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YUHUA ENERGY HOLDINGS LIMITED
裕華能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2728)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board (the "Board") of directors (the "Directors") of Yuhua Energy Holdings Limited (the "Company") announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2019 together with the comparative figures for the corresponding period in 2018.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

		Unaudited	
		Six months ended 30 June	
	Note	**2019**	2018
		HK$'000	*HK$'000*
Continuing operations			
Revenue	*3*	**20,988**	1,672,559
Cost of sales		**(24,407)**	(1,645,562)
Gross (loss)/profit		**(3,419)**	26,997
Distribution expenses		**(1,391)**	(1,780)
Administrative expenses		**(16,952)**	(13,198)
Other income		**35**	536
Other gains — net		**3,433**	269
Impairment of prepayments		**(280,325)**	–

	Note	Unaudited Six months ended 30 June **2019** ***HK$'000***	 2018 *HK$'000*
Operating (loss)/profit		**(298,619)**	12,824
Finance income		**238**	537
Finance expenses		**(8,221)**	(11,595)
Finance expenses — net		**(7,983)**	(11,058)
(Loss)/profit before income tax		**(306,602)**	1,766
Income tax credit/(expense)	*4*	**1**	(5,708)
Loss from continuing operations		**(306,601)**	(3,942)
Profit from discontinued operation		**–**	2,676
Loss for the period, all attributable to owners of the Company		**(306,601)**	(1,266)
Loss per share for loss from continuing operations attributable to owners of the Company			
Basic and diluted loss per share (in HK cents per share)	*5*	**(9.91)**	(0.13)
Loss per share attributable to owners of the Company			
Basic and diluted loss per share (in HK cents per share)	*5*	**(9.91)**	(0.04)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Unaudited Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Loss for the period	**(306,601)**	(1,266)
Other comprehensive income/(loss) for the period		
Items that may be reclassified to profit or loss		
— Currency translation differences	**4,567**	(4,595)
Total comprehensive loss for the period, all attributable to owners of the Company	**(302,034)**	(5,861)
Total comprehensive (loss)/income for the period arises from:		
Continuing operations	**(302,034)**	(9,258)
Discontinued operation	**–**	3,397
	(302,034)	(5,861)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2019

	Note	**Unaudited 30 June 2019** *HK$'000*	Audited 31 December 2018 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**947**	1,372
Investment properties		**94,765**	95,028
		95,712	96,400
Current assets			
Inventories		**3,074**	8,710
Trade and other receivables and prepayments	*7*	**215,481**	522,743
Cash and cash equivalents		**28,882**	16,462
Restricted cash		**201**	19,694
		247,638	567,609
Total assets		**343,350**	664,009
EQUITY			
Equity attributable to owners of the Company			
Share capital		**3,868**	3,868
Other reserves		**187,520**	183,243
Accumulated losses		**(430,575)**	(124,410)
Total equity		**(239,187)**	62,701

	Note	Unaudited 30 June 2019 *HK$'000*	Audited 31 December 2018 *HK$'000*
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**183**	190
Current liabilities			
Trade and other payables	*8*	**101,675**	132,746
Contract liabilities		**66,567**	67,764
Current income tax liabilities		**4,074**	4,076
Borrowings		**410,038**	396,532
		582,354	601,118
Total liabilities		**582,537**	601,308
Total equity and liabilities		**343,350**	664,009

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

1 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2019 has been prepared in accordance with HKAS 34, 'Interim financial reporting'. The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") except for the adoption of new standards and amendments as disclosed in Note 2.

This interim condensed consolidated financial information was unaudited but have been reviewed by the Audit Committee of the Company.

2 SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Other than changes in accounting policies resulting from application of new and amendments to HKFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those presented in the preparation of the annual financial statements of the Group for the year ended 31 December 2018.

(a) Application of new and amendments to HKFRSs

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 16, Leases
- HK(IFRIC)-Int 23, Uncertainty over Income Tax Treatments
- Amendments to HKAS 19, Plan Amendment, Curtailment or Settlement
- Amendments to HKAS 28, Long-term Interests in Associates and Joint Ventures
- Amendments to HKFRSs, Annual Improvements to HKFRSs 2015–2017 Cycle

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and on the disclosures set out in these condensed consolidated financial statements.

