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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)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

The board (the "**Board**") of directors (the "**Directors**") of Yuhua Energy Holdings Limited (the "**Company**") announces the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2017 (the "**Reporting Period**") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2017

	NOTES	**2017** *HK$'000*	2016 *HK$'000*
Revenue	*3*	**10,030,287**	5,915,428
Cost of sales	*4*	**(9,877,153)**	(5,804,897)
Gross profit		**153,134**	110,531
Distribution expenses	*4*	**(12,162)**	(4,188)
Administrative expenses	*4*	**(68,567)**	(66,126)
Other income		**3,037**	856
Other gains – net	*5*	**7,068**	2,814
Operating profit		**82,510**	43,887
Finance income		**715**	51
Finance expenses		**(17,918)**	(8,782)
Finance expenses – net		**(17,203)**	(8,731)
Profit before income tax		**65,307**	35,156
Income tax expense	*6*	**(18,454)**	(10,786)
Profit for the year, all attributable to owners of the Company		**46,853**	24,370

	NOTES	2017 HK$'000	2016 HK$'000 (Restated)
Earnings per share attributable to owners of the Company for the year			
Basic earnings per share *(in cents per share)*	*8*	**3.03**	1.58
Diluted earnings per share *(in cents per share)*	*8*	**3.03**	1.58

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017	2016
	HK$'000	*HK$'000*
Profit for the year	**46,853**	24,370
Other comprehensive income/(loss):		
Items that may be reclassified to profit or loss		
– Currency translation differences	**33,222**	(22,878)
Total comprehensive income for the year, all attributable to owners of the Company	**80,075**	1,492

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	9	**49,598**	5,972
Investment properties	10	**122,005**	–
Intangible assets		**978**	978
Prepayment for non-current assets		**231**	103,779
Rental deposits		**611**	571
Deferred income tax assets		**284**	280
		173,707	111,580
Current assets			
Inventories		**65,765**	33,855
Trade and other receivables and prepayments	11	**1,166,975**	677,196
Cash and cash equivalents		**20,323**	54,668
Restricted cash		**103,360**	44,717
		1,356,423	810,436
Total assets		**1,530,130**	922,016
Equity			
Equity attributable to owners of the Company			
Share capital	13	**3,868**	3,868
Other reserves		**203,161**	163,937
Retained earnings		**220,558**	187,443
Total equity		**427,587**	355,248
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		**8,683**	4,113
Current liabilities			
Trade and other payables	12	**780,843**	358,514
Current income tax liabilities		**4,004**	4,029
Borrowings		**309,013**	200,112
		1,093,860	562,655
Total liabilities		**1,102,543**	566,768
Total equity and liabilities		**1,530,130**	922,016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. GENERAL INFORMATION

Yuhua Energy Holdings Limited ("**the Company**") was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The addresses of the registered office is Cricket Square Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, and the principal place of business is Room 2207, 22/F Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong.

The Company and its subsidiaries (together, "**the Group**") are engaged in energy trading, including mainly trading of fuel oil and kerosene, speaker manufacturing and sales, and oil tanker transportation business. The Group has operations mainly in Hong Kong and Mainland China.

The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in HK dollars (HK$), unless otherwise stated.

These consolidated financial statements were approved for issue by the Board of Directors on 23 March 2018.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following amendments to standards relevant to the Group have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2017:

– Amendments to HKAS 7, 'Statement of cash flows'. It introduced an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financial activities.

– Amendments to HKFRS 12, 'Disclosure of interest in other entities'. It clarified that the disclosure requirement of HKFRS 12 is applicable to interest in entities classified as held for sale except for summarise financial information (para B17 of HKFRS 12).

– Amendments to HKAS 12, 'Income taxes'. It clarified how to account for deferred tax assets related to debt instruments measured at fair value.

The adoption of these amendments did not have any material impact on the Group's financial statements for the current period or any prior periods, except that the amendments to HKAS 7 required disclosure of changes in liabilities arising from financial activities.

