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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 2018

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 2018 together with the comparative figures for the corresponding period in 2017.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

		Unaudited	
		Six months ended 30 June	
	Note	**2018**	2017
			Restated
		HK$'000	*HK$'000*
			(Note 9)
Continuing operations			
Revenue	*3*	**1,672,559**	4,952,438
Cost of sales		**(1,645,562)**	(4,899,984)
Gross profit		**26,997**	52,454
Distribution expenses		**(1,780)**	(2,832)
Administrative expenses		**(13,198)**	(12,743)
Other income		**536**	34
Other gains — net		**269**	26,288

	Note	Unaudited Six months ended 30 June **2018** ***HK$'000***	 2017 Restated *HK$'000* *(Note 9)*
Operating profit		**12,824**	63,201
Finance income		**537**	467
Finance expenses		**(11,595)**	(6,686)
Finance expenses — net		**(11,058)**	(6,219)
Profit before income tax		**1,766**	56,982
Income tax expense	*4*	**(5,708)**	(17,876)
(Loss)/profit from continuing operations		**(3,942)**	39,106
Profit from discontinued operation		**2,676**	4,344
(Loss)/profit for the period, all attributable to owners of the Company		**(1,266)**	43,450
(Loss)/earnings per share for profit from continuing operations attributable to owners of the Company			
Basic and diluted (loss)/earnings per share (in cents per share)		**(0.13)**	1.26
(Loss)/earnings per share attributable to owners of the Company			
Basic and diluted (loss)/earnings per share (in cents per share)	*5*	**(0.04)**	1.40

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Unaudited Six months ended 30 June	
	2018	2017
		Restated
	HK$'000	*HK$'000*
		(Note 9)
(Loss)/profit for the period	**(1,266)**	43,450
Other comprehensive (loss)/income for the period		
Items that may be reclassified to profit or loss		
— Currency translation differences	**(4,595)**	14,209
Total comprehensive (loss)/income for the period, all attributable to owners of the Company	**(5,861)**	57,659
Total comprehensive (loss)/income for the period arises from:		
Continuing operations	**(9,258)**	51,468
Discontinued operation	**3,397**	6,191
	(5,861)	57,659

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2018

	Note	**Unaudited 30 June 2018 *HK$'000***	Audited 31 December 2017 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**44,520**	49,598
Investment properties		**120,965**	122,005
Intangible assets		**978**	978
Prepayment and deposits		**154**	842
Deferred income tax assets		**–**	284
		166,617	173,707
Current assets			
Inventories		**4,241**	65,765
Trade and other receivables and prepayments	*7*	**991,462**	1,166,975
Cash and cash equivalents		**42,400**	20,323
Restricted cash		**102,479**	103,360
		1,140,582	1,356,423
Total assets		**1,307,199**	1,530,130
EQUITY			
Equity attributable to owners of the Company			
Share capital		**3,868**	3,868
Other reserves		**199,172**	203,161
Retained profits		**218,686**	220,558
Total equity		**421,726**	427,587

	Note	Unaudited 30 June 2018 HK$'000	Audited 31 December 2017 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**9,495**	8,683
Current liabilities			
Trade and other payables	*8*	**396,166**	780,843
Contract liabilities		**114,241**	–
Current income tax liabilities		**4,276**	4,004
Borrowings		**361,295**	309,013
		875,978	1,093,860
Total liabilities		**885,473**	1,102,543
Total equity and liabilities		**1,307,199**	1,530,130

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

1 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2018 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 2017, 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 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2017, as described in those annual financial statements.

(a) New and amended standards adopted by the Group

The following new standards and amendments relevant to the Group became applicable for the first time for the financial year beginning on or after 1 January 2018. The group had to change its accounting policies as a result of adopting the following standards:

— HKFRS 9 Financial Instruments, and

— HKFRS 15 Revenue from Contracts with Customers

The impact of the adoption of these standards and the new accounting policies are disclosed below.

HKFRS 9 was generally adopted without restating comparative information with the exception of certain aspects of hedge accounting. There was no impact on the consolidated financial statements for the year ended 31 December 2017.

The Group adopted HKFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption (if any) will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more details below.