(b) HKFRS 16, Leases

The Group has applied HKFRS 16 for the first time in the six months ended 30 June 2019. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

(b)(i)Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of rented premises and department store counters that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

<u>Refundable rental deposits</u>

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

<u>Lease liabilities</u>

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

As a lessor

Allocation of consideration to components of a contract

Effective on 1 January 2019, the Group applies HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

(b)(ii) Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply HKFRS16 to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease by- lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of HK$Nil and right-of-use assets of HK$Nil at 1 January 2019.

	At 1 January 2019 *HK$'000*
Operating lease commitments disclosed as at 31 December 2018	146
Less: Recognition exemption — short-term leases	(146)
Lease liabilities as at 1 January 2019	–

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's condensed consolidated statement of financial position at 1 January 2019. However, effective 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

3 SEGMENT INFORMATION

The Company's board of directors is the Group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the board of directors for the purposes of allocating resources and assessing performance.

The board of directors considers the business from business lines perspective, and assesses the performance of the Group in two business lines, (1) energy trading which comprises mainly the trading of fuel oil and kerosene, and (2) speaker trading.

The board of directors assesses the performance of the operating segments based on a measure of the segment results of the operating segments. Finance income or expenses, fair value changes on investment properties and the unallocated operating expenses are not allocated to segments since these activities are driven by the central function and the related income or expenses are undividable between segments.

The Group's deferred income tax assets, intangible assets, prepayment for non-current assets and investment properties are not considered to be segment assets and the Group's liabilities, borrowings, deferred income tax liabilities, and current income tax liabilities are not considered to be segment liabilities for reporting to the board of directors as they are managed on a central basis.

Segment information is as follows:

	Unaudited Six months ended 30 June 2019 HK$'000	2018 HK$'000
Revenue from external customers		
Energy trading	**138**	1,620,382
Oil tanker transportation	**–**	22,744
Speaker trading	**20,850**	29,433
Total continuing operations	**20,988**	1,672,559
Discontinued operation *(Note 9)*	**–**	229,868
Total	**20,988**	1,902,427
Timing of revenue recognition		
At a point in time	**20,988**	1,879,683
Over time	**–**	22,744
Total	**20,988**	1,902,427
Segment (loss)/profit		
Energy trading	**(286,615)**	10,016
Oil tanker transportation	**–**	9,944
Speaker trading	**(9,506)**	(4,528)
Total continuing operations	**(296,121)**	15,432
Discontinued operation *(Note 9)*	**–**	3,768
Total	**(296,121)**	19,200

	Unaudited 30 June 2019 HK$'000	Audited 31 December 2018 HK$'000
Segment assets		
Energy trading	**209,033**	515,838
Speaker trading	**37,354**	52,093
Total	**246,387**	567,931
Segment liabilities		
Energy trading	**138,099**	177,399
Speaker trading	**3,654**	8,004
Total	**141,753**	185,403

A reconciliation of total segment profit to net profit is provided as follows:

	Unaudited Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Segment (loss)/profit from continuing operations	**(296,121)**	15,432
Rental income from investment properties	**35**	–
Unallocated operating expenses	**(2,533)**	(2,608)
Operating (loss)/profit from continuing operations	**(298,619)**	12,824
Finance income	**–**	537
Finance expenses	**(7,983)**	(11,595)
(Loss)/profit before income tax from continuing operations	**(306,602)**	1,766
Income tax expense	**1**	(5,708)
Loss from continuing operations	**(306,601)**	(3,942)
Profit from discontinued operation *(Note 9)*	**–**	2,676
Loss for the period	**(306,601)**	(1,266)

Reportable segments' assets are reconciled to total assets as follows:

	Unaudited 30 June 2019	Audited 31 December 2018
	HK$'000	*HK$'000*
Total segment assets	**246,387**	567,931
Unallocated assets	**2,198**	1,050
Investment properties	**94,765**	95,028
Total assets	**343,350**	664,009

Reportable segments' liabilities are reconciled to total liabilities as follows:

	Unaudited 30 June 2019	Audited 31 December 2018
	HK$'000	*HK$'000*
Total segment liabilities	**141,753**	185,403
Unallocated liabilities	**29,565**	15,107
Borrowings	**410,038**	396,532
Current income tax liabilities	**998**	4,076
Deferred income tax liabilities	**183**	190
Total liabilities	**582,537**	601,308

4 INCOME TAX (CREDIT)/EXPENSE

	Unaudited Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Current income tax		
— PRC income tax	**–**	4,920
Deferred income tax	**(1)**	1,892
	(1)	6,812
Income tax (credit)/expenses is attributable to:		
Loss from continuing operations	**(1)**	5,708
Profit from discontinued operation *(Note 9)*	**–**	1,104
	(1)	6,812

Hong Kong profits tax has been provided for at the rate of 16.5% (six month ended 30 June 2018: 16.5%) on the estimated assessable profits of the Group's subsidiaries in Hong Kong for the period.