(b) New standards and interpretations not yet adopted

Certain new accounting standards and amendments to standards and interpretations have been published that are not mandatory for 31 December 2017 reporting year and have not been early adopted by the Group. These new standards and amendments to standards and interpretations are set out below:

Standards and amendments	**Effective for annual periods beginning on or after**
HKFRS 9 'Financial instruments'	1 January 2018
HKFRS 15 'Revenue from contracts with customers'	1 January 2018
HKFRS 16 'Leases'	1 January 2019
HKFRS 17 'Insurance contracts'	1 January 2021
Amendment to HKFRS 2 'Classification and Measurement of Share-based Payment Transactions'	1 January 2018
Amendment to HKFRS 4 'Insurance contracts'	1 January 2018
Amendment to HKFRS 9 'Financial instruments'	1 January 2018
Amendment to HKFRS 15 'Revenue from contracts with customers'	1 January 2018
Amendment to HKFRS 40 'Investment property'	1 January 2018
HK(IFRIC) 22 'Foreign currency transactions and advance consideration'	1 January 2018
HK(IFRIC) 23 'Uncertainty over income tax treatments'	1 January 2019
Annual improvements project – 2014 ~ 2016 projects	1 January 2018
Amendments to HKFRS 10 and HKAS 28 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined

Management is currently assessing the effects of applying these new standards and amendments on the Group's financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below. The Group does not expect to adopt these new standards and amendments until their effective dates.

HKFRS 15, 'Revenue from contracts with customers'

The HKICPA has issued a new standard for the recognition of revenue, which will be effective for the financial period beginning on or after 1 January 2018. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and related literature.

Nature of change

The new standard establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an 'earnings processes to an 'asset-liability' approach based on transfer of control. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

Management has assessed the effects of applying the new standard on the Group's financial statement and conclude that except for the new requirement on disclosure, there will be no material impact on the Group's financial statements.

Date of adoption by the Group

The standard is mandatory for financial years commercing on or after 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

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, energy trading which comprises mainly the trading of fuel oil and kerosene, speaker manufacturing and oil tanker transportation.

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:

	2017				2016		
	Energy trading	**Speaker manufacturing**	**Oil tanker transportation**	**Total**	Energy trading	Speaker manufacturing	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Segment results							
Year ended 31 December							
Segment revenue							
–Revenue from external customers	**9,433,035**	**567,639**	**29,613**	**10,030,287**	5,433,950	481,478	5,915,428
Segment profit	**57,112**	**14,392**	**5,022**	**76,526**	26,991	25,810	52,801
Fair value gain on investment properties				**12,286**			–
Unallocated operating expenses				**(6,302)**			(8,914)
Operating profit				**82,510**			43,887
Finance expenses – net				**(17,203)**			(8,731)
Profit before income tax				**65,307**			35,156
Income tax expense				**(18,454)**			(10,786)
Profit for the year				**46,853**			24,370
Other segment informations							
Depreciation charge	**994**	**1,005**	**2,099**	**4,098**	1,083	2,922	4,005
Capital expenditure	**3,966**	**737**	**45,795**	**50,498**	–	346	346

	2017				2016		
	Energy trading	**Speaker manufacturing**	**Oil tanker transportation**	**Total**	Energy trading	Speaker manufacturing	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Assets							
As at 31 December							
Segment assets	**1,090,231**	**270,480**	**45,201**	**1,405,912**	590,212	225,623	815,835
Unallocated assets				**720**			1,144
Deferred income tax assets				**284**			280
Intangible assets				**978**			978
Prepayment for non-current assets				**231**			103,779
Investment properties				**122,005**			–
Total				**1,530,130**			922,016
Liabilities							
As at 31 December							
Segment liabilities	**540,628**	**187,951**	**48,989**	**777,568**	207,244	142,324	349,568
Unallocated liabilities				**3,275**			8,946
Borrowings				**309,013**			200,112
Current income tax liabilities				**4,004**			4,029
Deferred income tax liabilities				**8,683**			4,113
Total				**1,102,543**			566,768

Revenue from external customers by country, based on the destination of the customers is as follows:

	2017	2016
	HK$'000	*HK$'000*
China	**9,506,565**	5,568,626
Belgium	**478,474**	224,744
Japan	**8,752**	6,620
Germany	**5,897**	17,591
US	**4,144**	16,214
Canada	**2,955**	8,406
Other countries	**23,500**	73,227
Total	**10,030,287**	5,915,428

Revenue from major customers which individually accounts for 10% or more of the Group's revenue from continuing operations is as follow:

	2017
	HK$'000
Revenue from customer attributable to energy trading Company A	**3,373,494**
Revenue from customer attributable to energy trading Company B	**1,964,041**

	2016
	HK$'000
Revenue from customer attributable to energy trading Company C	603,552

Non-current assets, other than financial instruments and deferred income tax assets by country is as follows:

	2017	2016
	HK$'000	*HK$'000*
China mainland	**127,096**	107,909
Hong Kong	**45,716**	2,820
	172,812	110,729

4. EXPENSES BY NATURE

	2017	2016
	HK$'000	*HK$'000*
Changes in inventories of finished goods and work in progress	**(33,527)**	(2,252)
Cost of goods sold	**9,352,520**	5,392,098
Raw materials and consumables used	**453,664**	339,176
Employee benefit expense	**99,014**	85,553
Port disbursement and refueling figures	**19,131**	–
Operating lease payments	**11,997**	10,693
Storage fees	**10,128**	3,852
Customs & excise and other taxes	**9,825**	5,598
Utilities	**4,476**	4,490
Depreciation	**4,098**	4,005
Research and development cost	**3,271**	3,153
Repairs and maintenance expenses	**3,206**	2,636
Legal and professional fees	**2,632**	8,075
Auditors' remuneration – annual report	**1,480**	1,480
Auditors' remuneration – others	**521**	747
(Reversal of inventory write-down)/inventory write-down	**(100)**	145
Other expenses	**15,546**	15,762
Total cost of sales, distribution expenses and administrative expenses	**9,957,882**	5,875,211

5. OTHER GAINS – NET

	2017	2016
	HK$'000	*HK$'000*
Fair value gains on investment properties *(Notes 10)*	**12,286**	–
Net foreign exchange (loss)/gain	**(4,915)**	6,013
Loss on disposal of property, plant and equipment	**(49)**	(3,180)
Other losses	**(254)**	(19)
	7,068	2,814

6. INCOME TAX EXPENSE

	2017	2016
	HK$'000	*HK$'000*
Current income tax:		
Current income tax on profits for the year – Hong Kong	**1,271**	2,609
Overprovision in prior years – Hong Kong	**(3,631)**	–
	(2,360)	2,609
Current income tax on profits for the year – PRC	**15,549**	8,435
Underprovision/(Overprovision) in prior years – PRC	**787**	(1,585)
	16,336	6,850
Total current income tax	**13,976**	9,459
Deferred income tax	**4,478**	1,327
Income tax expense	**18,454**	10,786

Hong Kong profits tax has been provided for at the rate of 16.5%(2016:16.5%) on the estimated assessable profits of the Group's subsidiaries in Hong Kong for the year.

Taxation on PRC income has been calculated on the estimated assessable profit for the year 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% (2016: 25%) except for Dongguan Shinhint Audio Technology Limited which are subject to CIT at the rate of 15% (2016: 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.

7. DIVIDENDS

	2017	2016
	HK$'000	*HK$'000*
Ordinary shares		
Interim dividend for the year ended 31 December 2017 of HK$0.005 (2016: nil) per fully paid share	**7,736**	–

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: nil).

8. EARNINGS PER SHARE

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

	2017	2016
	HK$'000	*HK$'000*
Earnings for the purpose of calculation of basic and diluted earnings per share	**46,853**	24,370
	'000	*'000*
		(Restated)
Weighted average number of ordinary shares at 31 December for the purpose of basic and diluted earnings per share	**1,547,258**	1,547,258
Earnings per share		
– Basic earnings per share *(in cents per share)*	**3.03**	1.58
– Diluted earnings per share *(in cents per share)*	**3.03**	1.58

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year. The weighted average numbers of ordinary shares for calculating basic earnings per share for the twelve months ended 31 December 2016 had been retrospectively adjusted to reflect the share subdivision with effect from 27 April 2017.

