3) The land use rights of the Land are held by Xiamen Ocean Star for a term commencing on 18 March 2013 and expiring on 17 March 2063 for office use. The transfer, leasing and mortgaging of the subject land parcel are subject to the conditions as stated in the 廈門市國有建設用地使用權出讓合同 (Xiamen Grant Contract for State-owned Construction Land Use Rights*);
- (4) 廈門市海滄區發展和改革局 (Xiamen City Haicang District Development and Reform Bureau*) has permitted the filing of the development scheme of Ocean Star International Operation Center;
- (5) 廈門市環境保護局海滄分局 (Xiamen City Environment Protection Bureau Haicang Branch*) has approved the development of Ocean Star International Operation Center;
- (6) The proposed use (as office) and proposed scale (gross floor area of 51,966.405 square metres) and the carrying out of construction work of the development of Ocean Star International Operation Center has been approved; and
- (7) The Land is subject to a mortgage with Bank of Communications Co., Ltd with a principal amount of RMB125 million over a loan period from 30 July 2014 to 30 July 2019.

For (7) abovementioned, the Company was informed that Xiamen Ocean Star will discharge the mortgage related to the Properties on or before 31 December 2015.

LETTER FROM THE BOARD

Consideration

Pursuant to the Acquisition Agreements, the Consideration of RMB88,741,660 (equivalent to approximately HK\$106,489,992), which has been arrived at after arm's length negotiations between Xiamen Yuhua Energy and Xiamen Ocean Star and was determined with reference to the valuation of the Properties of RMB89,000,000 (equivalent to approximately HK\$106,800,000) valued by an independent professional valuer, represents a discount of approximately 0.3% to the valuation of the Properties. The Consideration does not cover the fees to be paid to the government departments and other institutions. The Consideration also does not cover the costs to be paid by Xiamen Yuhua Energy at the time when the Properties are delivered to Xiamen Yuhua Energy, which includes (but not limited) special maintenance fund and electricity fee deposit.

Below is the breakdown of the consideration payable of each level of the Properties:

| Level | Gross floor area <i>(approximately sq.m.)</i> | Unit price <i>(approximately RMB/sq.m.)</i> | Consideration <i>(approximately RMB)</i> |
|-------------------------|---|---|--|
| 2 (4 rooms) | 676.11 | 14,000 | 9,465,540 |
| 3 (7 rooms) | 1,130.18 | 14,000 | 15,822,520 |
| 4-7 (8 rooms each) | <u>4,532.40</u> | 14,000 | <u>63,453,600</u> |
| Total for levels 2 to 7 | <u><u>6,338.69</u></u> | | <u><u>88,741,660</u></u> |

The Consideration will be settled by Xiamen Yuhua Energy by cash in instalments in accordance with the terms of the Acquisition Agreements as set out in the following schedule:

Level 2

| Time | Payment |
|-------------------------------|--|
| On or before 31 December 2015 | 30% of the consideration for level 2, being RMB2,839,662 |
| On or before 10 January 2016 | 30% of the consideration for level 2, being RMB2,839,662 |
| On or before 20 January 2016 | 40% of the consideration for level 2, being RMB3,786,216 |

LETTER FROM THE BOARD

Level 3

| Time | Payment |
|-------------------------------|--|
| On or before 31 December 2015 | 30% of the consideration for level 3, being RMB4,746,756 |
| On or before 10 January 2016 | 30% of the consideration for level 3, being RMB4,746,756 |
| On or before 20 January 2016 | 40% of the consideration for level 3, being RMB6,329,008 |

Levels 4 – 7

| Time | Payment |
|-------------------------------|--|
| On or before 31 December 2015 | 30% of the consideration for levels 4 to 7, being RMB19,036,080 in aggregate (<i>Note</i>) |
| On or before 10 January 2016 | 30% of the consideration for levels 4 to 7, being RMB19,036,080 in aggregate (<i>Note</i>) |
| On or before 20 January 2016 | 40% of the consideration for levels 4 to 7, being RMB25,381,440 in aggregate |

Note: The payment schedule of the Consideration was disclosed in the announcement of the Company dated 7 September 2015. The Company wishes to clarify that, 30% of the consideration for levels 4 to 7, being RMB19,036,080 in aggregate, shall be paid on or before 31 December 2015 and another 30% of the consideration for levels 4 to 7, being RMB19,036,080 in aggregate, shall be paid on or before 10 January 2016 (as opposed to RMB19,636,080 and RMB19,636,080 as disclosed in the said announcement).

It is the intention of the Group to finance the Acquisitions by way of its internal resources, fund raising activities and/or bank borrowing, if necessary.

LETTER FROM THE BOARD

Overdue Payment of the Consideration

If Xiamen Yuhua Energy fails to settle the consideration under each of the Acquisition Agreements within the applicable prescribed time for payment, in the event that the payment is made within 90 days after the applicable prescribed time for payment, Xiamen Yuhua Energy shall pay Xiamen Ocean Star on a daily basis the amount equivalent to 0.005% of the amount payable as penalty for such failure, calculated from the second day after the applicable prescribed time for payment to the day where the total amount payable is settled.

If the payment is overdue more than 90 days after the applicable prescribed time for payment, and Xiamen Yuhua Energy still fails to settle such payment within five days after Xiamen Ocean Star serving a written notice to Xiamen Yuhua Energy, Xiamen Ocean Star is entitled to terminate the relevant Acquisition Agreement:

- (1) In the event that Xiamen Ocean Star terminates the relevant Acquisition Agreement, Xiamen Yuhua Energy shall pay Xiamen Ocean Star an amount equivalent to 1% of the amount payable on an accrued basis as penalty for such failure;
- (2) In the event that Xiamen Ocean Star does not terminate the relevant Acquisition Agreement, Xiamen Yuhua Energy shall pay Xiamen Ocean Star on a daily basis an amount equivalent to 0.01% of the amount payable as penalty for such failure, calculated from the second day after the applicable prescribed time for payment to the day where the total amount payable is settled.

In the event that Xiamen Yuhua Energy applies for bank mortgages in order to settle the consideration under each of the Acquisition Agreements, if the approved mortgage loans are less than the amount requested, Xiamen Yuhua Energy shall settle the difference between the approved mortgage loans and the amount requested within 5 days after the relevant bank or Xiamen Ocean Star serves a relevant notice to it.

Conditions Precedent

The completion of the Acquisitions is subject to the following conditions precedent:

1. Xiamen Ocean Star shall obtain prior consent from Bank of Communications Co., Ltd Xiamen Branch before selling the Properties to Xiamen Yuhua Energy;
2. Xiamen Ocean Star has passed the completion inspection and acceptance (竣工验收合格) and passed the fire acceptance (消防验收合格) for the Properties before 17 March 2017;

LETTER FROM THE BOARD

3. The facilities, including drainage, electricity, pipeline gas, telecommunications, cable television, fire control and postbox of the buildings of the Properties has met the design requirement of Ocean Star International Operation Center before 17 March 2017;
4. All the public supporting buildings and basic facilities including community internal roads, greening, outdoor lighting, fire control, environmental hygiene and other business and social services and management have completed in accordance with the planning and design requirements before 17 March 2017. For those works of Ocean Star International Operation Center which shall be completed by phases, they shall be so completed pursuant to the planning and design requirements, and a valid isolation facility and construction safety facility shall be set up between the Properties and the construction site before 17 March 2017;
5. the Company has obtained all necessary or appropriate approvals, authorisations, confirmation, consents and licences required under the Listing Rules, including but not limited to the approval of the Acquisition Agreement and the transactions contemplated thereunder by the Independent Shareholders;
6. the gross floor area of the Properties shall not exceed 60% of the total gross floor area of the office portion of the Land; and
7. Xiamen Ocean Star has obtained prior approval from Xiamen Land and Resources Administrative Bureau Haicang Branch and Xiamen City Haicang District Economic and Trade Bureau.

If the conditions precedent have not been fulfilled by 17 March 2017, Xiamen Yuhua Energy is entitled to terminate the Acquisition Agreements.

Upon completion of the Acquisition Agreements, the Company is required to register with the Housing Bureau in order to obtain the building ownership certificates. However, such condition is not included as one of the conditions precedent of the completion of the Acquisitions under the Acquisition Agreements. Pursuant to the legal opinion issued by an independent PRC lawyer of the Company for the Acquisitions:

1. The Company will be able to obtain the building ownership certificate upon the signing of the Acquisition Agreement and provided that (i) all relevant conditions precedent are fulfilled; (ii) all requirements under the relevant laws and regulations are satisfied; and (iii) all permits have been obtained by the Company.

LETTER FROM THE BOARD

2. The Company will not have any obstacle in obtaining building ownership certificates.

The Company confirms that the conditions precedent of the Acquisition Agreements set out above are yet to be fulfilled as at the Latest Practicable Date. The Company expects that all conditions precedent will be fulfilled shortly after obtaining the Stock Exchange's approval and the shareholders' approval at the upcoming EGM.

Failure of Delivery of Properties

In the event that Xiamen Ocean Star fails to deliver the Properties within 90 days after 17 March 2017, Xiamen Ocean Star shall pay Xiamen Yuhua Energy on a daily basis the amount equivalent to 0.005% of the amount already paid by Xiamen Yuhua Energy, calculated from the second day after the applicable prescribed time for delivery of the Properties to the day where the Properties are delivered to Xiamen Yuhua Energy.

If Xiamen Ocean Star fails to deliver the Properties more than 90 days after 17 March 2017, Xiamen Yuhua Energy is entitled to terminate the relevant Acquisition Agreement, and if so, Xiamen Ocean Star shall return the entire amount paid within 60 days after Xiamen Yuhua Energy serving the notice of termination to Xiamen Ocean Star, together with an amount equivalent to 1% of the entire amount paid as penalty for such failure.

Despite the failure of delivery of the Properties for more than 90 days, in the event that Xiamen Yuhua Energy does not terminate the relevant Acquisition Agreement, Xiamen Ocean Star shall pay Xiamen Yuhua Energy on a daily basis an amount equivalent to 0.01% of the amount paid by Xiamen Yuhua Energy, calculated from the second day after the applicable prescribed time for delivery of the Properties to the day where the Properties are delivered to Xiamen Yuhua Energy.

The amount of each of the aforesaid accumulated penalty shall not exceed 3% of the amount paid by Xiamen Yuhua Energy.

Other Significant Terms

1. Xiamen Ocean Star guarantees that there is no right to mortgage, disputes in property rights and other claims and liabilities dispute on the Properties upon delivery. In the event that due to whatever reasons by Xiamen Ocean Star, the Properties fail to complete the registration and filing of the Acquisition Agreements, repay the mortgage loan, make advanced registration, make property right registration on time, or there are claims and liabilities dispute on the Properties, Xiamen Ocean Star shall be held fully liable for the above failure or claims and liabilities.

LETTER FROM THE BOARD

2. Xiamen Ocean Star shall apply to the local property ownership registration bodies for 房屋所有權初始預登記 (Property Ownership Preliminary Advance Registration*) within 60 days after delivery of the Properties, and provide all required information for property right registration to Xiamen Yuhua Energy.
3. Within 30 days of the signing date, Xiamen Ocean Star/Xiamen Yuhua Energy shall apply for prior registration to 廈門市國土資源與房產管理局 (Xiamen Municipal Bureau of Land Resources and Real Estate Management*).
4. For the pre-sale Properties, Xiamen Ocean Star shall apply for registration of the Acquisition Agreements to 廈門市國土資源與房產管理局 (Xiamen Municipal Bureau of Land Resources and Real Estate Management*) within 30 days upon the Acquisition Agreements becoming effective.