Taxation on PRC income has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the PRC in which the Group operates. The Company's subsidiaries incorporated in the PRC are subject to Corporate Income Tax ("CIT") at the rate of 25% (six month ended 30 June 2018: 25%, except for Dongguan Shinhint Audio Technology Limited 'Discontinued Operations' which are subject to CIT at the rate of 15%. Dongguan Shinhint Audio Technology Limited obtained the "Certificate of High and New Technology Enterprises" issued by Guangdong Provincial Department of Science and Technology, Department of Finance, State Administration of Taxation and Local Administration of Taxation. The certificate is valid for 3 years from October 2015 to October 2018).

Pursuant to the PRC Enterprise Income Tax Law and its detailed implementation rules, the profits of the PRC subsidiaries of the Group derived since 1 January 2008 will be subject to withholding tax upon the distribution of such profits to foreign investors. Deferred income tax liabilities have been provided for at the applicable tax rate of 10% in this regard based on the expected dividends to be distributed from the Group's PRC subsidiaries in the foreseeable future in respect of the profits generated since 1 January 2008.

5 (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earnings per share attributable to owners of the Company is based on the following data:

	Unaudited Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
(Loss)/earnings attributable to owners of the Company used in calculating basic (loss)/earnings per share:		
From continuing operations	**(306,601)**	(3,942)
From discontinued operation	**–**	2,676
	(306,601)	(1,266)
	shares '000	*shares '000*
Issued ordinary shares at 1 January	**3,094,516**	1,547,258
Effect of share subdivision	**–**	1,547,258
Weighted average number of ordinary shares at 30 June for the purpose of basic and diluted loss per share	**3,094,516**	3,094,516
Basic (loss)/earnings per share (in HK cents per share)		
From continuing operations	**(9.91)**	(0.13)
From discontinued operation	**–**	0.09
	(9.91)	(0.04)
Diluted (loss)/earnings per share (in HK cents per share)		
From Continuing operations	**(9.91)**	(0.13)
From Discontinued operations	**–**	0.09
	(9.91)	(0.04)

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue for the six months ended 30 June 2019.

For the six months ended 30 June 2019 and 2018, the Company's share options have no dilutive effect on the (loss)/earnings per share. Calculations are done to determine the number of shares that could have been acquired at fair value (determined by using average market share price of the Company's shares for the six months ended 30 June 2019) based on the monetary value of the subscription rights attached to outstanding share options. Diluted earnings per share is therefore equal to basic (loss)/earnings per share.

6 DIVIDENDS

The Board of Directors did not propose any interim dividend for the period ended 30 June 2019 (six months ended 30 June 2018: Nil).

7 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	Unaudited 30 June 2019 ***HK$'000***	Audited 31 December 2018 *HK$'000*
Trade receivables from third parties	**112,258**	131,089
Trade receivables from related parties	**183**	187
Less: allowance for impairment of trade receivables	**(21,078)**	(21,137)
Trade receivables — net	**91,363**	110,139
Prepayments to suppliers	**672,949**	683,267
Less: allowance for impairment of prepayment to suppliers	**(550,664)**	(276,097)
Prepayment to suppliers — net	**122,285**	407,170
Export tax rebate receivables	**951**	1,343
Other receivables and deposits	**882**	4,091
	215,481	522,743

The Group normally allows a credit period of 30 days to 90 days to its customers and may further extend the credit period to selected customers depending on their trade volume and settlement history. As at 30 June 2019 and 31 December 2018, the aging analysis of trade receivables based on date of revenue recognition was as follows:

	Unaudited 30 June 2019 ***HK$'000***	Audited 31 December 2018 *HK$'000*
0–90 days	**5,696**	26,410
90–180 days	**–**	–
over 180 days	**85,667**	83,729
	91,363	110,139