For the year ended 31 December 2017 and 2016, the Company's share options granted have no dilutive effect on the 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 twelve months ended 31 December 2017) 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.

9. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery *HK$'000*	Moulds *HK$'000*	Furniture fixtures and office equipment *HK$'000*	Leasehold improvements *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
At 1 January 2016						
Cost	9,026	4,007	12,142	12,423	3,166	40,764
Accumulated depreciation	(4,728)	(2,905)	(9,288)	(9,765)	(823)	(27,509)
Net book amount	4,298	1,102	2,854	2,658	2,343	13,255
Year ended 31 December 2016						
Opening net book amount	4,298	1,102	2,854	2,658	2,343	13,255
Additions	85	50	211	–	–	346
Disposal	(1,359)	(869)	(982)	–	–	(3,210)
Depreciation charge *(Note 4)*	(632)	(210)	(627)	(1,892)	(644)	(4,005)
Currency translation differences	(192)	(26)	(124)	(30)	(42)	(414)
Closing net book amount	2,200	47	1,332	736	1,657	5,972
At 31 December 2016						
Cost	5,413	318	7,311	11,740	3,098	27,880
Accumulated depreciation	(3,213)	(271)	(5,979)	(11,004)	(1,441)	(21,908)
Net book amount	2,200	47	1,332	736	1,657	5,972

	Plant and machinery HK$'000	Oil Tanker HK$'000	Moulds HK$'000	Furniture fixtures and office equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 31 December 2017							
Opening net book amount	2,200	–	47	1,332	736	1,657	5,972
Additions	62	45,795	204	581	235	595	47,472
Disposal	(20)	–	–	(31)	–	–	(51)
Depreciation charge *(Note 4)*	(480)	(2,099)	(33)	(303)	(449)	(734)	(4,098)
Currency translation differences	155	–	3	96	–	49	303
Closing net book amount	1,917	43,696	221	1,675	522	1,567	49,598
At 31 December 2017							
Cost	5,784	45,795	524	8,110	12,679	3,785	76,677
Accumulated depreciation	(3,867)	(2,099)	(303)	(6,435)	(12,157)	(2,218)	(27,079)
Net book amount	1,917	43,696	221	1,675	522	1,567	49,598

Depreciation expenses for the year ended 31 December 2017 of HK$ 2,769,000 (2016: HK$2,524,000) and HK$ 1,329,000 (2016: HK$1,481,000) have been charged in "cost of sales" and "administrative expenses", respectively.

As at 31 December 2017, there was no property, plant and equipment pledged as security.

10. INVESTMENT PROPERTIES

	2017 **HK$'000**	2016 HK$'000
Investment properties – at fair value		
Opening balance at 1 January	**–**	–
Transfer from prepayment for non-current assets	**99,208**	–
Capitalised subsequent expenditure	**3,026**	–
Net gain from fair value adjustment	**12,286**	–
Currency translation differences	**7,485**	–
Closing balance at 31 December	**122,005**	–

The investment properties of the Group are certain office floors with area of 6,344 sqm acquired from a related company in September 2015. The properties are located in Xiamen city of Fujian Province, PRC.

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2017	2016
	HK$'000	*HK$'000*
Trade receivables from third parties	**258,071**	138,309
Trade receivables from related parties	**133**	4,675
Less: allowance for impairment of trade receivables	**–**	–
Trade receivables – net	**258,204**	142,984
Prepayments to suppliers	**896,204**	528,365
Export tax rebate receivables	**9,805**	4,236
Other receivables and deposits	**2,762**	1,611
Total	**1,166,975**	677,196

The Group's trade receivables are mainly related to the Speaker manufacturing business. The Group normally allows a credit period of 30 days to 90 days (2016: 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. At 31 December 2017 and 2016, the ageing analysis of trade receivables based on invoice date was as follows:

	2017	2016
	HK$'000	*HK$'000*
Within 30 days	**99,877**	55,251
31 to 60 days	**101,832**	38,218
61 to 90 days	**56,381**	49,318
91 to 120 days	**114**	197
	258,204	142,984