Intention of Disposing /Scale down Existing Business or Assets

The Company is not involved in any discussion or negotiation to, or has any intention to, dispose of or scale down any of its existing business or assets.

REASONS FOR AND BENEFITS OF ENTERING INTO OF THE SALE AND PURCHASE FRAMEWORK AGREEMENT AND THE ACQUISITION AGREEMENTS

The Sale and Purchase Framework Agreement

The Group is principally engaged in trading and manufacturing of speaker units and provision of consultancy services in connection with research and development of headphones and speaker products. The Group has established a business strategy to explore potential investment opportunities and diversify its business to enhance the Shareholders' value. Among other potential opportunities, the Company has strived to identify, including but not limited to, businesses which can generate stable income. The development of energy trading (including but not limited to fuel oil, oil and natural gas and the Chemical Products (collectively, the "Products") will enable the Group to achieve such goal. The Directors consider that the entering into of the Sale and Purchase Framework Agreement is for the benefit of the Group as it will enable the Group to have continuous and stable source of income generated from the sale of the Products at a competitive price which is essential to the Group's development of business.

LETTER FROM THE BOARD

The Acquisition Agreements

The Group intends to hold the Properties for investment purpose and will, depending on the market circumstances, lease out the Properties after completion of the Acquisitions for obtaining rental income. The Directors consider that the Acquisitions represent an attractive investment opportunity to the Group as the Properties are offered at a slight discount and at par with the valuation. It is expected that the Acquisition will broaden the income base of the Group.

The Directors (excluding the independent non-executive Directors who will express their views after taking into account the advice from TC Capital) consider that the Sale and Purchase Framework Agreement and the Acquisition Agreements were entered into on normal commercial terms or on terms no less favourable to the Company than those available to Independent Third Parties and in the ordinary and usual course of business of the Group, and that the terms and the annual caps under the Sale and Purchase Framework Agreement are fair and reasonable for the Group and in the interests of the Shareholders as a whole.

As Mr. Lin is considered to have material interest in the Sale and Purchase Framework Agreement, the Acquisition Agreements and the transactions contemplated thereunder, he had abstained from voting on the board resolutions approving the Sale and Purchase Framework Agreement and the proposed annual caps, the Acquisition Agreements and the transactions contemplated thereunder.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, no other Shareholder (other than Mr. Lin and his associate(s)) has any material interest in the Sale and Purchase Framework Agreement, the Acquisition Agreements and the transactions contemplated thereunder who is required to abstain from voting on the relevant resolutions to be proposed at the EGM to approve the Sale and Purchase Framework Agreement and the proposed annual caps, the Acquisition Agreements and the transactions contemplated thereunder.

Information on the Parties

Yuhua Energy (China) is a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company. It is principally engaged in the operation of oil trade center in Hong Kong.

Xiamen Yuhua Energy is a company established in the PRC and is an indirect wholly-owned subsidiary of the Company. It is principally engaged in the operation of oil trade center in the PRC.

LETTER FROM THE BOARD

Fujian Yuhua Energy is a company established in the PRC and is owned by (Fujian Yuhua Group Limited*) 福建裕華集團有限公司. It is principally engaged in the wholesaling of dangerous chemicals and petroleum products, as well as retail of refined oil.

Fujian Yuhua Petrochemical is a company established in the PRC and is owned by (Fujian Yuhua Group Limited*) 福建裕華集團有限公司. It is principally engaged in the trading, wholesale and retail of diesel, gasoline, kerosine, transportation of dangerous goods, importing and exporting trading.

Xiamen Ocean Star is a company established in the PRC and is owned by (Fujian Yuhua Group Limited*) 福建裕華集團有限公司. It is principally engaged in coastal transport of goods, ship management business and the business of real estate development.

Listing Rules Implications

As at the Latest Practicable Date, Mr. Lin is a substantial shareholder, the chairman of the Board and an executive Director. Mr. Lin is also the director and general manager of each of Fujian Yuhua Petrochemical, Fujian Yuhua Energy and Xiamen Ocean Star. In addition, Mr. Lin and his associate(s) wholly-own (Fujian Yuhua Group Limited*) 福建裕華集團有限公司, which in turn wholly-own Fujian Yuhua Petrochemical, Fujian Yuhua Energy and Xiamen Ocean Star. Therefore, each of Fujian Yuhua Petrochemical, Fujian Yuhua Energy and Xiamen Ocean Star is a connected person of the Company. As a result of the above, the entering into of the Sale and Purchase Framework Agreement constitute continuing connected transactions on the part of the Company and the entering into of the Acquisition Agreements constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) for the transactions contemplated under the Sale and Purchase Framework Agreement exceeds 5%, the Sale and Purchase Framework Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, annual review and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition, as one or more of the applicable percentage ratios (as defined under the Listing Rules) for the transactions contemplated under the Acquisition Agreements exceeds 5% but less than 25%, the Acquisitions also constitute discloseable transactions on the part of the Company under the Listing Rules. Such transactions are subject to reporting and announcement requirements under Chapter 14 of the Listing Rules and reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

Independent Board Committee and Independent Financial Adviser

The Independent Board Committee, which comprises all independent non-executive Directors, namely Mr. Liu Yang, Mr. Lum Pak Sum and Mr. Zhang Jiping, has been established to advise the Independent Shareholders as to whether the terms of the Sale and Purchase Framework Agreement and the Acquisition 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. TC Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

PROPOSED RE-ELECTION OF DIRECTOR

Pursuant to Article 86(3), the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director so appointed by the Board shall hold office only until the next following annual general meeting of the Company (in the case of an addition to the existing Board) or until the next following general meeting of the Company (in the case of filling a casual vacancy) and shall then be eligible for re-election.

On 15 July 2015, Mr. Zhang Jiping has been appointed as an independent non-executive Director with effect on the same date. As such, the office of Mr. Zhang Jiping shall end at the EGM and, being eligible, Mr. Zhang Jiping will offer himself for re-election. At the EGM, separate ordinary resolution will be proposed to re-elect Mr. Zhang Jiping as independent non-executive Director.

Biographical details of Mr. Zhang Jiping are set out in Appendix III to this circular.

EGM AND BOOK CLOSURE

The EGM will be convened and held at Basement 2, the Wharney Guang Dong Hotel Hong Kong, 57-73 Lockhart Road, Wanchai, Hong Kong on Friday, 20 November 2015 at 10:30 a.m., for, among other things, considering, and, if thought fit, approving, inter alia, (i) the Sale and Purchase Framework Agreement and the transactions contemplated thereunder, (ii) the proposed annual caps of the Sale and Purchase Framework Agreement; (iii) the Acquisition Agreements and the transactions contemplated thereunder; and (iv) the proposed re-election of Mr. Zhang Jiping as the independent non-executive Director. Save as the resolution in respect of the re-election of Director, Mr. Lin and his associate(s) will abstain from voting at the EGM.

LETTER FROM THE BOARD

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 registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, 17M 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.

The register of members of the Company will be closed from Wednesday, 18 November 2015 to Friday, 20 November 2015 (both days inclusive), during which period no transfer of Shares in the Company will be effected. In order to qualify for attending the EGM, all transfers, accompanied by the relevant share certificates, have to be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 17 November 2015.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on pages 30 to 31 of this circular. The Independent Board Committee, having taken into account the advice from TC Capital, the text of which is set out on pages 32 to 61 of this circular, considers that the Sale and Purchase Framework Agreement and the Acquisition Agreements are entered into upon normal commercial terms following arm's length negotiations between the parties thereto and that the terms of the Sale and Purchase Framework Agreement and the Acquisition Agreements 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 Sale and Purchase Framework Agreement, the annual caps of the Sale and Purchase Framework Agreement, the Acquisition Agreements and the respective transactions contemplated thereunder.

LETTER FROM THE BOARD

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 Sale and Purchase Framework Agreement and the Acquisition Agreements 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 Sale and Purchase Framework Agreement, the annual caps of the Sale and Purchase Framework Agreement, the Acquisition Agreements and the respective transactions contemplated thereunder.

In addition, the Board considers that the proposed re-election of Mr. Zhang Jiping as independent non-executive Directors are in the interests of the Company and the Shareholders as a whole and recommends the Shareholders to vote in favour of the relevant resolution in respect of the re-election of Director.

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
Lin Caihuo
Chairman

* *for identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



YUHUA ENERGY HOLDINGS LIMITED

裕華能源控股有限公司

(formerly known as Shinhint Acoustic Link Holdings Limited 成謙聲匯控股有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2728)

3 November 2015

To the Independent Shareholders

Dear Sir/Madam

**(1) CONTINUING CONNECTED TRANSACTION –
SUPPLY OF CHEMICAL PRODUCTS
(2) DISCLOSEABLE AND CONNECTED TRANSACTION –
ACQUISITION OF PROPERTIES**

We refer to the circular issued by the Company dated 3 November 2015 (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 Sale and Purchase Framework Agreement, the annual caps of the Sale and Purchase Framework Agreement, the Acquisition Agreements and the transactions contemplated thereunder and to advise the Independent Shareholders as to whether the Sale and Purchase Framework Agreement, the annual caps of the Sale and Purchase Framework Agreement, the Acquisition Agreements 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. TC 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 TC Capital, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 32 to 61 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 6 to 29 of the Circular and the additional information set out in the appendices of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the Sale and Purchase Framework Agreement, the proposed annual caps of the Sale and Purchase Framework Agreement, Acquisition Agreements and the transactions contemplated thereunder, and the advice from TC Capital, we consider that the Sale and Purchase Framework Agreement together with its proposed annual caps and the Acquisition Agreements are entered into upon normal commercial terms following arm's length negotiations between the parties thereto, the respective continuing connected and the connected transactions are in the ordinary and usual course of business of the Group, the terms of the Sale and Purchase Framework Agreement and the proposed annual caps of the Sale and Purchase Framework Agreement, and the Acquisition Agreements are fair and reasonable so far as the Independent Shareholders are concerned, and the Sale and Purchase Framework Agreement, proposed annual caps of the Sale and Purchase Framework Agreement and the Acquisition Agreements are in the interests of the interest of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions at the EGM to approve the Sale and Purchase Framework Agreement, the proposed annual caps of the Sale and Purchase Framework Agreement, the Acquisition Agreements and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of

the Independent Board Committee of

Yuhua Energy Holdings Limited

LIU Yang LUM Pak Sum ZHANG Jiping

Independent non-executive Directors

LETTER FROM TC CAPITAL

Set out below is the text of a letter received from TC Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of (i) the Sale and Purchase Framework Agreement and the transactions contemplated thereunder; and (ii) the Acquisition Agreements and the transactions contemplated thereunder.



3 November 2015

*The Independent Board Committee and the Independent Shareholders
Yuhua Energy Holdings Limited*

Dear Sirs,

**(1) CONTINUING CONNECTED TRANSACTION –
SUPPLY OF CHEMICAL PRODUCTS
AND
(2) DISCLOSEABLE AND CONNECTED TRANSACTION –
ACQUISITION OF PROPERTIES**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to (i) the Sale and Purchase Framework Agreement and the transactions contemplated thereunder; and (ii) the Acquisition Agreements and the transactions contemplated thereunder. Pursuant to the Sale and Purchase Framework Agreement, Yuhua Energy (China), being an indirect wholly-owned subsidiary of the Company, conditionally agreed to supply the Chemical Products to Fujian Yuhua Petrochemical and Fujian Yuhua Energy (or any one or more of their subsidiaries) commencing from the effective date of the Sale and Purchase Framework Agreement and ending on 31 December 2017. Whereas, under the Acquisition Agreements, Xiamen Ocean Star conditionally agreed to sell and Xiamen Yuhua Energy, being an indirect wholly-owned subsidiary of the Company, conditionally agreed to acquire the Properties at a total Consideration of RMB88,741,660. Details of the terms of the Sale and Purchase Framework Agreement (including the respective annual caps for the three years ending 31 December 2015, 2016 and 2017 (the “**Annual Cap(s)**”)) and the Acquisition Agreements are set out in the letter from the Board (the “**Board Letter**”) contained in the circular of the Company dated 3 November 2015 issued to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular, unless otherwise specified.