Included in the above provision for impairment of trade and other receivables is a provision for individually impaired trade receivables and prepayments of approximately RMB18,520,000 (equivalent to HK$21,891,000) and RMB483,832,000 (equivalent to HK$566,277,000), respectively. The individually impaired trade receivables and prepayments related to customers and suppliers that were in financial difficulties. The directors of the Company estimated the amounts of impairment is after taking into consideration the below event:

It came to the attention of management that there were media reports about the liquidity problem of a customer, Zhangjiagang Free Trade Zone Baota Petrochemical Co., Ltd* (張家港保稅區寶塔石化有限公司) and a supplier, Shanghai Baota Petrochemical Co., Ltd* (上海寶塔石化有限公司), and their performance on subsequent settlements of the Group's trade receivables and prepayments respectively.

* *For identification purpose only*

8 TRADE AND OTHER PAYABLES

	Unaudited 30 June 2019 *HK$'000*	Audited 31 December 2018 *HK$'000*
Trade payables to third parties	**41,370**	53,625
Trade payables to related parties	**2,627**	284
Trade payables	**43,997**	53,909
Bills payables (i)	**8,877**	55,923
Payroll and welfare payables	**466**	1,077
Amounts due to related parties	**9,545**	7,051
Other payable and accrued expenses	**38,790**	14,786
	101,675	132,746

(i) The bills payables as at 30 June 2019 were secured by (i) restricted bank deposits of the Group amounting to approximately HK$201,000 (2018: approximately HK$19,694,000), (ii) guarantees provided by Mr. Lin and a related company beneficially owned by Mr. Lin.

As at 30 June 2019 and 31 December 2018, the aging analysis of trade payables (including bills payable of trading in nature) based on invoice date was as follows:

	Unaudited 30 June 2019 *HK$'000*	Audited 31 December 2018 *HK$'000*
0–30 days	**1,778**	6,366
31–60 days	**286**	12,712
61–90 days	**281**	5,767
91–120 days	**282**	28,871
Over 120 days	**50,247**	56,116
	52,874	109,832

9 DISCONTINUED OPERATION

(a) Description

On 25 May 2018, the Group entered into a Disposal Agreement with an independent third party in relation to the disposal of the entire issued share capital in a wholly owned subsidiary of the Company, Crown Million Industries (International) Limited (冠萬實業(國際)有限公司) (the "Target Company" together with its subsidiary, collectively the "Target Group") ("the Disposal").

The Target Group is principally engaged in manufacturing and trading of home theatre and automotive speaker systems.

The Target Group was sold on 4 June 2018 (the "Completion Date") for an estimated cash consideration of HK$34,134,000. No gain or loss was resulted from the Disposal. The results of the Target Group are presented in this interim condensed consolidated financial information as a discontinued operation.

(b) Financial performance and cash flow information

Financial information relating to the Target Group for the period to the date of disposal of 4 June 2018 is set out below.

	Unaudited Six months ended 30 June 2018 *HK$'000*
Revenue	229,868
Cost of sales	(209,187)
Gross profit	20,681
Distribution expenses	(1,455)
Administrative expenses	(12,053)
Other income	18
Other losses — net	(3,423)
Operating profit	3,768
Finance income	12
Profit before income tax	3,780
Income tax expense	(1,104)
Profit from discontinued operation	2,676
Currency translation differences from discontinued operations	721
Other comprehensive income from discontinued operations	721
Net cash outflow from operating activities	(7,778)
Net cash outflow from investing activities	(340)
Net decrease in cash from discontinued operation	(8,118)

(c) Result of the disposal of the Target Group

	Unaudited 30 June 2018 *HK$'000*
Cash received or receivable as consideration	34,134
Carrying amount of net assets sold	(34,134)
Gain on sale before and after income tax	–

The consideration was determined by reference of the net asset value of the Target Group as at the Completion Date.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group was principally engaged in the manufacture, trading and transportation businesses during the six months ended 30 June 2019 (the "Current Period"). The Group's revenue was approximately HK$20.99 million, representing a decrease of approximately 98.7% as compared to approximately HK$1,672.56 million for the same period last year. Consequently, the gross loss from continuing operations was approximately HK$3.42 million (2018 interim: Gross profit approximately HK$27.00 million), representing a decrease of approximately 112.66%, during the Current Period.