As at 31 December 2017, trade receivables of HK$15,875,000 (2016: HK$49,872,000) were past due but not impaired. The Group does not hold any collateral over these balances. The balances that were past due but not impaired related to a number of independent customers that have a good trade record with the Group. Based on the past experience, the management estimated that the carrying amounts can be fully recovered, as there has not been a significant change in credit quality and there has been substantial settlement after the end of the reporting period. Accordingly, the Group considers the amounts are recoverable, therefore, no impairment loss is considered necessary. The ageing analysis of these trade receivables is as follows:

	2017	2016
	HK$'000	*HK$'000*
Overdue by:		
Within 30 days	**14,982**	49,575
31 to 60 days	**779**	297
61 to 90 days	**114**	–
	15,875	49,872

The Group's prepayments to suppliers are mainly related to the Energy trading business. The Group pays prepayment to suppliers to secure the supply of fuel oil and kerosene. The prepayments are normally utilised within a period of 30 to 90 days (2016: 30 to 60 days).

12. TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade payables to third parties	**279,567**	118,160
Trade payables to related parties	**6**	420
Trade payables	**279,573**	118,580
Bills payables	**193,178**	78,256
Advance from customers	**198,585**	24,902
Payroll and welfare payables and taxes payables	**16,528**	19,659
Amount due to related parties	**74,875**	104,048
Accrued expenses	**18,104**	13,069
	780,843	358,514

The bills payables as at 31 December 2017 were secured by (i) restricted bank deposits of the Group amounting to HK$103,360,000 (2016: HK$44,717,000), (ii) properties owned by the Chairman and a related company beneficially owned by the Chairman, (iii) guarantees provided by the Chairman and his spouse, the Company, a subsidiary of the Group and a related company beneficially owned by the Chairman.

At 31 December 2017, the ageing analysis of the trade payables (including bills payables) based on invoice date were are follows:

	2017	2016
	HK$'000	*HK$'000*
Within 30 days	**136,316**	50,506
31 to 60 days	**151,272**	38,789
61 to 90 days	**50,249**	99,345
91 to 120 days	**134,576**	7,131
Over 120 days	**338**	1,065
	472,751	196,836

13. SHARE CAPITAL

	Number of shares	**Share capital**
		HK$'000
Ordinary shares of HK$0.0025 each:		
Authorised:		
As at 31 December 2016 and 31 December 2017	8,000,000,000	20,000
Issued and fully paid:		
As at 1 January 2016 and 31 December 2016	773,629,352	3,868
Share subdivision	773,629,352	–
As at 31 December 2017	1,547,258,704	3,868

Pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company held on 26 April 2017, each of the issued and unissued shares of par value of HK$0.005 in the share capital of the Company was subdivided into two subdivided shares of par value of HK$0.0025 each with effect from 27 April 2017. Accordingly, the number of issued ordinary shares of the Company was increased from 773,629,352 shares to 1,547,258,704 shares since 27 April 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Reporting Period, the Group was principally engaged in the manufacturing, trading and transportation business. Our activities can be categorised into (i) energy trading; (ii) oil tanker transportation; and (ii) speaker units businesses.

Energy Trading Business

The strong growth of energy trading business continued in 2017, with its turnover increasing to approximately HK$9,433.04 million (2016: approximately HK$5,433.95 million). The year-on-year turnover growth was approximately 73.6% (2016: approximately 29.5%) which was mainly due to i) the increase in the number of customers; and ii) the growth in demand for existing products, especially for the products of mixed aromatics. During the Reporting Period, the revenue generated from the products of mixed aromatics was approximately HK$ 2,477.21 million (2016: approximately HK$121.02 million).

Oil Tanker Transportation

As disclosed in the announcement of the Company dated 15 November 2016, the Group acquired a vessel in order to meet the needs of its business growth. The vessel commenced service in the first quarter of 2017. For the Reporting Period, the Group generated transportation income of approximately HK$29.61 million, representing approximately 0.3% of the total revenue. As this business was in the initial stage, the financial contribution to the Group was insignificant during the Reporting Period.

