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 2017

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 2017 together with the comparative figures for the corresponding period in 2016.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

		Unaudited	
		Six months ended 30 June	
	Note	**2017**	2016
		HK$'000	*HK$'000*
Revenue	*3*	**5,151,214**	1,667,534
Cost of sales		**(5,075,821)**	(1,624,215)
Gross profit		**75,393**	43,319
Distribution expenses and Administrative expenses		**(31,533)**	(34,290)
Other income		**494**	–
Other gains – net		**25,075**	1,446

	Note	Unaudited Six months ended 30 June **2017** ***HK$'000***	 2016 *HK$'000*
Operating profit		**69,429**	10,475
Finance income		**484**	18
Finance expenses		**(6,686)**	(4,225)
Profit before income tax		**63,227**	6,268
Income tax expense	*4*	**(19,777)**	(2,461)
Profit for the period, all attributable to owners of the Company		**43,450**	3,807
Earnings per share attributable to owners of the Company for the period			
Basic and diluted earnings per share *(in cents per share)*	*5*	**2.81**	0.5

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Unaudited	
	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Profit for the period	**43,450**	3,807
Other comprehensive income/(loss)		
Items that may be reclassified to profit or loss		
Currency translation differences	**14,209**	(6,776)
Other comprehensive income/(loss) for the period	**57,659**	(2,969)
Total comprehensive income/(loss) for the period, all attributable to owners of the Company	**57,659**	(2,969)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	Note	**Unaudited 30 June 2017** ***HK$'000***	Audited 31 December 2016 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**50,726**	5,972
Investment properties		**129,131**	–
Intangible assets		**978**	978
Prepayment for non-current assets		**199**	103,779
Rental deposits		**588**	571
Deferred income tax assets		**259**	280
		181,881	111,580
Current assets			
Inventories		**31,545**	33,855
Trade and other receivables and prepayments	*7*	**1,068,930**	677,196
Other current asset		**2,998**	–
Cash and cash equivalents		**113,724**	54,668
Restricted cash		**38,587**	44,717
		1,255,784	810,436
Total assets		**1,437,665**	922,016
EQUITY			
Equity attributable to owners of the Company			
Share capital		**3,868**	3,868
Other reserves		**183,123**	163,937
Retained profits		**225,916**	187,443
Total equity		**412,907**	355,248

	Note	Unaudited 30 June 2017 HK$'000	Audited 31 December 2016 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**13,659**	4,113
		13,659	4,113
Current liabilities			
Trade and other payables	*8*	**682,891**	358,514
Current income tax liabilities		**7,311**	4,029
Borrowings		**320,897**	200,112
		1,011,099	562,655
Total liabilities		**1,024,758**	566,768
Total equity and liabilities		**1,437,665**	922,016

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

1 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2017 has been prepared in accordance with HKAS 34, "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

2 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements, except for the adoption of amendments to HKFRSs effective for the financial year ending 31 December 2017.

(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:

Amendment 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"

Amendments to HKAS 12, "Income taxes"

The adoption of these amendments did not have any material impact on the Group for the current period or any prior periods.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017 and have not been applied in preparing this interim condensed consolidated financial information. The 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
Amendments to HKFRS 10 and HKAS 28 "Sale or contribution of assets between an investor and its associate or joint venture"	1 January 2019

Management is currently assessing the effects of applying these new standards and amendments on the Group's condensed consolidated interim financial information. None of these is expected to have a significant effect on the condensed consolidated interim financial information 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.

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.

Management anticipates that the application of HKFRS 15 in the future may have an impact on the consolidated financial statements of the Group. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 at this stage. The Group will make more detailed assessments of the impact over the next six months.

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 2017, the Group has non-cancellable operating lease commitments of HK$85,451,000. 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, energy trading which comprises mainly the trading of fuel oil and kerosene, speaker manufacturing and oil tanker transportation business.