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As at the Latest Practicable Date, Mr. Lin, being a substantial Shareholder, the chairman of the Board and an executive Director, was the director and general manager of each of Fujian Yuhua Petrochemical, Fujian Yuhua Energy and Xiamen Ocean Star. In addition, Mr. Lin and his associate(s) wholly owned (Fujian Yuhua Group Limited*) 福建裕華集團有限公司, which in turn wholly owned Fujian Yuhua Petrochemical, Fujian Yuhua Energy and Xiamen Ocean Star. Therefore, each of Fujian Yuhua Petrochemical, Fujian Yuhua Energy and Xiamen Ocean Star is a connected person of the Company. The entering into of the Sale and Purchase Framework Agreement constitutes a continuing connected transaction on the part of the Company, and the entering into of the Acquisition Agreements constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) for the transactions contemplated under the Sale and Purchase Framework Agreement exceeds 5%, the Sale and Purchase Framework Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition, as one or more of the applicable percentage ratios (as defined under the Listing Rules) for the transactions contemplated under the Acquisition Agreements exceeds 5% but is less than 25%, the Acquisitions also constitute discloseable transactions on the part of the Company under the Listing Rules. Such transactions are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules and the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Mr. Lin is considered to have material interest in the Sale and Purchase Framework Agreement, the Acquisition Agreements and the transactions contemplated thereunder, he had abstained from voting on the board resolutions approving the Sale and Purchase Framework Agreement, the Acquisition Agreements and the transactions contemplated thereunder. In addition, Mr. Lin and his associate(s) will abstain from voting in relation to the resolutions approving the Sale and Purchase Framework Agreement and the Acquisition Agreements and the transactions contemplated thereunder at the EGM.

The Independent Board Committee, comprising Mr. Liu Yang, Mr. Lum Pak Sum and Mr. Zhang Jiping (all being the independent non-executive Directors), has been established to advise the Independent Shareholders as to whether the Sale and Purchase Framework Agreement and the Acquisition Agreements are on normal commercial terms, and the terms of the Sale and Purchase Framework Agreement (including the Annual Caps) and the Acquisition Agreements are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, and to make a recommendation to the Independent Shareholders in respect thereof. We have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

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BASIS OF OPINION

In putting forth our recommendation, we have considered, among other things, the Sale and Purchase Framework Agreement and the Acquisition Agreements and other information as set out in the Circular.

We have also relied on all relevant information, opinions and facts supplied and representations made to us by the Directors and the representatives of the Company. We have assumed that all such information, opinions, facts and representations, which have been provided to us by the Directors or the representatives of the Company, for which they are fully responsible, are true, accurate and complete in all respects as at the date hereof and may be relied upon. The Company has also confirmed to us that no material facts have been withheld or omitted from the information supplied and referred to in the Circular, which would make any statement therein misleading and we have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out independent verification of the information provided by the Directors and the representatives of the Company, nor have we conducted any form of in-depth investigation into the businesses, affairs, operations, financial position or future prospects of each of the Group and any of their respective subsidiaries and associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

While considering whether the Sale and Purchase Framework Agreement and the Acquisition Agreements are on normal commercial terms, and the terms of the Sale and Purchase Framework Agreement (including the Annual Caps) and the Acquisition Agreements are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, we have taken into account the following principal factors and reasons:

A. The Sale and Purchase Framework Agreement

I. Background of and reasons for entering into the Sale and Purchase Framework Agreement

Pursuant to the Sale and Purchase Framework Agreement, Yuhua Energy (China) agreed to supply the Chemical Products to Fujian Yuhua Petrochemical and Fujian Yuhua Energy (or any one or more of their subsidiaries) commencing from the effective date of the Sale and Purchase Framework Agreement and ending on 31 December 2017.

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The Group is principally engaged in the trading and manufacturing of speaker units and the provision of consultancy services in connection with research and development of headphones and speaker products. The Group has established a business strategy to explore potential investment opportunities and diversify its business to enhance the Shareholders' value. According to the annual report of the Company for the year ended 31 December 2014 (the "2014 AR") and the interim report of the Company for the six months ended 30 June 2015 (the "2015 IR"), the Group has commenced the business of energy trading (including but not limited to fuel oil, oil and natural gas) during the year ended 31 December 2014.

Yuhua Energy (China) is a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company. It is principally engaged in the operation of oil trade center in Hong Kong.

Fujian Yuhua Petrochemical is a company established in the PRC and is owned by (Fujian Yuhua Group Limited*) 福建裕華集團有限公司. It is principally engaged in the trading, wholesale and retail of diesel, gasoline, kerosine, transportation of dangerous goods, importing and exporting trading.

Fujian Yuhua Energy is a company established in the PRC and is owned by (Fujian Yuhua Group Limited*) 福建裕華集團有限公司. It is principally engaged in the wholesaling of dangerous chemicals and petroleum products, as well as retail of refined oil.

As set out in the Board Letter, the Company has strived to identify, including but not limited to, businesses which can generate stable income. The development of energy trading (including but not limited to fuel oil, oil and natural gas and the Chemical Products (collectively, the "Products")) will enable the Group to achieve this goal. As aforementioned, the Group has commenced the business of energy trading (including but not limited to fuel oil, oil and natural gas) during the year ended 31 December 2014. As set out in the 2014 AR, the Group believes that, through continuous development, energy trading should become the Group's major source of income in the near term. At the same time, the Group also believes that the energy trading would drive the Group to greater heights. The contribution from the energy trading segment showed a substantial growth from approximately 6.2% of the revenue from the continuing operations of the Group for the year ended 31 December 2014 to approximately 76.9% of the revenue from the continuing operations of the Group for the six months ended 30 June 2015. The Directors consider that the entering into of the Sale and Purchase Framework Agreement is for the benefit of the Group as

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it will enable the Group to have continuous and stable source of income generated from the sale of the Products at a competitive price which is essential to the Group's development of business.

Having considered that (i) the entering into of the Sale and Purchase Framework Agreement is in line with the latest business development of the Group to focus on the energy trading business; and (ii) the sale of the Chemical Products would allow the Group to generate extra source of income, we concur with the Directors' view that the entering into of the Sale and Purchase Framework Agreement is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

II. Principal terms of the Sale and Purchase Framework Agreement

The key terms of the Sale and Purchase Framework Agreement are summarised below:

| | | |
|----------------|---|--|
| Date | : | 7 September 2015 (after trading hours) |
| Parties | : | Yuhua Energy (China) (as supplier); and Fujian Yuhua Petrochemical and Fujian Yuhua Energy (as purchasers). |
| Subject matter | : | Yuhua Energy (China) conditionally agreed to supply the Chemical Products to Fujian Yuhua Petrochemical and Fujian Yuhua Energy (or any one or more of their subsidiaries). Yuhua Energy (China) shall mainly supply the Chemical Products such as biodiesel, xylene, ethylene glycol, PTA and petroleum coke to Fujian Yuhua Petrochemical and Fujian Yuhua Energy respectively. |
| Term | : | Commencing from the effective date of the Sale and Purchase Framework Agreement and ending on 31 December 2017. |

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Pricing basis : The selling price of the Chemical Products will be calculated by a mark-up in a range of 0.5% to 2.0% based on the Original Purchase Price. The parties will make reference to:

- (1) the selling price of the Similar Chemical Products provided by two to three Independent Third Parties during the same period;
- (2) other major terms in the sale and purchase agreement of selling the Similar Chemical Products from the Independent Third Parties to Fujian Yuhua Petrochemical and Fujian Yuhua Energy during the same period. The other major terms include but not limited to (a) quality of goods to be delivered, taking into account of factors such as the guarantee of outer moisture, inner moisture, ash content, fixed carbon, volatile matter, heating value and total sulphur of the Similar Chemical Products; (b) delivery terms including cost, insurance and freight, method of delivery and time of delivery; (c) quantity of goods agreed to be sold; and (d) costs of inspection and by whom it should be borne; and
- (3) the pricing information contained in the Trading Database. The selling price should be mutually agreed by the parties to the Sale and Purchase Framework Agreement. The above pricing basis was made on arm's length negotiations in the ordinary course of business and on normal commercial terms with reference to similar transactions carried out in the market and are not less favourable than terms available from Independent Third Parties.

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When determining whether to accept the purchase order of the relevant Chemical Products from Fujian Yuhua Petrochemical and/or Fujian Yuhua Energy, the Group will compare the following:

- (1) the mark-up between selling the Similar Chemical Products to Fujian Yuhua Petrochemical and Fujian Yuhua Energy with that to the Independent Third Parties during the same period; and
- (2) the selling price of the Similar Chemical Products to Fujian Yuhua Petrochemical and Fujian Yuhua Energy, with Independent Third Parties.

The Trading Database contains pricing information in relation to (i) the current market price (including the purchase and selling prices) of the Chemical Products extracted from Sublime China Information; and (ii) the historical transaction data of the Chemical Products to be sold by the Company.

The Company shall use the historical transaction data for the most recent month as comparative figures. Since the setting up of the Trading Database, the Company has not yet commenced its sales of the Chemical Products. As a result, the Company has sourced comparable market data from Sublime China Information (commodity pricing platform) for reference and as comparative figures in building its Trading Database. The Trading Database at present contains pricing information collected from Sublime China Information and is updated on a daily basis.

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When the Company commences its sales of the Chemical Products in the future, the Company will also record the historical transaction data into its Trading Database for reference.

Sublime China Information was first established in 2004 and is a leading website for information on the PRC commodities. It covers data and pricing information for a wide range of industrial products such as energy, chemicals, plastic metals, construction materials, etc.

Sublime China Information cooperates with the National Bureau of Statistics of the PRC and publishes the data jointly. Certain government departments, such as the PRC Customs, will obtain the data from Sublime China Information and conduct analysis thereof so as to supervise the market development.

Sublime China Information also cooperates with the Price Monitoring Center of National Development and Reform Commission of the PRC to redact and publish China Thermal Coal Price Index and NDRC Price Monitoring Center & SCI Gasoline/Diesel Price Index and NDRC Price Monitoring Center & SCI Non-ferrous Metal Price Index starting from July 2015.

The pricing information in Sublime China Information is derived from the information provided by various market participants (such as production factories, downstream users, traders, etc.), which reflects the range of actual transaction prices before the closing time on each trading day. It also provides the highest price, the lowest price and the average price for reference.

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Accordingly, the Directors consider that Sublime China Information has a reliable market-recognised source for obtaining the relevant pricing information of the Chemical Products.

The Company shall continue to build and develop its Trading Database and record all pricing information of all Chemical Products sold by the Group in the future.

As confirmed by the Directors, the Company will not accept purchase order from Fujian Yuhua Petrochemical and Fujian Yuhua Energy if the selling price is lower than the comparative figures derived from the Trading Database as set out above.