Speaker Units Business

The revenue from speaker units business recorded an increase in the Reporting Period. For the Reporting Period, its turnover amounted to approximately HK$567.64 million (2016: approximately HK$481.48 million), representing an increase of approximately 17.9%. The increase was mainly due to the increase in sales orders from existing customers.

In terms of geographical coverage for the combined turnover of the energy trading and speaker units business, the People's Republic of China ("**PRC**") was the Group's largest market, accounting for approximately 94.8% of the turnover for the Reporting Period (2016: approximately 94.1%).

FINANCIAL REVIEW

Results Performance

For the Reporting Period, the Group's revenue increased by 69.6% to approximately HK$10,030.29 million (2016: approximately HK$5,915.43 million). The increase in revenue was mainly attributable to the full year's operation of certain subsidiaries involved in the energy trading business. The gross profit increased by approximately 38.5% to approximately HK$153.13 million (2016: approximately HK$110.53 million) and the Group has reported an increase of net profit for the Reporting Period to approximately HK$46.85 million (2016: net profit of approximately HK$24.37 million). The increase in net profit was mainly due to good performance of energy trading business and a fair value gain of HK$12.29 million derived from an investment properties, which was acquired in June 2017.

For the Reporting Period, basic earnings per share reached approximately HK3.03 cents (2016 restated: basic earnings of approximately HK1.58 cents per share). The Board did not recommend the payment of a final dividend for the Reporting Period (2016: nil).

Liquidity and Financial Resources

As at 31 December 2017, the Group had cash and cash equivalents of approximately HK$20.32 million (2016: approximately HK$54.67 million), including cash denominated in Hong Kong dollars, US dollars and Renminbi which had been converted into Hong Kong dollars and unutilized banking facilities of approximately HK$229.08 million (2016: approximately HK$224.71 million). The Group's current ratio, being the proportion of total current assets against total current liabilities, was approximately 1.2 (2016: approximately 1.4).

As at 31 December 2017, the Group had bank borrowings of approximately HK$309.01 million (2016: approximately HK$200.11 million) which were denominated in Renminbi. The borrowings carried interest at effective interest rate ranging from 4.785% to 5.003% (2016: 4.785% to 5.22%) per annum. The gearing ratio of the Group increased to approximately 72.3% (31 December 2016: approximately 56.3%), which is computed by dividing total borrowings of approximately HK$309.01 (31 December 2016: approximately HK$200.11 million) by Shareholders' equity of approximately HK$427.59 million (31 December 2016: approximately HK$355.25 million).

Capital Resources

On 27 April 2017, 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$0.005 each was divided into two ordinary shares of the Company of a par value of HK$0.0025 each (the "**Shares**"). For further details, please refer to the announcements of the Company dated 13 March 2017 and 26 April 2017 and the circular of the Company dated 30 March 2017.

Capital Expenditure

During the Reporting Period, the Group's total capital expenditure amounted to approximately HK$50.50 million (2016: approximately HK$346,000), which was used in the purchase of property, plant and equipment and investment properties.

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, Reminbi 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.

Employees

As at 31 December 2017, the Group's work force amounted to approximately 1,126 staff (2016: approximately 1,150) in Hong Kong and the PRC collectively. Staff costs (excluding directors' emoluments) amounted to approximately HK$97.08 million (2016: approximately HK$83.79 million). The Group ensures that the pay levels of its employees are competitive and in accordance with market trends and its employees are rewarded on a performance basis and within the general framework of the Group's salary and bonus system. The remuneration policy of the Group is based on the merit, qualifications and competence of the individual.

Contingent Liabilities

As at 31 December 2017, the Group had no material contingent liabilities.

Pledge on the Group's Assets

As at 31 December 2017, the investment properties have been pledged as security for the borrowings of the Group.

Significant investments, material acquisitions and disposal of subsidiaries, associates and joint ventures

There was no significant investment held, material acquisition or disposal of subsidiaries and associated companies during the Reporting Period.

Subsequent Events

(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.

* *For identification purpose only*

(ii) Share Subdivision

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.

Save as disclosed above, there was no important event affecting the Group that has occurred since the end of 31 December 2017.