Consolidated statement of financial position (extract)	**31 December 2017 As originally presented**	**HKFRS 15**	**1 January 2018 Restate**
	HK$'000	*HK$'000*	*HK$'000*
Current liabilities			
Trade and other payables	780,843	(198,585)	582,258
Contract liabilities	–	198,585	198,585

(i) ***HKFRS 9, 'Financial Instruments'***

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

There is no impact on the Group's accounting for financial assets and liabilities. As the Group has trade receivables for sales of products and services that are subject to HKFRS 9's new expected credit loss model, and the Group was required to revise its impairment methodology under HKFRS 9 for these receivables.

The Group applies the HKFRS 9 simplified approach to measure the expected credit losses which uses a lifetime expected loss allowance for all trade receivables from initial recognition. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and aging analysis. On that basis, the loss allowance as at 1 January 2018 have no change after reassessment.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, no impairment loss was identified.

(ii) ***HKFRS 15, 'Revenue from Contracts with Customers'***

The Group has adopted HKFRS 15 'Revenue from Contracts with Customers' from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The Group adopted HKFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption (if any) will be recognised in retained earnings as at 1 January 2018 and that comparatives will not be restated. The following adjustments were made to the amounts recognised in the balance sheet at the date of initial application on 1 January 2018:

	HKAS 18 carrying amount 31 December 2017	**Reclassification**	**HKFRS 15 carrying amount 1 January 2018**
	HK$'000	*HK$'000*	*HK$'000*
Trade and other payables	780,843	(198,585)	582,258
Contract liabilities	–	198,585	198,585

The Group is engaged in trading of energy products including mainly trading of fuel oil and kerosene, oil tanker transportation services and manufacturing and trading of speaker units.

The timing and accounting treatments of revenue recognition are the same before and after adopting the HKFRS 15. Other than certain reclassification of contract liabilities, the adoption of HKFRS 15 did not result in any impact to the financial statements.

(iii) ***Accounting policies effective from 1 January 2018 due to the adoption of HKFRS 9 and HKFRS 15***

Financial assets – impairment

From 1 January 2018, the Group assesses the expected credit losses associated with its financial assets on a forward looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Revenue recognition – sales from trading of energy products

Revenue is recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no more unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the location as agreed on the sales contract and the certificates of ownership are handed over to customer, or when products are shipped at the shipping point. The risks of obsolescence and loss have been transferred to the customers when either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognised when the products are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Revenue recognition – sale of speaker units

Revenue is recognised when the products are delivered to customer and the customer has inspected and accepted the products.

Revenue recognition – oil tanker transportation services

Revenue is recognised in the accounting period in which the services are rendered and is recognised based on the actual service provided up to the end of the reporting period as a proportion of the total services to be provided for a voyage. This is determined based on the actual days spent relative to the total expected days of a voyage.

Presentation of assets and liabilities related to contracts with customers

Reclassifications of advances from customers, that were previously included in trade and other payables, to contract liabilities with customers were made as at 1 January 2018 to be consistent with the terminology used under HKFRS 15.

(b) New standards and interpretations not yet adopted

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on or after 1 January 2018 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
HK (IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

(i) HKFRS 16, 'Leases'

The new standard, which will be effective for the financial period beginning on or after 1 January 2019, will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The new standard will affect primarily the accounting for the Group's operating leases. As at 30 June 2018, the Group has non-cancellable operating lease commitments of HK$3,967,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

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 three business lines: (i) energy trading which comprises mainly the trading of fuel oil and kerosene, (ii) oil tanker transportation services and (iii) audio speaker trading business (speaker manufacturing and trading business prior to 4 June 2018).

The Board of Directors assesses the performance of the operating segments based on a measure of segment results, excluding finance income/(expenses), fair value gains/(losses) on investment properties and the Company's incomes and expenses. Finance income/(expenses), fair value gains/(losses) on investment properties and the Company's incomes and expenses are not allocated to segments, as these types of activity are driven by the central function and the related income/(expenses) are undividable between the segments.