The board of directors assesses the performance of the operating segments based on a measure of segment profit/(loss) excluding finance income/(costs), fair value gains on investment properties and the Company's incomes and expenses. Finance income/(costs), fair value gains 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/(costs) are undividable between the segments.

The Company's assets, deferred income tax assets, intangible assets and 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	
	2017	2016
	HK$'000	*HK$'000*
Revenue from external customers		
Energy trading	**4,917,740**	1,464,988
Speaker manufacturing	**221,937**	202,546
Oil tanker transportation	**11,537**	–
Total	**5,151,214**	1,667,534
Segment profit		
Energy trading	**38,773**	7,393
Speaker manufacturing	**4,855**	7,239
Oil tanker transportation	**2,302**	–
Total	**45,930**	14,632

	Unaudited	Audited
	30 June	31 December
	2017	2016
	HK$'000	*HK$'000*
Segment assets		
Energy trading	**1,043,003**	590,212
Speaker manufacturing	**213,541**	225,623
Oil tanker transportation	**50,373**	–
Total	**1,306,917**	815,835
Segment liabilities		
Energy trading	**497,836**	207,244
Speaker manufacturing	**124,315**	142,324
Oil tanker transportation	**49,908**	–
Total	**672,059**	349,568

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

	Unaudited	
	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Segment profit	**45,930**	14,632
Unallocated operating gains/(expenses)	**23,499**	(4,157)
Operating profit	**69,429**	10,475
Finance income	**484**	18
Finance expenses	**(6,686)**	(4,225)
Profit before income tax	**63,227**	6,268
Income tax expense	**(19,777)**	(2,461)
Profit for the period	**43,450**	3,807

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

	Unaudited 30 June 2017 *HK$'000*	Audited 31 December 2016 *HK$'000*
Total segment assets	**1,306,917**	815,835
Unallocated assets	**129,312**	1,144
Deferred income tax assets	**259**	280
Intangible assets	**978**	978
Prepayment for non-current assets	**199**	103,779
Total assets	**1,437,665**	922,016

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

	Unaudited 30 June 2017 *HK$'000*	Audited 31 December 2016 *HK$'000*
Total segment liabilities	**672,059**	349,568
Unallocated liabilities	**10,832**	8,946
Borrowings	**320,897**	200,112
Current income tax liabilities	**7,311**	4,029
Deferred income tax liabilities	**13,659**	4,113
Total liabilities	**1,024,758**	566,768

4 INCOME TAX EXPENSE

	Unaudited Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	**223**	398
– PRC income tax	**9,987**	1,911
Deferred income tax	**9,567**	152
	19,777	2,461

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 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% (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.

5 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2017 is based on the earnings attributable to owners of the Company for the period of HK$43,450,000 (2016: HK$3,807,000) and the weighted average number of shares of 1,547,258,000 (2016: 773,629,000) shares in issue during the period.

	Unaudited	
	Six months ended 30 June	
	2017	2016
	(thousands)	*(thousands)*
Issued ordinary shares at 1 January	**773,629**	773,629
Effect of share subdivision	**773,629**	773,629
Weighted average number of ordinary shares at 30 June	**1,547,258**	1,547,258

The weighted average numbers of ordinary shares for the purpose of calculating basic earnings per share for the six months ended 30 June 2016 had been retrospectively adjusted to reflect the share subdivision with effect from 26 April 2017.

(b) Diluted earnings per share

For the six months ended 30 June 2017, the Company's share options 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 six months ended 30 June 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.

6 DIVIDENDS

	Unaudited Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Interim, proposed, HK$0.005 (2016 interim: Nil) per share	**7,736**	–

A interim dividend of HK$0.005 per share (2016 interim: Nil) was proposed by the board of directors of the Company on 25 August 2017. This interim dividend, amounting to HK$7,736,000 has not been recognised as a liability in this condensed consolidated interim financial information.