PROSPECTS

To implement the Company's goal of becoming an integrated global energy supply chain service provider of the energy business, Yuhua Energy Holdings Group (Fujian) Co., Ltd.* (裕華能源控股集團(福建)有限公司) wholly-owned subsidiary of the Company, entered into 2 non-binding framework agreements to acquire 2 companies namely Kunshan Zhongyou Hengran Petroleum Company Limited* (昆山中油恒燃石油燃氣有限公司) and Kunshan Daocheng Transportation Company Limited* (昆山道誠物流有限公司), which are principally engaged in trading and exploring of compressed natural gas and transportation of dangerous goods such as oil and natural gas, respectively on 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. Further information regarding the potential acquisitions is set out in the announcement of the Company dated 7 February 2018.

On 30 September 2016, the Company entered into a letter of intent with an independent third party in relation to the potential disposal of 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**"). The Target Group is principally engaged in investment holding, producing and trading of home theatre and automotive speaker systems. Taking into consideration the modest development of the speaker unit segment and the Group does not have any intention to allocate further resources to this segment, the Company is of the view that this potential disposal will provide an appropriate

* *For identification purpose only*

opportunity for the Company to reallocate resources to energy trading segment as well as other business opportunities to achieve further business growth. The discussions on the above potential disposal are still on-going but no formal or definitive agreement between the Group and the potential purchaser has been entered into. Further information regarding the potential disposal is set out in the announcement of the Company dated 30 September 2016.

Looking forward, the Group will focus on the development of its energy trading and oil tanker transportation businesses in all aspects. In addition, the Group will also explore other investment opportunities that are beneficial to the Shareholders.

DIVIDEND

An interim dividend of HK$0.005 per ordinary share was paid during the Reporting Period.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining a high standard of corporate governance and has put in place self regulatory corporate practices to protect the interests of the Shareholders and the enhancement of Shareholders' value. Our mission in terms of corporate governance is to provide high-quality products and services to the satisfaction of our customers and maintain high standards of business ethics and achieve these goals while, at the same time, providing satisfactory and sustainable returns to Shareholders.

In addition, the Group acts in a socially responsible manner through a variety of initiatives and considers this as a part of its overall commitment to good corporate governance.

The Company has a Code of Business Conduct that sets out principles, values and standards of conduct expected of management and staff throughout the Group, and underpins our operating procedures and policies.

The Company has, throughout the Reporting Period, applied and complied with the code provisions set out in the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 of the Listing Rules, except for certain deviations disclosed below:

Code provision A.6.7 of the CG Code stipulated that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of the Shareholders. One executive Director and two independent non-executive Directors of the Company were unable to attend the extraordinary general meeting and annual general meeting of the Company held on 26 April 2017 and 26 May 2017 respectively due to their business engagements.

Code provision A.2.1 of the CG Code stipulated that 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 CEO should be clearly established and set out in writing.

The role of Chairman is assumed by Mr. Lin Caihuo. The Chairman formulates the overall strategic direction of the Group. The Company had not appointed any CEO throughout the Reporting 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 interests of the Shareholders as a whole. The Board shall nevertheless review the structure from time to time and shall consider appropriate adjustments if suitable circumstance arise.

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 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors of the Company. On specific enquiries made by the Company, all Directors have confirmed that they have fully complied with the required standards set out in the Model Code throughout the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

None of the Company or any of its subsidiaries had purchased, sold or redeemed any of its listed securities during the Reporting Period.

REVIEW BY THE AUDIT COMMITTEE

The audit committee of the Company has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2017.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining the Shareholders' eligibility to attend and vote at the annual general meeting of the Company to be held on 25 May 2018 (Friday) (the "**2017 AGM**"), the register of members of the Company will be closed from 21 May 2018 (Monday) to 25 May 2018 (Friday), both days inclusive. During the closure period, no transfer of Shares will be registered. To be eligible to attend and vote at the 2017 AGM, all transfers accompanied by the relevant share certificates must 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 18 May 2018 (Friday).

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto For the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to extend my sincere gratitude to our business partners and Shareholders for their continuous support. The management team and all staff members should 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, 23 March 2018

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