During the Current Period, our activities can be segmented into energy trading and speaker units businesses.

Energy trading business

Suffered from geopolitics and US-China Trade War, the Company faced challenges on the energy trading business during the Current Period. The revenue from energy trading has decreased to approximately HK$138,000 (2018 interim: approximately HK$1,620.38 million), representing a decrease of approximately 99.99% from the corresponding period in 2018. Its revenue also accounted for approximately 0.66% (2018 interim: approximately 96.88%) of the consolidated revenue from continuing operations. The decrease of revenue was mainly attributable to a decrease in sales orders from customers in view of the price instability in oil market under the uncertain outcome of trade tensions.

Oil tanker transportation business

Although the business of oil tanker transportation involved the transfer of ownership of vessels in August 2018 and this segment had no contribution of the business to the Group during the Current Period, the management is still making its best endeavour to seek business opportunities to develop this segment in the second half of 2019.

Speaker units business

The revenue from speaker units business recorded a decrease during the Current Period. Its revenue amounted to approximately HK$20.85 million (2018 interim: approximately HK$29.43 million), representing a decrease of approximately 29.16%. Nonetheless, its revenue accounted for approximately 99.34% (2018 interim: approximately 1.76%) of the consolidated revenue from continuing operations only.

The operating costs were approximately HK$18.34 million during the Current Period (2018 interim: approximately HK$14.98 million), representing an increase of approximately 22.47% as compared with the corresponding period in 2018.

The finance costs were approximately HK$8.22 million during the Current Period, representing a decrease of approximately 29.10% as compared with approximately HK$11.60 million for the corresponding period of the previous year.

During the Current Period, the Group recorded a net loss attributable to the Company's equity holders of approximately HK$306.60 million (2018 interim: net loss approximately HK$1.27 million). Apart from the abovementioned factors, the net loss recorded was also due to impairment of prepayments for the six months ended 30 June 2019 (2018 interim: nil).

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 June 2019, the Group had cash and cash equivalents of approximately HK$28.88 million (31 December 2018: approximately HK$16.46 million), which were mainly denominated in Hong Kong dollars, US dollars and Renminbi.

As at 30 June 2019, the Group's net current liabilities were HK$334.72 million (31 December 2018: approximately HK$33.51 million). The Group's current ratio, being the ratio of total current assets to total current liabilities, was approximately 0.43 as compared to approximately 0.94 as at 31 December 2018. The Group had bank and other borrowings of approximately HK$410.04 million (31 December 2018: approximately HK$396.53 million) which were denominated in Renminbi and Hong Kong dollars. The interest rates of the bank and other borrowings for the six months ended 30 June 2019 was ranged from approximately 4.437% to approximately 5.22% (31 December 2018: ranged from 5.069% to 7.347%) per annum. The above bank and other borrowings was accounted for as current liabilities of the Group and repayable within one year.

As at 30 June 2019, the gearing ratio of the Group was nil (as at 31 December 2018: approximately 6.32%), which was computed by dividing the total borrowings of approximately HK$410.04 million (31 December 2018: approximately HK$396.53 million) by shareholder's equity of approximately negative HK$239.19 million (31 December 2018: approximately HK$62.70 million).

Charge on Assets

As at 30 June 2019, the investment properties of the Group have been pledged as security for the borrowings of the Group.

Significant Investments and Material Acquisitions and Disposals

The Group has made no significant investment or any material acquisition or disposal of subsidiaries for the six months ended at 30 June 2019.

Treasury Policies

The Group does not engage in any leveraged or derivative products. Since most of the Group's assets and liabilities are denominated in HK dollars, Renminbi and US dollars and the exchange rates of such currencies were relatively stable over the Current Period, the Group believes that exposure to fluctuation in above currencies does not have any significant adverse effect to the Group. Nonetheless, the Group will closely monitor the foreign currency exposure and arrange for hedging facilities when necessary.

Contingent Liabilities

As at 30 June 2019, the Group has no material contingent liabilities.