7 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	Unaudited	Audited
	30 June	31 December
	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**150,957**	142,984
Letter of credit receivable	**176,709**	–
Prepayments to suppliers	**738,348**	528,365
Other receivables, deposits and prepayments	**2,916**	5,847
	1,068,930	677,196

The majority of the Group's sales are on documents against payment. The remaining amounts are with credit terms of 30 to 90 days. At 30 June 2017 and 31 December 2016, the aging analysis of trade receivables (including letter of credit receivable of trading in nature) based on date of revenue recognition was as follows:

	Unaudited	Audited
	30 June	31 December
	2017	2016
	HK$'000	*HK$'000*
Trade receivables		
0 – 30 days	**235,475**	55,251
31 – 60 days	**39,329**	38,218
61 – 90 days	**48,255**	49,318
91 – 120 days	**784**	197
Over 120 days	**3,823**	–
	327,666	142,984

8 TRADE AND OTHER PAYABLES

	Unaudited	Audited
	30 June	31 December
	2017	2016
	HK$'000	*HK$'000*
Trade payables	**138,958**	118,580
Letter of credit payable[(i)]	**174,347**	–
Bank notes payable[(ii)]	**67,393**	78,256
Advances from customers	**188,438**	24,902
Payroll and welfare payable and taxes payable	**18,264**	19,659
Amount due to chairman	**84,615**	104,048
Accrued expenses	**10,876**	13,069
	682,891	358,514

(i) As at 30 June 2017, the letter of credit payable was guaranteed by the Company.

(ii) As at 30 June 2017, the bank notes payable was guaranteed by Mr. Lin Caihuo ("Mr. Lin"), the chairman of the Board, and his spouse, a subsidiary of the Company and a related company beneficially owned by Mr. Lin, and pledged by properties of Mr. Lin and a related company beneficially owned by Mr. Lin.

As of 30 June 2017, the aging analysis of the trade payables (including letter of credit payable and bank notes payable of trading in nature) based on invoice date were as follows:

	Unaudited	Audited
	30 June	31 December
	2017	2016
	HK$'000	*HK$'000*
Trade payables		
0 – 30 days	**256,626**	50,506
31 – 60 days	**31,057**	38,789
61 – 90 days	**30,550**	99,345
91 – 120 days	**62,225**	7,131
Over 120 days	**240**	1,065
	380,698	196,836

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group was principally engaged in the transportation, manufacturing and trading businesses during the six months ended 30 June 2017 (the "Current Period"). The Group's revenue was approximately HK$5,151,214,000, an increase of approximately 208.91% as compared to approximately HK$1,667,534,000 for the same period last year. Consequently, the gross profit also increased to approximately HK$75,393,000 (2016 interim: approximately HK$43,319,000), representing an increase of approximately 74.04%, 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

Throughout the Current Period, the Group continued its efforts in forging ahead with business development, especially in the segment of energy trading. The revenue from energy trading has increased to approximately HK$4,917.74 million (2016 interim: approximately HK$1,464.99 million), representing an increase of approximately 235.68% from the corresponding period in 2016. Its revenue also accounted for approximately 95.47% (2016 interim: approximately 87.85%) of the consolidated revenue.

There were many reasons leading to such increase, including the increase in the number of customers and the normal growth in demand for existing products, especially for the products of mixed aromatics. During the Current Period, the revenue of approximately HK$1.375 billion (2016 interim: nil) was generated from the products of mixed aromatics.

Oil tanker transportation business

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. During the Current Period, the Group has made transportation income of approximately HK$11,537,000, representing approximately 0.22% of the consolidated revenue. As this segment is still in the stage of development, it has an insignificant financial effect on the Group during the Current Period.

Speaker units business

The revenue from speaker units business recorded a slight increase during the Current Period. Its revenue amounted to approximately HK$221,937,000 (2016 interim: approximately HK$202,546,000), representing an increase of approximately 9.57%. Nonetheless, its revenue accounted for approximately 4.31% (2016 interim: approximately 12.15%) of the consolidated revenue only and its financial impact is becoming less significant to the Group.