The Company will not supply Chemical Products if the pricing information of such Chemical Products cannot be sourced from Sublime China Information.

Through the aforesaid procedures, the Company can ensure that the final mark-up and the selling price of the Chemical Products to Fujian Yuhua Petrochemical and Fujian Yuhua Energy will be determined based on normal commercial terms and not more favourable than to Independent Third Parties for the Similar Chemical Products at the same period.

Conditions precedent : The completion of the Sale and Purchase Framework Agreement is subject to the Company obtaining all necessary or appropriate approvals, authorisations, confirmation, consents and licences required under the Listing Rules, including but not limited to approval of the Independent Shareholders by way of poll at the EGM for the Sale and Purchase Framework Agreement, the transactions contemplated thereunder and the proposed Annual Caps.

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If the conditions precedent have not been fulfilled by 31 December 2015, the parties to the Sale and Purchase Framework Agreement agree to postpone its effective date to 30 June 2016 (or such other date as the parties to the Sale and Purchase Framework Agreement may otherwise agree in writing).

As confirmed by the Directors, the Group has no intention to supply the Chemical Products to Fujian Yuhua Petrochemical and/or Fujian Yuhua Energy from the Latest Practicable Date to the date of the EGM.

- Implementation : The parties to the Sale and Purchase Framework agreement shall enter into separate individual agreement for each transaction under and in accordance with the terms and conditions of the Sale and Purchase Framework Agreement.
- Payment terms : The purchase price will be settled by Fujian Yuhua Petrochemical and/or Fujian Yuhua Energy in cash within 30 days upon receipt of the Chemical Products from Yuhua Energy (China) for each transaction.

While assessing the fairness and reasonableness of the principal terms of the Sale and Purchase Framework Agreement, we have obtained and reviewed sample contracts of historical transactions regarding the trading of the Products between the Group and Independent Third Parties. We note that the terms of the Sale and Purchase Framework Agreement, including the proposed mark-up of 0.5% to 2% over the Original Purchase Cost, are no less favourable to the Group than the terms available to or from Independent Third Parties.

As advised by the management of the Company, no historical transaction is available in relation to the supply of the Chemical Products from the Group to either Independent Third Parties or connected persons. While assessing the fairness and reasonableness of the pricing basis under the Sale and Purchase Framework Agreement, we have reviewed the internal control measures that will be carried out as follows:

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- (i) The Company will only purchase the relevant Chemical Products from its suppliers upon receiving the purchase orders from the potential customers on the basis that it complies with the internal pricing policy of the Company.
- (ii) The Company has an internal pricing policy manual in place to guide the sales of the Chemical Products and its pricing basis. The management of the Company will make reference to the Trading Database maintained by the Sales Department. The Sales Department shall regularly conduct market research in order to estimate and determine the current market price for the same or substantially similar products offered by the competitors of the Company, and will update the Trading Database on a daily basis for the price, payment terms and other relevant information (including but not limited to the transaction date, the parties to the transactions, and the products supplied by the Group and the competitors for similar transactions).
- (iii) All the products to be sold by the Company (including those selling to Fujian Yuhua Energy and Fujian Yuhua Petrochemical and that to the Independent Third Parties) shall be subject to the same internal pricing procedures.
- (iv) After receiving the enquiry from the potential customers, the Sales Department will, in accordance with the selling price that the potential customers can accept, and with reference to the Trading Database to evaluate the type of products enquired and their original purchase price from the Group's suppliers which are Independent Third Parties. The Sales Department will also evaluate all the estimated costs for provision of the products enquired, including logistics, handling, duties and other fees. The Sales Department will then negotiate with the potential customers in good faith and determine the selling prices, with reference to the Trading Database and also based on pricing terms no more favourable than those normally applicable for sales by the Group to the Independent Third Parties and also to take into account reasonable profit margin. In finalising the actual selling price and as there is no historical amount of any similar previous transactions available for the Trading Database as at the Latest Practicable Date, the Company will initially use the average daily price of the Chemical Products listed on Sublime China

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Information for the last trading date immediately preceding to estimate and determine the current market price for the same or substantially similar products offered by the competitors of the Company. Upon the Company's commencement of its sales of the Chemical Products, the Company shall compare, amongst others, the average daily price of the Chemical Products for the last trading date immediately preceding and also the historical transaction data for the last 30 trading days (if any), the higher of which shall be used for determining the actual selling price.

The Company considers that a mark-up of approximately 0.5% to 2% is consistent with the Company's sales policy and upon satisfaction of such condition, the Sales Department will then make a recommendation as to the selling price to the Internal Control Department for their further review and approval.

- (v) Upon receiving the recommended selling price, the Internal Control Department will consider the recommended selling price by reference to:
 - (a) (1) reviewing the current average market price of the same or substantially similar products through the Trading Database; and (2) assessing current market condition and conduct independent market research to verify the reasonableness of the data collected in its Trading Database;
 - (b) evaluate reasonable costs and profit margin;
 - (c) historical selling prices;
 - (d) in the event that the recommended selling price is accepted by the potential customers, to consider the transaction itself together with the historical aggregate consideration paid to the Company and to ensure that the applicable annual caps will not be exceeded; and
 - (e) to ensure that the terms of the relevant sale and purchase agreement shall be on normal commercial terms on terms no less favourable than those terms offered by the Group to Independent Third Parties for similar Chemical Products in its ordinary and usual course of business and are fair and reasonable.

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- (vi) Upon review and approval of the Internal Control Department, the recommended selling price will pass to the members of the senior management of the Sales Department (which shall not be Mr. Lin and/or his associate(s) for connected transactions) for final approval. Upon final approval, the recommended selling price will be sent to the potential customers for confirmation.

- (vii) If the recommended selling price is accepted by the potential customers, a member of the senior management of the Sales Department (other than Mr. Lin and/or his associate(s) for connected transactions) will enter into the relevant sale and purchase agreement for and on behalf of the Group with the potential customers.

As advised by the management of the Company, the Trading Database was set up on 1 July 2015 and the Company is able to conduct market research for the pricing information from the market as prices of the Chemical Products are open and the major competitors also provide quotations in the market. We have reviewed the Trading Database record as provided by the management of the Company, and noted that the Trading Database has been in place. As the price determination of the Chemical Products that will be sold to connected persons from the Group will go through the above internal control process with reference to the Trading Database, and the recommended selling price will be reviewed and approved by the Internal Control Department to ensure that they are not less favourable to the Group than those offered to Independent Third Parties, we concur with the Directors that the terms of the Sale and Purchase Framework Agreement is on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned.

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III. Proposed Annual Caps

Since the sale of the Chemical Products is a new type of transaction for the Group, the Directors confirmed that there was no historical amount of any similar previous transactions available for the purpose of determining the proposed Annual Caps.

The following table sets out the proposed Annual Caps under the Sale and Purchase Framework Agreement.

| | Proposed Annual Caps for the financial years ending 31 December | | |
|----------------------|--|----------------|----------------|
| | 2015 | 2016 | 2017 |
| Proposed Annual Caps | RMB100,000,000 | RMB300,000,000 | RMB300,000,000 |

The Annual Caps have been determined with reference to the following:

- (i) the expected purchase volume of the Chemical Products by Fujian Yuhua Petrochemical and Fujian Yuhua Energy;
- (ii) the average historical market price of the Chemical Products in August 2015;
- (iii) the current market conditions in relation to the sale of the Chemical Products;
- (iv) the business plans of the Group; and
- (v) the delivery schedules for the potential transactions under the Sale and Purchase Framework Agreement.

The Directors confirmed that the expected purchase volume of the Chemical Products by Fujian Yuhua Petrochemical and Fujian Yuhua Energy is calculated with reference to the historical purchase volume of the Chemical Products by Fujian Yuhua Petrochemical and Fujian Yuhua Energy for the year ended 31 December 2014. The historical average market prices of the Chemical Products were sourced from the comparable market prices extracted for the month August 2015 from Sublime China Information, a commodity pricing platform.

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The comparable pricing information sourced from Sublime China Information for August 2015 are set out as follows:

August 2015

| | Quantity (tonnes) | Unit price (RMB) | Highest (RMB) | Lowest (RMB) | Total price (RMB) |
|-----------------|----------------------|---------------------|------------------|-----------------|----------------------------|
| Biodiesel | 3,500 | 4,575 | 4,900 | 4,200 | 16,012,500.0 |
| PTA | 100 | 4,423 | 4,540 | 4,080 | 442,305.0 |
| Petroleum coke | 90,000 | 825 | 860 | 790 | 74,250,000.0 |
| Ethylene glycol | 230 | 5,846 | 6,450 | 5,200 | 1,344,637.5 |
| Xylene | 100 | 5,509 | 5,750 | 5,250 | 550,875.0 |
| Total | | | | | <u>92,600,317.5</u> |

The Company wishes to build up this new business by establishing good working relationship with the suppliers through entering into the Sale and Purchase Framework Agreement with Fujian Yuhua Petrochemical and Fujian Yuhua Energy. The Company considers it as a good opportunity to open up sales channel for the business in the future and that the Company will gradually be able to source its own clients, expand its client base and thus reducing its reliance on the conduct of continuing connected transactions with Fujian Yuhua Petrochemical and Fujian Yuhua Energy.

The Annual Cap for the year ending 31 December 2015 accounts for only one-third of the Annual Caps for the years ending 31 December 2016 and 2017, respectively. The supply of the Chemical Products is a newly established business of the Group and since three quarters of the year 2015 has already passed and taking into account factors such as the expected demand from Fujian Yuhua Petrochemical and Fujian Yuhua Energy for the remaining three months of 2015, the Company has proposed the Annual Cap for the year ending 31 December 2015 as one-third of the Annual Caps for the years ending 31 December 2016 and 2017, respectively. As for the years ending 31 December 2016 and 2017, the Directors expect the purchase of the Chemical Products from Fujian Yuhua Petrochemical and Fujian Yuhua Energy to remain stable while the energy trading business would continue to expand with new purchases from Independent Third Parties.

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While assessing whether the proposed Annual Caps are fair and reasonable, we discussed with the management of the Company regarding the determination basis of the Annual Caps. We were provided with (i) the expected purchase volume of the Chemical Products by Fujian Yuhua Petrochemical and Fujian Yuhua Energy; (ii) the PRC audited reports and the sales breakdown of Fujian Yuhua Petrochemical and Fujian Yuhua Energy for the year ended 31 December 2014; and (iii) the average historical market price of the Chemical Products in August 2015, with reference to the website of Sublime China Information (website: <http://www.sci99.com>). For our due diligence purpose, we have also requested the Company for the relevant indication of demand for each of the Chemical Products by Fujian Yuhua Petrochemical and Fujian Yuhua Energy for the three years ending 31 December 2017 and we have obtained a written indication from Fujian Yuhua Petrochemical and Fujian Yuhua Energy regarding their expected demand for each of the Chemical Products from the Company for the three years ending 31 December 2017 respectively. The expected total demand for the Chemical Products from the Company as stated in such written indication from Fujian Yuhua Petrochemical and Fujian Yuhua Energy sum up to be approximately RMB100 million, RMB300 million and RMB300 million for each of the three years ending 31 December 2017 respectively. Furthermore, we noted that the expected purchase amount of the Chemical Products for the three years ending 31 December 2017 only accounted for approximately 2.5%, 7.6% and 7.6% of the total cost of goods sold of Fujian Yuhua Petrochemical and Fujian Yuhua Energy for the year ended 31 December 2014. The Directors also advised us that the Company is planning to broaden the supplier base as well as the customer base and they have already formulated a target supplier and customer list in this regard. As discussed with the Company, the market condition and price of the Chemical Products remain stable recently and the Company does not expect a material fluctuation in the future. We have also reviewed the expected delivery schedule of the Chemical Products by quarter. We observed that over 60% of the delivery of the Chemical Products are scheduled in the second and third quarter, which is usual practice of the industry as represented by the Directors.