Human Resources

The Group has employed a total of approximately 30 employees as at 30 June 2019 (2018 interim: approximately 65) in Hong Kong and the PRC. Staff costs (excluding Directors' emoluments) from continuing operations amounted to approximately HK$4.2 million (2018 interim: approximately HK$5 million). The Group recruits and selects candidates for employment on the basis of their qualifications and suitability for the position. It is the Group's policy to recruit the most capable person available for each position.

Future Prospects

Whereas the interim results of the Group for the six months ended 30 June 2019 may not meet the Group's expectation, the Group's management is confident on improving the Group's business operation in the energy trade industry. At the same time, the Group will continue to explore new investment and business opportunities in different sectors such as energy transportation, petroleum exploration technology services, petroleum refinery services and retail of the petroleum products. In addition to the implementation of the aforesaid investment and improvement plans, the Group will further optimize its management team and cost control measures in order to enhance the profitability of the Group.

In the second half of 2019, under the existing economic challenges, the Group will continue to seek new opportunities and areas of business growth for creating long-term value for its Shareholders with the implementation of the plans below:

1. *Funding*

   On 21 August 2019, the Group has raised fund in the sum of HK$67,500,000 through the issuance of new shares. Further details of the issuance of new shares, please refer to the announcements of the Company dated 7 August 2019, 12 August 2019 and 22 August 2019.

   On 23 August 2019, the Group has obtained an unsecured loan in the amount of RMB80,000,000 from an executive director, whom is also a substantial shareholder. For further details of the unsecured loan facility, please refer to the announcement of the Company dated 23 August 2019.

2. *Energy Trading Business*

   On 23 August 2019, the Group has entered into a product procurement framework agreement with a company in the People's Republic of China which is engaged in petrochemical business (the "Purchaser"). Pursuant to the framework agreement, the Purchaser will procure from the Group fuel oil products and petrochemical products from time to time, the aggregate purchase volume of which is expected to be not less than 2,000,000 tonnes with an aggregate purchase amount of not less than RMB10,000,000,000 during the period between 23 August 2019 and 31 December 2022. Further details of the product procurement framework, please refer to the announcement of the Company dated 23 August 2019.

On 29 August 2019, the Group has entered into a product procurement framework agreement with a company in the People's Republic of China which is engaged in petrochemical business (the "Purchaser 2"). Pursuant to the framework agreement, the Purchaser will procure from the Group fuel oil products and petrochemical products from time to time, the aggregate purchase volume of which is expected to be not less than 1,200,000 tonnes with an aggregate purchase amount of not less than RMB6,000,000,000 during the period between 1 September 2019 and 31 December 2021.

3. *Energy Transportation Business*

The Group is considering acquiring a company in petroleum products transportation sector and the Group has entered into a non legally-binding memorandum of understanding. Further details of the potential acquisition of the company, please refer to the announcement of the Company dated 27 August 2019. The Group will continue to explore further business probabilities in acquiring businesses in the aforesaid sector (if any) if the opportunities arise.

4. *Development of the Industry Chain Business*

The Group is considering further expansion on its business on petroleum extraction services, petroleum refining and retail of petroleum products.

5. *Merge and Acquisition*

The Group is envisaging the acquisition of business (if any) if opportunities arise and which is beneficial to the Group as a whole. The Group is also contemplating in setting up a fund to sustain the possible acquisition of new business of the Group.

Subsequent Event

On 7 August 2019, the Company entered into a subscription agreement with Super Wise International Investment Limited for the subscription of an aggregate of 540,000,000 new shares, representing approximately 14.858% of the enlarged issued share capital of the Company, in the aggregate consideration of HK$67,500,000 at the subscription price of HK$0.125 per subscription. Completion of the subscription has taken place on 21 August 2019. Among the net proceeds of HK$67,300,000, (i) approximately HK$54.3 million will be allocated for the general working capital of the Company; (ii) approximately HK$5 million will be allocated for acquisition of business (if any) if opportunities arise and (iii) approximately HK$8 million will be allocated for repayment of some of the indebtedness of the Group. Further details about the subscription are disclosed in the announcements of the Company dated 7, 12 and 22 August 2019.

On 23 August 2019, the Group has entered into a product procurement framework agreement with a company in the People's Republic of China which is engaged in petrochemical business (the "Purchaser"). Pursuant to the framework agreement, the Purchaser will procure from the Group fuel oil products and petrochemical products from time to time, the aggregate purchase volume of which is expected to be not less than 2,000,000 tonnes with an aggregate purchase amount of not less than RMB10,000,000,000 during the period between 23 August 2019 and 31 December 2022. Further details of the product procurement framework, please refer to the announcement of the Company dated 23 August 2019.