The Company's assets, deferred income tax assets, intangible assets, prepayment for non-current assets and investment properties are not considered to be segment assets and the Company'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 2018 HK$'000	2017 Restated HK$'000 (Note 9)
Revenue from external customers		
Energy trading	**1,620,382**	4,917,740
Oil tanker transportation	**22,744**	11,537
Speaker trading	**29,433**	23,161
Total continuing operations	**1,672,559**	4,952,438
Discontinued operation *(Note 9)*	**229,868**	198,776
Total	**1,902,427**	5,151,214
Timing of revenue recognition		
At a point in time	**1,879,683**	5,139,677
Over time	**22,744**	11,537
Total	**1,902,427**	5,151,214
Segment profit/(loss)		
Energy trading	**10,016**	38,773
Oil tanker transportation	**9,944**	2,302
Speaker trading	**(4,528)**	(1,373)
Total continuing operations	**15,432**	39,702
Discontinued operation *(Note 9)*	**3,768**	6,228
Total	**19,200**	45,930

	Unaudited 30 June 2018 HK$'000	Audited 31 December 2017 HK$'000
Segment assets		
Energy trading	**1,059,957**	1,090,231
Oil tanker transportation	**43,754**	45,201
Speaker trading	**80,954**	270,480
Total	**1,184,665**	1,405,912
Segment liabilities		
Energy trading	**460,028**	540,628
Oil tanker transportation	**22,507**	48,989
Speaker trading	**20,472**	187,951
Total	**503,007**	777,568

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

	Unaudited Six months ended 30 June 2018 HK$'000	2017 Restated HK$'000 (Note 9)
Segment profit from continuing operations	**15,432**	39,702
Unallocated operating (expenses)/gains	**(2,608)**	23,499
Operating profit from continuing operations	**12,824**	63,201
Finance income	**537**	467
Finance expenses	**(11,595)**	(6,686)
Profit before income tax from continuing operations	**1,766**	56,982
Income tax expense	**(5,708)**	(17,876)
(Loss)/profit from continuing operations	**(3,942)**	39,106
Profit from discontinued operation *(Note 9)*	**2,676**	4,344
(Loss)/profit for the period	**(1,266)**	43,450

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

	Unaudited 30 June 2018 HK$'000	Audited 31 December 2017 HK$'000
Total segment assets	**1,184,665**	1,405,912
Unallocated assets	**437**	720
Deferred income tax assets	**–**	284
Intangible assets	**978**	978
Prepayment for non-current assets	**154**	231
Investment properties	**120,965**	122,005
Total assets	**1,307,199**	1,530,130

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

	Unaudited 30 June 2018 HK$'000	Audited 31 December 2017 HK$'000
Total segment liabilities	**503,007**	777,568
Unallocated liabilities	**7,400**	3,275
Borrowings	**361,295**	309,013
Current income tax liabilities	**4,276**	4,004
Deferred income tax liabilities	**9,495**	8,683
Total liabilities	**885,473**	1,102,543

4 INCOME TAX EXPENSE

	Unaudited Six months ended 30 June	
	2018	2017
		Restated
	HK$'000	*HK$'000*
		(Note 9)
Current income tax		
– Hong Kong profits tax	**–**	223
– PRC income tax	**4,920**	9,987
Deferred income tax	**1,892**	9,567
	6,812	19,777
Income tax expenses is attributables to:		
Profit from continuing operations	**5,708**	17,876
Profit from discontinued operation *(Note 9)*	**1,104**	1,901
	6,812	19,777

Pursuant to the enactment of two-tiered profit tax rates by the Inland Revenue Department from the year of assessment 2018/19 onwards, the Group's first HK$ 2 million of assessable profits under Hong Kong profits tax during the year ended 31 December 2018 is subject to a tax rate of 8.25%. The Group's remaining assessable profits above HK$2 million will continue to be subject to a tax rate of 16.5%. Hong Kong profits tax had been provided for at the rate of 16.5% on the estimated assessable profits of the Group's company in Hong Kong in 2017.

Taxation on Mainland China income has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in Mainland China in which the Group operates. The Company's subsidiaries incorporated in Mainland China are subject to Corporate Income Tax ("CIT") at the rate of 25% (2017: 25%).

Pursuant to the PRC Corporate Income Tax Law and its detailed implementation rules, the profits of the Group's Mainland China subsidiaries 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 Mainland China subsidiaries in the foreseeable future in respect of the profits generated since 1 January 2008.