We also retrieved the historical average mid-market price of each of the Chemical Products in August 2015 from the website of Sublime China Information (website: <http://www.sci99.com>), being a leading commodity market information service organisation in the PRC, and noted that there is no difference with the average market price adopted in the computation of the Annual Caps. Furthermore, we checked on the average mid-market price of each of the biodiesel and chemical products subsequent to August 2015 from Sublime China International and noted that there had not been any material change in the average mid-market price of each of the biodiesel and chemical products up to the date of the Sale and Purchase Framework Agreement.

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Reliance on Fujian Yuhua Petrochemical and Fujian Yuhua Energy

We noted that the proposed Annual Caps accounted for a significant portion of the Group's revenue from continuing operations for the year ended 31 December 2014 and the Group's total assets as at 30 June 2015 respectively. In this regard, the Directors advised us that the Company commenced its energy trading business in December 2014 and therefore the financial information as at 31 December 2014 only included the revenue generated by the Group from its new energy trading business for less than a month, which accounted for approximately 6.2% of the revenue from the continuing operations of the Group for the year ended 31 December 2014.

As disclosed in the 2015 IR, due to the rapid expansion of the energy trading business, (i) the revenue from the continuing operations of the Group reached approximately HK\$1,069 million for the six months ended 30 June 2015, out of which the revenue from the energy trading business amounted to approximately HK\$822 million; and (ii) the total assets of the Group amounted to approximately HK\$666 million as at 30 June 2015. On a pro rata basis, the Group's revenue from continuing operations would amount to approximately HK\$2,138 million for the year ending 31 December 2015.

In addition, the Group's energy trading tax-free income amounted to a total of approximately RMB1,500 million for the eight months ended 31 August 2015, and the Directors expect such amount for the year ending 31 December 2015 to reach approximately RMB3,000 million.

The Directors expect that the rapid growth of the Group's energy trading business will continue and the revenue to be generated from the transactions contemplated under the Sale and Purchase Framework Agreement will decrease to less than 20% of the revenue from the continuing operations of the Group for the year ending 31 December 2015. Taking into account of the aforesaid and the expected sales contributions from Fujian Yuhua Petrochemical and/or Fujian Yuhua Energy, the Directors are of the view that the continuing connected transactions under the Sale and Purchase Framework Agreement would not result in the Group's excessive reliance on Fujian Yuhua Petrochemical and/or Fujian Yuhua Energy as a single customer.

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As advised by the Directors, the supply of the Chemical Products is a newly established business of the Group. The contribution from the energy trading business accounted for approximately 76.9% of the revenue from the continuing operations of the Group for the six months ended 30 June 2015. Given the significance of the newly established energy trading business, we have discussed with the management of the Company in details regarding the Company's proposed development plan of this segment. The Company aims to expand the customer base of its energy trading business through the expansion into the trading of the Chemical Products and the entering into of the Sale and Purchase Framework Agreement with Fujian Yuhua Petrochemical and Fujian Yuhua Energy. In order to further expand its customer base and reduce its reliance on Fujian Yuhua Petrochemical and/or Fujian Yuhua Energy, the management of the Group will (i) attend industry conferences and exhibitions to make new acquaintances and potential customers; (ii) gain access to industry information websites and as well as PRC and international business forums to connect to potential customers; (iii) contact potential customers recommended by peers or existing customers; and (iv) sponsor relevant activities in order to gain public awareness, aiming to promote own brand and enhance own brand value.

Sales contributions from Fujian Yuhua Petrochemical and Fujian Yuhua Energy

As at the Latest Practicable Date, the Company had approximately 28 customers for its energy trading business. Details of the Group's top five customers for its energy trading business and the sales amount to each of them for the eight months ended 31 August 2015 are set out as follows:

- Customer A: approximately RMB416 million
- Customer B: approximately RMB265 million
- Customer C: approximately RMB173 million
- Customer D: approximately RMB158 million
- Customer E: approximately RMB131 million

Based on the above, the total contribution of the sales amount to the top five customers accounted for approximately 75% of the Group's revenue from the energy trading business for the eight months ended 31 August 2015.

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As confirmed by the Company, the abovementioned top five customers are third parties independent of the Company and its connected persons.

Since energy prices are associated closely with market conditions and for risk control concerns, the Group has not entered into any long-term binding contract with each of the top five customers in respect of future sales.

On the basis that the expected total revenue from the energy trading business of the Group for the three years ending 31 December 2017 would amount to approximately RMB3,000 million, RMB10,000 million and RMB10,000 million, respectively, the Annual Caps, which are the maximum possible contribution of sales from Fujian Yuhua Petrochemical and Fujian Yuhua Energy (or any one or more of their subsidiaries), would account for approximately 3%, 3% and 3% of the total revenue from the energy trading business of the Group for the three years ending 31 December 2017, respectively.

Having considered the above, and that (i) the Company will only purchase the relevant Chemical Products from its suppliers upon receiving the purchase orders from the potential customers on the basis that it complies with the internal pricing policy of the Company; (ii) the selling price of the Chemical Products will be calculated by a mark-up in a range of 0.5% to 2.0% based on the Original Purchase Price; (iii) the written indication from Fujian Yuhua Petrochemical and Fujian Yuhua Energy regarding their expected demand for each of the Chemical Products from the Company for the three years ending 31 December 2017; and (iv) the transactions contemplated under the Sale and Purchase Framework Agreement would not result in the Group's excessive reliance on Fujian Yuhua Petrochemical and/or Fujian Yuhua Energy as a single customer, we concur with the Directors that the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

IV. Listing Rules implication and internal control of the Group

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of the transactions contemplated under the Sale and Purchase Framework Agreement must be restricted by the Annual Caps for the three years ending 31 December 2017; (ii) the terms of the Sale and Purchase Framework Agreement (including the Annual Caps) must be reviewed by the independent non-executive Directors annually; and (iii) details of the independent non-executive Directors' annual review on the terms

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of the Sale and Purchase Framework Agreement (including the Annual Caps) must be included in the Company's subsequent published annual reports. Moreover, it is required under the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, that the transactions contemplated under the Sale and Purchase Framework Agreement are carried out in accordance with the pricing policies of the Group, and the Annual Caps are not being exceeded. In the event that the total amounts of the transactions contemplated under the Sale and Purchase Framework Agreement exceed the Annual Caps, or that there is any material change to the terms of the Sale and Purchase Framework Agreement, the Company, as confirmed by the Directors, shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

With the stipulation of the above requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the transactions contemplated under the Sale and Purchase Framework Agreement (including the Annual Caps) and hence the interest of the Independent Shareholders would be safeguarded.

B. The Acquisition Agreements

I. Information on the Properties

The Properties are located at levels 2 to 7 of 海之星國際營運中心 (Ocean Star International Operation Center*) at 中國福建省廈門海滄區05-13保稅港區海景路東段 (the east session of Haijing Road, 05-13 Free Trade Port Zone, Haicang District, Xiamen, Fujian Province, the PRC*) with a total gross floor area of approximately 6,338.69 square metre. The Land was acquired by Xiamen Ocean Star on 18 March 2013. The historical cost invested by Xiamen Ocean Star in the Properties for development was approximately RMB63,386,900.

Ocean Star International Operation Center is currently under construction and is expected to be completed by June 2016. 廈門市國土資源與房產管理局 (Xiamen Municipal Bureau of Land Resources and Real Estate Management*) granted the Pre-sale Permit for Ocean Star International Operation Center on 22 July 2015.

As confirmed by the management of the Company, over 100 (including the Properties) out of the total 115 pre-sale units of Ocean Star International Operation Center had been sold out as at the date of the Acquisition Agreements, indicating the demand for the office premises in the area.

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The Group intends to hold the Properties for investment purpose and will, depending on the market circumstances, lease out the Properties after completion of the Acquisitions for rental income.

II. Background of and reasons for the Acquisitions

Xiamen Yuhua Energy is a company established in the PRC and is an indirect wholly-owned subsidiary of the Company. It is principally engaged in the operation of oil trade center in the PRC.

Xiamen Ocean Star is a company established in the PRC and is owned by (Fujian Yuhua Group Limited*) 福建裕華集團有限公司. It is principally engaged in the coastal transport of goods, ship management business and the business of real estate development.

According to the latest statistics released by the Fujian Provincial Bureau of Statistics, the economy of Fujian Province has been continuously expanding, where the gross regional product recorded a compound annual growth rate (“CAGR”) of approximately 13.0% from 2010 to 2014. These reflected that the economics of Fujian Province has been growing in recent years.

| | 2010 | 2011 | 2012 | 2013 | 2014 | CAGR |
|---|---------|---------|---------|---------|---------|-------|
| Gross regional product (billion RMB) | 1,473.7 | 1,756.0 | 1,970.2 | 2,176.0 | 2,405.6 | 13.0% |

Source: Fujian Provincial Bureau of Statistics, the PRC

On 31 December 2014, the State Council of the PRC officially approved the establishment of the China (Fujian) Pilot Free-Trade Test Zone, as the second batch of Free-Trade Test Zone after Shanghai. The total area of the zone is 118.04 square kilometer, including Pingtan, Xiamen and Fuzhou. Xiamen (the “**Xiamen Zone**”), with 43.78 square kilometer, is the largest among the three abovementioned areas, with the focus on construction of cross-strait cooperation pilot zone of emerging industry and modern service, southeast international shipping center, and the cross-strait regional financial services and trade center. Preferential policies include simplified tax regime, company registration procedures and other requirements by the

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regulatory bodies motivating enterprises within the Xiamen Zone and encouraging the development of Xiamen. Xiamen southeast international shipping center, where the Properties are located, is situated in Haicang district within the Xiamen Zone, with the function of, amongst others, developing shipping logistics, port and export port and commodity trading. In light of the foregoing, the Directors consider that the Properties are with high growth prospects. The geographical advantages would also allow the Group to enjoy the potential capital appreciation and rental income from the Properties.

As advised by the management of the Group, the Company has been actively seeking investment opportunities that would bring stable return to the Shareholders. The Directors also noted that the occupancy rate of office premises within the Xiamen southeast international shipping center is generally high based on the site visits and observation performed by the staff of the Group and the monthly rental rate generally ranges from approximately RMB40 to RMB66 per square metre based on quotations from real estate agents. For our due diligence purpose, while no information on the occupancy rate is available in the websites of real estate agents nearby based on our online research, we have enquired into the Directors regarding the findings and internal reports of the relevant site visits, including but not limited to the names of buildings to which site visits were performed, the age of the buildings, the general occupancy rates of the office premises of the buildings, etc. We have also conducted online research regarding the monthly rental rate of office premises within the Xiamen southeast international shipping center via the websites of real estate agents nearby and no material discrepancy was noted. The Acquisitions would allow the Group to hold the Properties for investment purpose and to lease out the Properties to enterprises within the Xiamen Zone in return for rental income upon completion of construction and delivery of the Properties. The Directors consider that the Acquisitions represent an attractive investment opportunity to the Group as the Properties are offered at a slight discount to the valuation. It is expected that the Acquisitions will broaden the income base of the Group.