On 29 August 2019, the Group has entered into a product procurement framework agreement with a company in the People's Republic of China which is engaged in petrochemical business (the "Purchaser 2"). Pursuant to the framework agreement, the Purchaser will procure from the Group fuel oil products and petrochemical products from time to time, the aggregate purchase volume of which is expected to be not less than 1,200,000 tonnes with an aggregate purchase amount of not less than RMB6,000,000,000 during the period between 1 September 2019 and 31 December 2021.

DISCLAIMER OF OPINION IN THE ANNUAL REPORT 2018

In the annual report 2018 of the Company, the auditors of the Company has issued disclaimer of opinion, mentioning impairments of trade and other receivables and issue of going concern. With respect to impairments of trade and other receivables, since the trade deposits have already been fully written off, the auditors will not issue disclaimer of opinion on the recoverability of such trade receivables. With respect to the issue of going concern, since the Company has recently complete an issue of convertible bonds in the principal sum of HK$110,952,907 and a placing of 540,000,000 shares and raised additional funds of approximately HK$67,300,000, and the Company has entered into two product procurement framework agreements and a memorandum of understanding of a potential major transaction, the Directors believe that the possibility that auditors will issue disclaimer of opinion in the financial statements for the year ending 31 December 2019 may not be high. Nevertheless, this will be subject to the actual circumstances of the Company and the views of the auditors at the material time.

INTERIM DIVIDEND

The board (the "Board") of Directors (the "Directors") of the Company does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (2018: nil).

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with the Corporate Governance Code

The Company devotes to the corporate governance, and has complied with the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Rules Governing the Listing (the "Listing Rules") of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the Current Period, except for the following deviation:

Pursuant to code provision A.2.1 of the Code, the roles of chairman of the Board (the "Chairman") and chief executive officer (the "CEO") should be separated and should not be performed by the same individual. The division of responsibilities between the Chairman and the CEO should be clearly established and set out in writing.

The role of Chairman is assumed by Mr. Lin Caihuo ("Mr. Lin"). The Chairman formulates the overall strategic direction of the Group. The Company had not appointed any CEO throughout the Current Period. The role of the CEO has been performed collectively by all the executive Directors. The Board considers that this arrangement allows contributions from all executive Directors with different expertise and is beneficial to the continuity of the Company's policies and strategies and in the interest of the Shareholders as a whole. The Board shall nevertheless review the structure from time to time and shall consider appropriate adjustment should suitable circumstance arise.

Pursuant to code provision A.6.7 of the Code, independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of Shareholders. Our independent non-executive Directors, Mr. Liu Yang, and Mr. Xu Changyin were unable to attend the annual general meeting of the Company held on 31 May 2019 due to other commitments.

Ms. Mak Po Man Cherie resigned as the Company Secretary of the Company with effect from 10 June 2019 and replaced by Mr. Zhou Chen on the same date.

Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct pertaining to securities transactions by the Directors. Having made specific enquiry of all Directors, all the Directors have confirmed that they have fully complied with the required standards set out in the Model Code throughout the Current Period.

Audit Committee

The audit committee of the Company (the "Audit Committee") assists the Board in discharging its responsibilities for corporate governance, financial reporting and corporate control. The primary duties of the Audit Committee are to, among others, review and supervise the financial reporting process and internal control procedures of the Group. The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Liu Yang, Mr. Xu Changyin and Mr. Tche Heng Hou Kevin. The chairman of the Audit Committee is Mr. Tche Heng Hou Kevin, who holds the appropriate professional accounting qualification and financial management expertise as required under the Listing Rules.

The interim results of the Group for the six months ended 30 June 2019 have not been audited. The Audit Committee has reviewed with the Directors and senior management of the Group, the unaudited condensed consolidated financial statements and this interim report of the Group for the six months ended 30 June 2019.

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Current Period.

ACKNOWLEDGEMENT

The Group would like to extend its sincere gratitude to its business partners and shareholders for their continued support. The management team and all staff members shall also be lauded for their unwavering efforts and dedication to the Group.

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

Hong Kong, 30 August 2019

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