5 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share for the six months ended 30 June 2018 is based on the loss attributable to owners of the Company for the period of HK$1,266,000 (2017: profit of HK$43,450,000) and the weighted average number of shares of 3,094,516,000 (2017: 3,094,516,000 (restated)) shares in issue during the period.

	Unaudited Six months ended 30 June	
	2018	2017 Restated
	HK$'000	*HK$'000* *(Note 9)*
(Loss)/earnings attributable to owners of the Company used in calculating basic (loss)/earnings per share:		
From continuing operations	**(3,942)**	39,106
From discontinued operation	**2,676**	4,344
	(1,266)	43,450
	'000	*'000* Restated
Issued ordinary shares at 1 January	**1,547,258**	1,547,258
Effect of share subdivision	**1,547,258**	1,547,258
Weighted average number of ordinary shares at 30 June for the purpose of basic (loss)/earnings per share	**3,094,516**	3,094,516
Basic (loss)/earnings per share (in cents per share)		
From continuing operations	**(0.13)**	1,26
From discontinued operation	**0.09**	0.14
	(0.04)	1.40

The weighted average numbers of ordinary shares for the purpose of calculating basic earnings per share for the six months ended 30 June 2017 had been retrospectively adjusted to reflect the share subdivision with effect from 17 January 2018.

(b) Diluted (loss)/earnings per share

For the six months ended 30 June 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 2018) based on the monetary value of the subscription rights attached to outstanding share options. Diluted earnings per share is therefore equal to basic earnings per share.

6 DIVIDENDS

The Board of Directors did not propose any interim dividend for the period ended 30 June 2018 (2017: An interim dividend of HK$7,736,000 was proposed on 25 August 2017).

7 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	Unaudited 30 June 2018	Audited 31 December 2017
	HK$'000	*HK$'000*
Trade receivables from third parties	**220,964**	258,204
Less: allowance for impairment of trade receivables	**–**	–
Trade receivables — net	**220,964**	258,204
Prepayments to suppliers	**751,204**	896,204
Export tax rebate receivables	**–**	9,805
Other receivables, deposits and prepayments	**19,294**	2,762
	991,462	1,166,975

The Group's trade receivables are mainly related to the energy trading business. 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 2018 and 31 December 2017, the aging analysis of trade receivables based on date of revenue recognition was as follows:

	Unaudited 30 June 2018	Audited 31 December 2017
	HK$'000	*HK$'000*
0–90 days	**213,190**	258,090
90–180 days	**7,660**	114
Over 180 days	**114**	–
	220,964	258,204

8 TRADE AND OTHER PAYABLES

	Unaudited 30 June 2018 *HK$'000*	Audited 31 December 2017 *HK$'000*
Trade payables to third parties	**141,274**	279,567
Trade payables to related parties	**–**	6
Trade payables	**141,274**	279,573
Bills payables (i)	**191,531**	193,178
Advances from customers	**–**	198,585
Payroll and welfare payables	**3,560**	16,528
Amounts due to related parties	**51,594**	74,875
Other payable and accrued expenses	**8,207**	18,104
	396,166	780,843

(i) The bills payables as at 30 June 2018 were secured by (i) restricted bank deposits of the Group amounting to HK$102,479,000 (2017: HK$103,360,000), (ii) properties owned by Mr. Lin and a related company beneficially owned by Mr. Lin, and (iii) guarantees provided by Mr. Lin and his spouse, a subsidiary of the Group and a related company beneficially owned by Mr. Lin.