As abovementioned, the Group has commenced the business of energy trading (including but not limited to fuel oil, oil and natural gas) during the year ended 31 December 2014. The Directors expect the Xiamen Zone to be an oil trading center in the upcoming future. Taking into account of the geographical location of the Properties as well as the transportation and environment factors, the Group does not obviate the possibility to retain the Properties for self use in the future when the oil trading business is fully developed, thereby strengthening the bonding with its oil trading business partners and facilitating the business development plan of the Group.

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Having considered (i) the Acquisitions will enable the Group to invest in the Properties which are located in the Xiamen southeast international shipping center and are geographically favourable; (ii) the expected rental income to be generated from the leasing of the Properties upon completion of construction and delivery of the Properties will bring stable return to the Company; (iii) the Acquisitions will broaden the income base of the Group; and (iv) the potential synergy to be brought by the Acquisitions as represented by the Directors, we concur with the Directors that the Acquisitions are in the interests of the Company and the Shareholders as a whole.

III. Terms of the Acquisition Agreements

On 7 September 2015 (after trading hours), Xiamen Yuhua Energy and Xiamen Ocean Star entered into the Acquisition Agreements. Pursuant to the Acquisition Agreements, Xiamen Ocean Star conditionally agreed to sell and Xiamen Yuhua Energy conditionally agreed to acquire the Properties at a total Consideration of RMB88,741,660.

Completion of the Acquisitions is subject to the fulfillment of the conditions precedents as set out in the Board Letter. If the conditions precedent have not been fulfilled by 17 March 2017, Xiamen Yuhua Energy is entitled to terminate the Acquisition Agreements.

Consideration

Pursuant to the Acquisition Agreements, the Consideration of RMB88,741,660 (equivalent to approximately HK\$106,489,992), which has been arrived at after arm's length negotiations between Xiamen Yuhua Energy and Xiamen Ocean Star and was determined with reference to the valuation of the Properties as at 31 August 2015 of RMB89,000,000 (equivalent to approximately HK\$106,800,000) valued by an independent professional valuer, represents a discount of approximately 0.3% to the valuation of the Properties. The Consideration does not cover the fees to be paid to the government departments and other institutions. The Consideration also does not cover the costs to be paid by Xiamen Yuhua Energy at the time when the Properties are delivered to Xiamen Yuhua Energy, which includes (but not limited to) special maintenance fund and electricity fee deposit.

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Set out below is the breakdown of the Consideration payable of each level of the Properties:

| Level | Gross floor area <i>(approximate sq.m.)</i> | Unit price <i>(approximate RMB/sq.m.)</i> | Consideration <i>(approximate RMB)</i> |
|-------------------------|---|---|--|
| 2 (4 rooms) | 676.11 | 14,000 | 9,465,540 |
| 3 (7 rooms) | 1,130.18 | 14,000 | 15,822,520 |
| 4 to 7 (8 rooms each) | <u>4,532.40</u> | 14,000 | <u>63,453,600</u> |
| Total for levels 2 to 7 | <u><u>6,338.69</u></u> | | <u><u>88,741,660</u></u> |

The Consideration will be settled by Xiamen Yuhua Energy by cash in instalments in accordance with the terms of the Acquisition Agreements as set out in the following schedule:

Level 2

| Time | Payment |
|----------------------------------|---|
| On or before 31 December 2015 | 30% of the consideration for level 2, being RMB2,839,662 |
| On or before 10 January 2016 | 30% of the consideration for level 2, being RMB2,839,662 |
| On or before 20 January 2016 | 40% of the consideration for level 2, being RMB3,786,216 |

Level 3

| Time | Payment |
|----------------------------------|---|
| On or before 31 December 2015 | 30% of the consideration for level 3, being RMB4,746,756 |
| On or before 10 January 2016 | 30% of the consideration for level 3, being RMB4,746,756 |
| On or before 20 January 2016 | 40% of the consideration for level 3, being RMB6,329,008 |

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Levels 4 to 7

| Time | Payment |
|----------------------------------|---|
| On or before 31 December 2015 | 30% of the consideration for levels 4 to 7, being RMB19,036,080 in aggregate |
| On or before 10 January 2016 | 30% of the consideration for levels 4 to 7, being RMB19,036,080 in aggregate |
| On or before 20 January 2016 | 40% of the consideration for levels 4 to 7, being RMB25,381,440 in aggregate |

It is the intention of the Group to finance the Acquisitions by way of its internal resources, fund raising activities and/or bank borrowing, if necessary.

Overdue payment of the Consideration

If Xiamen Yuhua Energy fails to settle the consideration under each of the Acquisition Agreements within the applicable prescribed time for payment, in the event that the payment is made within 90 days after the applicable prescribed time for payment, Xiamen Yuhua Energy shall pay Xiamen Ocean Star on a daily basis the amount equivalent to 0.005% of the amount payable as penalty for such failure, calculated from the second day after the applicable prescribed time to the day where the total amount payable is settled.

If the late payment is overdue more than 90 days after the applicable prescribed time for payment, and Xiamen Yuhua Energy still fails to settle such payment within five days after Xiamen Ocean Star serving a written notice to Xiamen Yuhua Energy, Xiamen Ocean Star is entitled to terminate the relevant Acquisition Agreement:

- (i) In the event that Xiamen Ocean Star terminates the relevant Acquisition Agreement, Xiamen Yuhua Energy shall pay Xiamen Ocean Star an amount equivalent to 1% of the amount payable on an accrued basis as penalty for such failure;

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- (ii) In the event that Xiamen Ocean Star does not terminate the relevant Acquisition Agreement, Xiamen Yuhua Energy shall pay Xiamen Ocean Star on a daily basis an amount equivalent to 0.01% of the amount payable as penalty for such failure, calculated from the second day after the applicable prescribed time for payment to the day where the total amount payable is settled.

In the event that Xiamen Yuhua Energy applies for bank mortgages in order to settle the consideration under each of the Acquisition Agreements, if the approved mortgage loans are less than the amount requested, Xiamen Yuhua Energy shall settle the difference between the approved mortgage loans and the amount requested within five days after the relevant bank or Xiamen Ocean Star serves a relevant notice to it.

Discrepancy in the floor area of the Properties

After delivery of the Properties, in the event that there is a discrepancy between the floor area of the Properties as agreed in the applicable Acquisition Agreement and that from the title registration record, the parties to the Acquisition Agreement agree to resolve it under the following principles:

- (i) Where the discrepancy is within 3%, the applicable consideration shall be adjusted in accordance with the actual floor area of the Properties;
- (ii) Where the discrepancy is more than 3%, Xiamen Yuhua Energy is entitled to terminate the applicable Acquisition Agreement;

A supplemental agreement shall be signed in the event that the parties to the applicable Acquisition Agreement do not terminate the Acquisition Agreements upon the discrepancy due to the change of design of the Properties.

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Failure of delivery of Properties

In the event that Xiamen Ocean Star fails to deliver the Properties within 90 days after 17 March 2017, Xiamen Ocean Star shall pay Xiamen Yuhua Energy on a daily basis the amount equivalent to 0.005% of the amount already paid by Xiamen Yuhua Energy, calculated from the second day after the applicable prescribed time for delivery of the Properties to the day where the Properties are delivered to Xiamen Yuhua Energy.

If Xiamen Ocean Star fails to deliver the Properties more than 90 days after 17 March 2017, Xiamen Yuhua Energy is entitled to terminate the relevant Acquisition Agreement, and if so, Xiamen Ocean Star shall return the entire amount paid within 60 days after Xiamen Yuhua Energy serving the notice of termination to Xiamen Ocean Star, together with an amount equivalent to 1% of the entire amount paid as penalty for such failure.

Despite the failure of delivery of the Properties for more than 90 days, in the event that Xiamen Yuhua Energy does not terminate the relevant Acquisition Agreement, Xiamen Ocean Star shall pay Xiamen Yuhua Energy on a daily basis an amount equivalent to 0.01% of the amount paid by Xiamen Yuhua Energy, calculated from the second day after the applicable prescribed time for delivery of the Properties to the day where the Properties are delivered to Xiamen Yuhua Energy.

The amount of each of the aforesaid accumulated penalty shall not exceed 3% of the amount paid by Xiamen Yuhua Energy.

IV. Valuation of the Properties

The Consideration was determined after arm's length negotiations between Xiamen Yuhua Energy and Xiamen Ocean Star with reference to the valuation of the market value of the Properties prepared by an independent valuer. As set out in Appendix I to the Circular, the valuation of the market value of the Properties was RMB89,000,000 (the "**Valuation**") as at 31 August 2015.

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We have reviewed the Valuation and discussed with the independent valuer regarding the basis of the Valuation. We observed that the Valuation has been carried out by the comparison method where comparison based on prices realised or market prices of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values. The independent valuer has also confirmed that the use of the comparison method is reasonable. We also noted that the Valuation has been prepared in accordance with the Listing Rules and The HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors. In light of the above and pursuant to Rule 13.80(2) of the Listing Rules, there is no reason for us to believe any of the information in the valuation report in respect of the Valuation as set out in Appendix I to the Circular is not true or omits a material fact. We are of the view that the Valuation has been reasonably prepared and are normal in nature without any unusual assumption and the basis of the Valuation is fair and reasonable. As such, we consider that the Valuation is a fair reference for Independent Shareholders to assess the fairness and reasonableness of the Consideration. Based on the Valuation of RMB89,000,000 as at 31 August 2015 and the gross floor area of the Properties of approximately 6,338.69 square meter, the valuation per square meter of the Properties should be approximately RMB14,000. In light that (i) the Consideration was set at a slight discount to the Valuation; and (ii) the Consideration would be adjusted based on the discrepancies between the floor area of the Properties as agreed in the applicable Acquisition Agreement and that from the title registration records at the rate of RMB14,000 per square meter, we consider the Consideration to be fair and reasonable so far as the Independent Shareholders are concerned. Independent Shareholders are advised to refer to the valuation report contained in Appendix I to the Circular for details of the bases and assumptions of the Valuation.

V. Possible financial effects of the Acquisitions

(i) Net asset value

According to the 2015 IR, the unaudited net asset value of the Group as at 30 June 2015 was approximately HK\$340,924,000. As advised by the management of the Company, there will be no material change to the net asset value of the Group upon completion of the Acquisitions.

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(ii) Earnings

There will be no immediate effect to the earnings of the Group, but as advised by the management of the Company, positive impact to the earnings is expected upon the leasing of the Properties after their completion.

(iii) Gearing and liquidity

According to the 2015 IR, the Group's gearing ratio as at 30 June 2015, which is computed by dividing total borrowings by shareholders' equity, was approximately 40.5%.

As the Acquisitions will be financed by the Group's internal resources, fund raising activities and/or bank borrowing, if necessary, the management of the Company expect that the total borrowings of the Group would be increased while the working capital of the Group would be reduced. There will thus be potential negative effect to the Group's gearing ratio.

It should be noted that the aforementioned analyses are for illustrative purpose only and does not purport to represent how the financial position of the Group will be upon completion of the Acquisitions.

Having considered the above factors, we concur with the Directors that the terms of the Acquisition Agreements are fair and reasonable so far as the Independent Shareholders are concerned.

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RECOMMENDATION

Having taken into account of the principal factors and reasons set out above, we are of the opinion that the Sale and Purchase Framework Agreement and the Acquisition Agreements are on normal commercial terms, and the terms of the Sale and Purchase Framework Agreement (including the Annual Caps) and the Acquisition Agreements are fair and reasonable so far as the Independent Shareholders are concerned and 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 ordinary resolutions to be proposed at the EGM to approve the Sale and Purchase Framework Agreement and the Acquisition Agreements and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
TC Capital Asia Limited
Edward Wu
Managing Director

Note: Mr. Edward Wu of TC Capital Asia Limited is a responsible officer licensed under the SFO to engage in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities having over 14 years of experience in investment banking and corporate finance.

* *for identification purpose only*

The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this circular received from Asset Appraisal Limited, an independent valuer, in connection with its valuation as at 31 August 2015 of the Property.



Asset Appraisal Limited
中誠達資產評值顧問有限公司

Rm 901, 9/F., On Hong Commercial Building
145 Hennessy Road, Wanchai, Hong Kong
香港灣仔軒尼詩道145號
安康商業大廈9字樓901室
Tel : (852) 2529 9448 Fax : (852) 3521 9591

3 November 2015

The Board of Directors

Yuhua Energy Holdings Limited

Unit 1105, 11th Floor,
Jubilee Centre,
18 Fenwick Street,
Wanchai, Hong Kong.

Dear Sirs,

**Level 2 to 7, Block A,
Star of Sea International Transport Business Core,
Haicang District, Xiamen City,
Fujian Province, the PRC.**

In accordance with the instructions from Yuhua Energy Holdings Limited (referred to as the “**Company**”) to value the captioned property interests (referred to as the “**Property**”) situated in the People’s Republic of China (the “**PRC**”), we confirm that we have carried out inspections of the Property, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 31 August 2015 (the “**Valuation Date**”).

Basis of Valuation

Our valuation of the Property represents the market value which is defined by the International Valuation Standard and followed by the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

As the property is currently under construction and is to be transacted on pre-sale basis, our valuation has been made on the basis that the seller shall commit to complete all construction works and deliver the property on fully completion stage to the buyer to complete the property transaction within the contractual time frame as agreed by both parties.

Valuation Methodology

The Property has been valued by the comparison method where comparison based on prices realised or market prices of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values.

Assumptions

No allowance has been made in our report for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoing of an onerous nature, which could affect its value.

Our valuation has been made on the assumption that owners sell the Property on the market in fully completion state without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the Property.

For those properties held by the owners by means of long term Land Use Rights granted by the Government, we have assumed that the owner has free and uninterrupted rights to use the properties for the whole of the unexpired term of the respective land use rights. We have also assumed that they can be freely transferred on the market free from any land premium or expenses of substantial amount payable to the Government.

Other special assumptions for our valuation (if any) would be stated out in the footnotes of the valuation certificate attached herewith.

Titleship

We have been provided with copies of legal documents regarding the Property. However, we have not verified ownership of the Property and the existence of any encumbrances that would affect ownership of the Property.

We have also relied upon the legal opinion provided by the PRC legal adviser, namely Beijing Yingke Law Firm Xiamen Office (北京盈科(夏門)律師事務所) to the Company on the relevant laws and regulations in the PRC, on the nature of land use rights and the owner's interests in the Property.

Limiting Conditions

No allowance has been made in our report for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoing of an onerous nature, which could affect its value. Our valuation have been made on the assumption that the seller sells the Property on the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the Property.

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters of the Property.

We have not carried out detailed site measurements to verify the correctness of the site area and floor areas in respect of the Property but have assumed that the floor areas shown on the Government documents handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

The Property was inspected by Zhou Tong on 17 May 2015, a registered PRC Real Estate Appraiser and an employee of us. However, no structural survey has been made for the Property. In the course of our inspection, we did not note any serious defects. We are unable to report whether the buildings and structures of the Property are free of rot, infestation or any other structural defects. No test was carried out on any of the services of the buildings and structures of the Property.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

In valuing the Property, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

Unless otherwise stated, all monetary sums stated in this report are in Renminbi (RMB).

Our valuation certificate is attached herewith.

Yours faithfully,

for and on behalf of

Asset Appraisal Limited

Sandra Lau

MHKIS AAPI RPS(GP)

Director

Sandra Lau is a member of the Hong Kong Institute of Surveyors, an Associate of the Australian Property Institute and a Registered Professional Surveyor in General Practice. She is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Valuation Forum and has over 10 years' experience in valuation of properties in Hong Kong, in Macau and in the PRC.

VALUATION CERTIFICATE

Property interests to be acquired by the Company

| Property | Description and tenure | Particulars of occupancy | Market Value in existing state as at 31 August 2015 RMB |
|--|--|-------------------------------------|--|
| Level 2 to 7, Block A, Star of Sea International Transport Business Core, Haicang District, Xiamen City, Fujian Province, the PRC. | The Property comprises the office spaces on the 2nd to 7th floor of a 17-storey office building with two basement levels, which is proposed to be completed in about 2016. | The Property is under construction. | 89,000,000 (See notes 6 and 7 below) |

(福建省廈門市海滄區海之星國際營運中心A棟2至7層)

As advised by the Company, the planned gross floor area of the property is summarized as follows:

| Floor | GFA (sq. m.) |
|---------------|------------------------|
| 2 | 676.11 |
| 3 | 1,130.18 |
| 4 | 1,133.10 |
| 5 | 1,133.10 |
| 6 | 1,133.10 |
| 7 | 1,133.10 |
| Total: | <u>6,338.69</u> |

The land use rights in the Property have been grant for a term commencing on 18 March 2013 and expiring on 17 March 2063.

Notes:

1. According to a Xiamen Land and Building Ownership Certificate (Ref: Xia Guo Tu Fang Zheng No. Di 00020355, 夏國土房證第地00020355號) dated 8 July 2013, land use rights of the subject development with a total site area of 12,272.67 square metres are held by Xiamen Ocean Star for a term commencing on 18 March 2013 and expiring on 17 March 2063 for office use.

2. Pursuant to a Planning Permit for Construction Land (Ref: Di Zi No.350205201313022, 地字第350205201313022號) dated 28 April 2013 and a Planning Permit for Construction Works (Ref: Jian Zi No.350205201313060, 建字第350205201313060號) dated 26 September 2013, the proposed development scheme of the subject development has been approved.
3. Pursuant to a Construction Works Commencement Permit (Ref No. 350211201401060101) dated 6 January 2014, the construction work for the proposed development has been approved.
4. Pursuant to a Pre-sale Permit (Ref: Yu Shou Xu Ke Zheng No. 20150030, 預售許可證第20150030號) dated 22 July 2015, the pre-sale for the subject development has been approved.
5. Pursuant to the aforesaid Xiamen Land and Building Ownership Certificate, the subject development was subject to a mortgage in favour of Bank of Communications Co., Ltd. Xiamen Branch (交通銀行股份有限公司廈門分行) registered on 1 August 2014. As advised by the Company, the outstanding amount as at the valuation date is RMB125,000,000.
6. The market value of the property has been determined on the following basis:
 - The vendor has the rights and has obtained all necessary consent and approval to dispose of the property to any third party on pre-sale basis subject to no additional land premium payable to the Government;
 - the vendor shall commit to complete the construction work of the property and deliver the property on fully completion stage to the purchaser on or before the end of this year; and
 - the vendor shall go through all necessary applications and procedures for obtaining title certificate of the property in the name of the purchaser within a reasonable time frame after the completion and handover of the property without undue delay.
7. In accordance with the information provided by the Group, the status of title and grant of major approvals and licences are as follows:

| | | |
|---|---|-----|
| State-owned Land Use Rights Certificate | : | Yes |
| Planning Permit for Construction Land | : | Yes |
| Planning Permit for Construction Works | : | Yes |
| Construction Works Commencement Permit | : | Yes |
| Per-Sale Permit | : | Yes |

8. The opinion from the PRC legal adviser of the Company on the Property is as follows:
- i. Pursuant to a Xiamen Grant Contract for State-owned Construction Land Use Rights (廈門市國有建設用地使用權出讓合同, Ref: 35020520130318CG018) entered into among the Xiamen Land and Resources Administrative Bureau Haicang Branch (廈門市國土資源局海滄分局, as grantor), Xiamen Ocean Star (as grantee), Xiamen Haicang Land Storage Administration Limited (廈門海滄土地儲備管理有限公司, as the third party) and the Xiamen City Haicang District Municipal Government (廈門市海滄區人民政府, as the fourth party) on 18 March 2013, the grantor has granted the land use rights of the subject development with an area of 12,272.689 square metres to the grantee for commercial use at a land premium of RMB50,000,000.
 - ii. As revealed from a Land Premium Settlement Certificate (土地出讓金繳訖證明, Ref: (2013) Cai No.020) and a Xiamen Local Tax Bureau Deed Tax Settlement Certificate (廈門市地方稅務局契稅完稅證明, Ref: (2012) Xia Di No.00302544), the land premium and deed tax have been fully settled.
 - iii. As revealed from a Xiamen Land and Building Ownership Certificate (Ref: Xia Guo Tu Fang Zheng No.00020355), the land use rights of the subject development with a site area of 12,272.67 square metres are held by Xiamen Ocean Star for a term commencing on 18 March 2013 and expiring on 17 March 2063 for office use. The transfer, leasing and mortgaging of the subject land parcel are subject to the conditions as mentioned in the aforesaid Xiamen Grant Contract for State-owned Construction Land Use Rights.
 - iv. As revealed from a Reply from the Xiamen City Haicang District Development and Reform Bureau regarding the permission of the filing of project proposal of Star of Sea International Business (廈門市海滄區發展和改革局關於同意海之星國際營運中心項目備案的復函), the bureau has permitted the filing of the development scheme of the subject project.
 - v. As revealed from a Reply from the Xiamen City Environment Protection Bureau Haicang Branch regarding the acceptance of Environmental Impacts Study Report of Star of Sea International Business Project (廈門市環境保護局海滄分局關於海之星國際營運中心項目環境影響報告表的批復), the bureau has approved the development of the subject project.
 - vi. As revealed from a Planning Permit for Construction Land (建設用地規劃許可證, Ref: Di Zi No.350205201313022), a Planning Permit for Construction Works (建設工程規劃許可證, Ref: Jian Zi No.350205201313060) and a Construction Works Commencement Permit (建築工程施工許可證, Ref No. 350211201401060101), the proposed use (office) and proposed scale (gross floor area of 51,966.405 square metres) and the carrying out of construction work of the subject development have been approved.
 - vii. As revealed from a Fixed Asset Loan Contract (固定資產貸款合同, Ref: No.201400611025) entered into between Bank of Communications Co., Ltd. Xiamen Branch and Xiamen Ocean Star on 25 July 2014 and the remarks registered in the aforesaid Xiamen Land and Building Ownership Certificate on 1 August 2014, the property is subject to a mortgage with a principal of RMB125 million over a loan period spanning between 30 July 2014 and 30 July 2019.