As at 30 June 2018 and 31 December 2017, the aging analysis of trade payables (including bills payable of trading in nature) based on invoice date was as follows:

	Unaudited 30 June 2018 *HK$'000*	Audited 31 December 2017 *HK$'000*
0–30 days	**99,320**	136,316
31–60 days	**41,013**	151,272
61–90 days	**3,987**	50,249
91–120 days	**143,625**	134,576
Over 120 days	**44,860**	338
	332,805	472,751

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	2017
	HK$'000	*HK$'000*
Revenue	**229,868**	198,776
Cost of sales	**(209,187)**	(175,837)
Gross profit	**20,681**	22,939
Distribution expenses	**(1,455)**	(1,315)
Administrative expenses	**(12,053)**	(14,643)
Other income	**18**	460
Other losses — net	**(3,423)**	(1,213)
Operating profit	**3,768**	6,228
Finance income	**12**	17
Finance expenses	**–**	–
Finance expenses — net	**12**	17
Profit before income tax	**3,780**	6,245
Income tax expense	**(1,104)**	(1,901)
Profit from discontinued operation	**2,676**	4,344
Currency translation differences from discontinued operations	**721**	1,847
Other comprehensive income from discontinued operations	**721**	1,847
Net cash outflow from operating activities	**(7,778)**	(3,478)
Net cash outflow from investing activities	**(340)**	(292)
Net cash inflow from financing activities	**–**	–
Net decrease in cash from discontinued operation	**(8,118)**	(3,770)

(c) Result of the disposal of the Target Group

	Unaudited	Audited
	30 June	31 December
	2018	2017
	HK$'000	*HK$'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. As at 30 June 2018 and the date of this interim condensed consolidated financial information, the consideration has been 50% paid according to the Disposal Agreement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group was principally engaged in the manufacturing, trading and transportation businesses during the six months ended 30 June 2018 (the "Current Period"). The Group's revenue from continuing operations was approximately HK$1,672.56 million, a decrease of approximately 66.23% as compared to approximately HK$4,952.44 million for the same period last year. Consequently, the gross profit from continuing operations also decreased to approximately HK$27.00 million (2017 interim: approximately HK$52.45 million), representing a decrease of approximately 48.52%, during the Current Period.

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

Energy trading business

Suffered by geopolitics and US-China Trade War, the Company faced a challenge on the energy trading business during the Current Period. The revenue from energy trading has decreased to approximately HK$1,620.38 million (2017 interim: approximately HK$4,917.74 million), representing a decrease of approximately 67.05% from the corresponding period in 2017. Its revenue also accounted for approximately 96.88% (2017 interim: approximately 99.30%) 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.

To minimize the effects of abovementioned factors, the Company modified the existing energy trading business strategy and devoted extra effort on developing various energy trading products. During the Current Period, approximately 20.06% of revenue (2017 interim: nil) was generated from the new product.

Oil tanker transportation business

During the Current Period, the Group recorded transportation income of approximately HK$22.74 million (2017 interim: approximately HK$11.54 million), representing an increase of approximately 97.05% from the corresponding period in 2017. This segment was commenced since the first quarter of 2017, it is still in the stage of development and it is an insignificant financial effect on the Group during the Current Period. It represents to approximately 1.36% (2017 interim: 0.23%) of the consolidated revenue from continuing operations during the Current Period.

Speaker units business

The revenue from continuing operations from speaker units business recorded a slightly increase during the Current Period. Its revenue amounted to approximately HK$29.43 million (2017 interim: approximately HK$23.16 million), representing an increase of approximately 27.07%. Nonetheless, its revenue accounted for approximately 1.76% (2017 interim: approximately 0.47%) of the consolidated revenue from continuing operations only. During the Current Period, the Company disposed the entire issued share capital in Crown Million

Industries (International) Limited ("冠萬實業國際有限公司") (the "Target Company" together with its subsidiaries, collectively the "Target Group"), an indirect wholly-owned subsidiary of the Company, to an independent third party. For further details, please refer to the announcements of the Company dated 30 September 2016, 25 May 2018, 29 May 2018 and 4 June 2018.

In the view of the disposal of the Target Group at the beginning of June 2018, the financial results of these two subsidiaries in June 2018 did not consolidate in the Group.

The Group still maintains speaker business by sales of speaker units for audio consumer electronic products, its financial impact is becoming insignificant to the Group.

The operating costs from continuing operations were approximately HK$14.98 million during the Current Period (2017 interim: approximately HK$15.58 million), representing a decrease of approximately 3.85% as compared with the corresponding period in 2017.

The finance costs from continuing operations were approximately HK$11.60 million during the Current Period, representing an increase of approximately 73.39% as compared with approximately HK$6.69 million for the corresponding period of the previous year. It was mainly due to the interest expenses of additional bank loans and the handling charge in connection with the extension of the maturity date of the HK$100 million 6% notes issued by the Company on 28 April 2017. For further details, please refer to the announcement of the Company dated 26 April 2017.

During the Current Period, the Group recorded a net loss attributable to the Company's equity holders of approximately HK$1.27 million (2017 interim: net profit approximately HK$43.45 million). Apart from the abovementioned factors, the net loss recorded was also due to no material adjustment arising from the revaluation of the Group's investment properties for the six months ended 30 June 2018 (2017 interim: fair value gain approximately HK$26.36 million).

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 June 2018, the Group had cash and cash equivalents of approximately HK$42.40 million (31 December 2017: approximately HK$20.32 million), which were mainly denominated in Hong Kong dollars, US dollars and Renminbi.

As at 30 June 2018, the Group's net current assets were HK$264.60 million (31 December 2017: HK$262.56 million). The Group's current ratio, being the proportion of total current assets to total current liabilities, was approximately 1.3 as compared to approximately 1.24 as at 31 December 2017. The Group had bank and other borrowings of approximately HK$361.30 million (31 December 2017: approximately HK$309.01 million) which were denominated in Renminbi and Hong Kong dollars. The annual interest rates of the bank and other borrowings for the six months ended 30 June 2018 was ranged from approximately 4.437% to approximately 5.22% (31 December 2017: ranged from 4.785% to 5.003%) per annum. The above bank and other borrowings was accounted for as current liabilities of the Group and repayable within one year.

The gearing ratio of the Group increased to approximately 85.67% (31 December 2017: approximately 72.3%). The ratio is computed by dividing total borrowings of approximately HK$361.30 (31 December 2017: approximately HK$309.01 million) by shareholders' equity of approximately HK$421.73 million (31 December 2017: approximately HK$427.59 million).

Capital Resources and Reorganisation

On 17 January 2018, the Company effected a share subdivision (the "Share Subdivision") in which each existing issued and unissued ordinary shares of the Company of a par value of HK$0.0025 each was divided into two ordinary shares of the Company of a par value of HK$0.00125 each (the "Shares"). For further details, please refer to the announcements of the Company dated 6 December 2017 and 16 January 2018 and the circular of the Company dated 22 December 2017.

Charge on Assets

As at 30 June 2018, the investment properties have been pledged as security for the borrowings of the Group.

Significant Investments, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

(i) Framework Agreements in Relation to Potential Acquisitions

On 7 February 2018, Yuhua Energy Holdings Group (Fujian) Co., Ltd.* (裕華能源控股集團（福建）有限公司) ("Fujian Yuhua Energy") (as purchaser), a wholly-owned subsidiary of the Company, entered into 2 non-binding framework agreements: i) Fujian Yuhua Energy entered into a non-binding framework agreement (the "Hengran Framework Agreement") with certain existing shareholders (the "Hengran Vendors") of Kunshan Zhongyou Hengran Petroleum Company Limited* (昆山中油恒燃石油燃氣有限公司) ("Hengran"), and Fujian Yuhua Energy may purchase 90% of shareholdings of Hengran; and ii) Fujian Yuhua Energy entered into a non-binding framework agreement (the "Daocheng Framework Agreement", together with the Hengran Framework Agreement are collectively referred as the "Framework Agreements") with certain existing shareholders (the "Daocheng Vendors") of Kunshan Daocheng Transportation Company Limited* (昆山道誠物流有限公司) ("Daocheng"), and Fujian Yuhua Energy may purchase 100% of shareholdings of Daocheng. After the execution of the Framework Agreements, Fujian Yuhua Energy will carry out a due diligence review on Hengran and Daocheng. Subject to the results of the due diligence review, Fujian Yuhua Energy may negotiate and enter into formal sale and purchase agreements with the Hengran Vendors and/or the Daocheng Vendors. For further details, please refer to the announcement of the Company dated 7 February 2018. The discussions on the above potential acquisitions are still on-going but no formal or definitive agreement between the Group and the potential vendors has been entered into.