- viii. As revealed by a Pre-sale Permit (商品房預售許可證, Ref: Yu Shou Xu Ke Zheng No.20150030), the pre-sale 115 units with a total gross floor area of 16,536.59 square metres of the subject development has been approved.
- ix. According to Proviso 4 of the aforesaid Xiamen Grant Contract for State-owned Construction Land Use Rights, the transfer of the subject land parcel is subject to the following alienation conditions:
- a) For first launch on the market, at least 25% of development in term of total investment costs has been completed;
 - b) Not less than 40% of the gross floor area of office portion above ground level of the development shall be retained by Xiamen Ocean Star for a period of not less than 10 years (from the issue of the Building and Land Ownership Certificate) and any transfer or mortgaging of the aforesaid office portion shall be made on en bloc basis but not strata-title basis;
 - c) Xiamen Ocean Star can only allowed to transfer the whole or any part of the subject development to purchaser(s) engaging in shipping logistic, oil trading or related industries;
 - d) prior approval from the Xiamen Land Resources and Building Administrative Bureau Haicang Branch and the Xiamen City Haicang District Municipal Government should be obtained.
- x. The compliance of the aforesaid alienation conditions for the proposed transfer of the Property by Xiamen Ocean Star are examined as follows:
- The purchaser is engaged in wholesaling of petroleum products and satisfies the restricted trades permitted for the eligible purchaser of the property;
 - The floor area of the subject property to be acquired by the purchaser cannot exceed 60% of the total gross floor area of the office portion of the subject development;
 - The transfer of the subject property from Xiamen Ocean Star to the purchaser is subject to approval from the Xiamen Land Resources and Building Administrative Bureau Haicang Branch and the Xiamen City Haicang District Municipal Government.
- xi. According to Proviso 6 of the aforesaid Mortgage Contract, the subject land parcel (Lot No. H2013P03) is prohibited from being transferred or otherwise disposed by Xiamen Ocean Star without written consent from Bank of Communications Co., Ltd. Xiamen Branch. Therefore, Xiamen Ocean Star should obtain prior consent from Bank of Communications Co., Ltd. Xiamen Branch before transferring the subject property to the purchaser.

- xii. As the subject development was under construction as at the valuation date, any amount due from Xiamen Ocean Star to the contractors for payment of construction costs shall have higher priority of repayment and shall undermine the transfer of the property. According to Proviso 2 of the Reply of the Supreme People's Court on Issues concerning the Priority of Compensation for Construction Payment (最高人民法院關於建設工程價款優先受償權問題的批復), those purchasers who have fully or substantially settled the purchase consideration shall be immune from the higher priority of repayment rights of the construction cost amounts overdue. Therefore, the Company is advised to paid off the purchaser consideration on time so as to get rid of the influence on property transfer from any construction cost overdue.
- xiii. According to Proviso 41 of the PRC Urban Property Administration Law, all land grant conditions and restrictions of the subject development are binding to all purchasers of the subject development and their successors-in-title. The possibility that additional restrictions would be imposed onto the Company by the Government in granting consent to the Company for future transfer of the property cannot be ruled out.
- xiv. In sum, the PRC legal adviser opines that Xiamen Ocean Star's title to the subject development is legal and valid and is not subject to any judiciary seizure and closure order. However, the following prerequisites should be fulfill for the transfer of the Property:
- The gross floor area of the Property shall not exceed 60% of the total gross floor area of the office portion of the subject development;
 - prior written consent from Bank of Communications Co., Ltd. Xiamen Branch has been obtained;
 - Xiamen Ocean Star should obtain prior approval from the Xiamen Land and Resources Administrative Bureau Haicang Branch and the Xiamen City Haicang District Economic and Trade Bureau.

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 shares⁽¹⁾ | Total number of shares | Approximate percentage of the issued Shares |
|--------------------------|------------------|---------------------------------------|-------------------------------|--|
| Lin Caihuo | Beneficial Owner | 208,278,946 | 208,278,946 | 26.92% |

Note:

(1) Interests in shares stated above represent long positions.

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⁽¹⁾ | Total number of shares | Approximate percentage of the issued Shares |
|--|---------------------------|---------------------------------------|-------------------------------|--|
| Lin Caihuo | Beneficial Owner | 208,278,946 | 208,278,946 | 26.92% |
| Cheung Chi Mang ⁽²⁾ | Beneficial Owner | 43,032,000 | 43,032,000 | 5.56% |
| Hong Kong Investments Group Limited ⁽²⁾ | Beneficial Owner Other | 43,032,000 | 43,032,000 | 5.56% |

Notes:

- (1) Interests in shares stated above represent long positions.
- (2) Hong Kong Investments Group Limited is 100% controlled by Cheung Chi Mang.

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 |
|-------------------------|--|
| TC Capital Asia Limited | A corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO |
| Asset Appraisal Limited | Independent property valuer |

Each of the experts named above 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 they respectively appear.

As at the Latest Practicable Date, each of TC Capital and Asset Appraisal Limited 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, each of TC Capital and Asset Appraisal Limited did not have any interest, either directly or indirectly, in any assets which have been since 31 December 2014 (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 2014, 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 | Executive Director and the General Manager | Engage in petroleum product trade, storage, transportation and distribution business |
| Fujian Yuhua Energy | Executive Director and the General Manager | Wholesale and retail of dangerous chemicals, petroleum products, chemical products and machinery equipment leasing |
| Fujian Yuhua Group Limited* 福建裕華集團有限公司 | Shareholder, Executive Director and the General Manager | 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 |

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 2014 (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 8 May 2015, Fujian Fuhua Energy (for itself and on behalf of its subsidiary(ies) or affiliate(s)) and Fujian Yuhua Petrochemical entered into the Oil Storage Tanks and Ancillary Facilities Agreement in relation to the provision of crude oil jetty and storage services for a period commencing from 11 May 2015 and ending on 31 December 2017. The transactions contemplated under the Oil Storage Tanks and Ancillary Facilities Agreement are continuing in nature, and the entering into of the same constitutes continuing connected transactions on the part of the Company under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 8 May 2015 for further details.

As at the Latest Practicable Date, other than Mr. Lin who is deemed to have interests in the Oil Storage Tanks and Ancillary Facilities Agreement, Sale and Purchase Framework Agreement, the Acquisition Agreements 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 Room 1105, 11th Floor Jubilee Centre 18 Fenwick Street Wanchai, 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 registrars 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. Lau Wai Piu Patrick, a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public 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 during normal business hours 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 bye-laws of the Company;
- (ii) the letter from the Independent Board Committee, the text of which is set out on 30 to 31 of this circular;
- (iii) the letter from TC Capital, the text of which is set out on pages 32 to 61 of this circular;
- (iv) the property valuation report; the text of which is set out on pages I-1 to I-9 of this circular
- (v) the written consents of the experts as referred to in the section headed “Qualification and consents of expert” in this appendix;
- (vi) the Acquisition Agreements;
- (vii) the Sale and Purchase Framework Agreement; and
- (viii) this circular.

* *for identification purpose only*

APPENDIX III BIOGRAPHICAL DETAILS OF THE DIRECTOR PROPOSED TO BE RE-ELECTED AT THE EGM

Mr. Zhang Jiping (張繼平), aged 44, has been appointed as an independent non-executive Director since 15 July 2015. He has also served as the chairman of the nomination committee, a member of the audit committee and a member of the remuneration committee of the Company since then.

Mr. Zhang graduated from Xiamen University with a Bachelor of Laws degree in 1992 and a Master of Laws degree in 2002. Mr. Zhang was awarded the qualification as a lawyer in the PRC in 1996 and an intermediate level real estate economist in 1998. Mr. Zhang also passed the uniform examination organized by the Chinese government authorities and has gained required qualifications for a Registered Tax Agent in 2000, passed the (國家司法考試) (National Judicial Examination of the PRC*) and obtained the lawyer's license of the PRC in 2002. Mr. Zhang is a practicing lawyer, a registered tax Advisor and a real estate economist in the PRC.

Mr. Zhang currently serves as a partner and director of 福建德和聯盟律師事務所 (Fujian Dehe Union Law Offices*). He was a Prosecuting Attorney for Xiamen People's Procuratorate between 1992 and 2002, engaged in civil litigations and criminal prosecutions for approximately 10 years, and practiced as a lawyer in the PRC for 13 years since 2002. He has more than 23 years of working experience in practicing civil and commercial laws, as well as in the areas of real estate and taxation in the PRC.

Mr. Zhang does not hold any directorship in any public companies whose securities are listed on any securities market in Hong Kong or overseas in the past three years.

Mr. Zhang is not connected and does not have any relationship with any Directors, senior management or substantial or controlling shareholders (as defined in the Listing Rules) of the Company. Except as disclosed in this circular, Mr. Zhang does not hold any position(s) with the Company or any members of the Group. Further, save as disclosed in this circular, Mr. Zhang does not have other major appointments or professional qualifications.

As at the Latest Practicable Date, Mr. Zhang does not have, and/or is not deemed to have, any interest in the shares, underlying shares or debentures of the Company or its associated corporation (as defined under Part XV of the SFO).

**APPENDIX III BIOGRAPHICAL DETAILS OF THE DIRECTOR
PROPOSED TO BE RE-ELECTED AT THE EGM**

Mr. Zhang has entered into a letter of appointment with the Company for a term of three years commencing from 15 July 2015, pursuant to which Mr. Zhang is subject to retirement by rotation and re-election at the next following general meeting of the Company in accordance with the provisions of the Articles of Association. Mr. Zhang is entitled to receive an annual director fee of HK\$120,000 and for his other work positions with the Group (which was determined with reference to his qualifications, experience, the scope of responsibilities within the Group, the prevailing market conditions and the recommendation of the remuneration committee of the Company).

Save as disclosed, there are no other matters that need to be brought to the attention of the Shareholders nor other information required to be disclosed pursuant to the requirements of Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules in relation to the appointment of Mr. Zhang.

** for identification purpose only*

NOTICE OF EGM



YUHUA ENERGY HOLDINGS LIMITED

裕華能源控股有限公司

(formerly known as Shinhint Acoustic Link Holdings Limited 成謙聲匯控股有限公司)

(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 Basement 2, the Wharney Guang Dong Hotel Hong Kong, 57-73 Lockhart Road, Wanchai, Hong Kong, on Friday, 20 November 2015 at 10:30 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions of the Company:

ORDINARY RESOLUTIONS

- (a) “**THAT** the sale and purchase framework agreement entered into between Yuhua Energy (China) Limited (as supplier) and Fujian Yuhua Petrochemical Company Limited (福建裕華石油化工有限公司) and Fujian Yuhua Energy Company Limited (福建裕華能源有限公司) (or any one or more of their subsidiaries) (as purchasers) dated 7 September 2015 (the “**Sale and Purchase Framework Agreement**”) and the transactions contemplated thereunder be approved, ratified and confirmed, and the annual caps in respect of the Sale and Purchase Framework Agreement for the three years ending 31 December 2015, 31 December 2016 and 31 December 2017, respectively, be and are hereby approved 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 Sale and Purchase Framework Agreement and the transactions contemplated thereunder.”

NOTICE OF EGM

- (b) “**THAT** the acquisition agreements entered into between Xiamen Yuhua Energy Company Limited (裕華能源(廈門)有限公司) (as purchaser) and Xiamen Ocean Star Shipping Company Limited (廈門海之星航運有限公司) (as vendor) dated 7 September 2015 (the “**Acquisition Agreements**”) 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 Acquisition Agreements and the transactions contemplated thereunder.”
- (c) “**THAT** Mr. Zhang Jiping be re-elected as an independent non-executive director of the Company.”

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

Hong Kong, 3 November 2015

As at the date of this notice, 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.

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.

NOTICE OF EGM

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, 17M 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. The register of members of the Company will be closed from 18 November 2015 to 20 November 2015 (both days inclusive), during which period no transfer of shares in the Company will be effected. In order to qualify for attending the EGM, all transfers, accompanied by the relevant share certificates, have to be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 17 November, 2015.
7. In relation to proposed resolution (c) above, Mr. Zhang Jiping will retire from his office at the EGM pursuant to article 86(3) of the articles of association of the Company and, being eligible, will offer himself for re-election. Biographical details of Mr. Zhang Jiping are set out in Appendix III to the circular of the Company dated 3 November 2015.
8. 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 20 November 2015, it will be proposed that the EGM will not be held on that day. An announcement will be made in such event.
9. 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.