(ii) Disposal of the entire issued share capital in Crown Million Industries (International) Limited

On 25 May 2018, the Group entered into a disposal agreement with an independent third party in relation to disposal of the entire issued share capital in the Target Company. The Target Group is principally engaged in investment holding, producing and trading of home theatre and automotive speaker systems. The consideration will be determined by reference to the net asset value of the Target Group as at the completion date. Pursuant to the disposal agreement, the purchaser shall prepare the closing accounts of the Target Group as at the completion date in accordance with Hong Kong Financial Reporting Standards and audited by an independent auditor. As per the disposal agreement, the amount of the consideration is estimated to be approximately HK$34.2 million (the "Estimated Consideration"), with reference to the estimated net asset value of the Target Group as at 31 May 2018.

The consideration has been determined after arm's length negotiations between the vendor and the purchaser with reference to the net asset value of the Target Group as at the completion date. Further information regarding the potential acquisitions is set out in the announcements of the Company dated 25 May 2018, 26 May 2018 and 4 June 2018

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 Reporting 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 2018, the Group has no material contingent liabilities.

Human Resources

After the completion of the disposal of the entire issued share capital in Crown Million Industries (International) Limited the Group in 4 June 2018, the Group has employed a total of approximately 65 employees as at 30 June 2018 (2017 interim: approximately 1,000) in Hong Kong and the PRC. Staff costs (excluding Directors' emoluments) from continuing operations amounted to approximately HK$ 5 million (2017 interim: approximately HK$3.89 million). The Group recruits and selects applicants 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. The Group continues to offer competitive remuneration packages and bonuses to eligible staff, based on the performance of the Group and the individual employee.

Prospects

Even the result for the six months ended 30 June 2018 fails to live up to the Company's expectation, the management of the Company has the confidence to improve the Company's profitability by exploring various profitable energy trading products and improving the management of operating costs of the Company. For the oil tanker transportation business, the Company is considering to purchase vessel with a lower age in order to lower the maintenance costs. Please see also the announcement dated 17 August 2018 in relation to the entering into of an agreement to dispose the current oil tanker owned by the Group as discussed below. The Company will continuously attribute the resources on expanding the upstream and downstream of the business. The Group will also explore other investment opportunities that are beneficial to the Shareholders of the Company.

Subsequent Event

On 17 August 2018, Yuhua Energy (Hong Kong) Limited, a wholly owned subsidiary of the Company, entered into the memorandum of agreement with Hongkong Asia International Marine Limited, in relation to the disposal of the vessel at a consideration of US$5.71 million (approximately HK$44.82 million). Delivery of the vessel will be conducted after the Group has fulfilled existing orders. For further details, please refer to the announcement of the Company dated 17 August 2018.

INTERIM DIVIDEND

The Board of Directors of the Company does not recommend the payment of an interim dividend for the six months ended 30 June 2018. (2017: HK$0.005 per Share).

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with the Code on Corporate Governance Practices

The Company devotes to the best practices on corporate governance, and has complied with the code provisions of the Code on Corporate Governance Practices (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, Mr. Wang ShouLei and Ms. Wong Yan Ki, Angel were unable to attend the extraordinary general meeting and Mr. Liu Yang was unable to attend the annual general meeting of the Company held on 16 January 2018 and 25 May 2018 respectively due to other commitments.

After the end of the Current Period, Ms. Wong Nga Yan resigned as the Company Secretary of the Company with effect from 9 August 2018. Since then, the Company no longer complied with the requirement under Rule 3.28 of the Listing Rules and, hence, the relevant code provisions in respect of company secretary. The Company is in the process of identifying a suitable candidate to fill the vacancy in the office of company secretary.

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. Lum Pak Sum and Ms. Wong Yan Ki, Angel. The chairman of the Audit Committee is Mr. Lum Pak Sum, 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 2018 have not been audited. The Audit Committee has reviewed with the Directors and senior management of the Group, the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2018 and this announcement.

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
Lin Caihuo
Chairman

Hong Kong, 24 August 2018

As at the date of this announcement, the two executive Directors are Mr. Lin Caihuo (Chairman) and Mr. Wang Enguang, the non-executive Director is Mr. Wang ShouLei and the three independent non-executive Directors are Mr. Liu Yang, Mr. Lum Pak Sum and Ms. Wong Yan Ki, Angel.