During the Current Period, the operating costs were approximately HK$31.53 million (2016 interim: approximately HK$34.29 million), representing a decrease of approximately 8.05% as compared with the corresponding period in 2016. There were many reasons for such decrease including but not limited to the absence of the rental and the service fee paid for the provision of ancillary services (2016 interim: approximately HK$3,923,000).

During the Current Period, the finance costs were approximately HK$6,686,000, representing an increase of approximately 58.25% as compared with approximately HK$4,225,000 for the corresponding period of the previous year. This was mainly due to the accrued interest expenses in connection with 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 profit of approximately HK$43,450,000 (2016 interim: approximately HK$3,807,000). Apart from the aforementioned factors, the net profit recorded was mainly due to the revaluation gain of approximately HK$26,360,000 from the investment properties in China.

Financial Review

Liquidity and Financial Resources

As at 30 June 2017, the Group had cash and cash equivalents of approximately HK$113,724,000 (31 December 2016: approximately HK$54,668,000), which were mainly denominated in Hong Kong dollars, US dollars and Renminbi.

As at 30 June 2017, the Group's net current assets were HK$244,685,000 (31 December 2016: HK$247,781,000). The Group's current ratio, being the proportion of total current assets to total current liabilities, was approximately 1.24 as compared to approximately 1.44 as at 31 December 2016. The Group had bank and other borrowings of approximately HK$320,897,000 (31 December 2016: approximately HK$200,112,000) 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 2017 was ranged from approximately 4.785% to approximately 6% (31 December 2016: ranged from approximately 4.785% to approximately 5.22%) 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 77.72% (31 December 2016: approximately 56.33%). The ratio is computed by dividing total borrowings of approximately HK$320,897,000 (31 December 2016: approximately HK$200,112,000) by shareholders' equity of approximately HK$412,907,000 (31 December 2016: approximately HK$355,248,000).

It is the policy of the Group to adopt a prudent financial management strategy and maintain a high level of liquidity and banking facilities to meet the funding requirement of the Group's operations and investment opportunities.

Capital Resources and Reorganisation

On 27 April 2017, the Company effected a 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.

Charge on Assets

As at 30 June 2017, no assets had been pledged to secure the Group's banking facilities.

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

During the Current Period, the Group had made no significant investment, material acquisition and disposal of subsidiaries, associates and joint ventures.

Treasury Policies

The Group does not engage in any leveraged or derivative products. Consistent with this prudent approach to financial risk management, the Group has continued to work towards maintaining a healthy gearing position. 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 its foreign currency exposure 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 2017, the Group has no material contingent liabilities.

Human Resources

As at 30 June 2017, the Group has employed a total of approximately 1,000 employees (2016 interim: approximately 1,050) in Hong Kong and the PRC. Staff costs (excluding Directors' emoluments) amounted to approximately HK$34,699,000 (2016 interim: approximately HK$31,810,000). 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

Through stringent management and dedicated development plans, the Group succeeded in achieving strong growth within a short period. Looking ahead, the Group is optimistic towards the performance of energy trading. We will continue to adhere to existing strategies. Product categories of high growth among the existing and new products remain the focus of our work. In addition, we will constantly enhance operational and financial efficiencies in order to ensure an ongoing and sustainable growth. The Group will also explore other investment opportunities that are beneficial to the shareholders of the Company (the "Shareholders").

Subsequent Event

No important event affecting the Group has occurred since the end of 30 June 2017.

Interim Dividend

The Board has declared an interim dividend of HK$0.005 per Share (2016 interim: nil) for the Current Period. The interim dividend will be paid to the shareholders whose names appear on the register of members of the Company at the close of business on 29 September 2017. It is expected that the interim dividend will be paid on or about 20 October 2017.

Closure of Register of Member

The register of members of the Company will be closed from Tuesday, 26 September 2017 to Friday, 29 September 2017 (both days inclusive). During such period, no transfer of Shares will be registered. In order to qualify for the interim dividend, all transfers of Shares accompanied by the relevant share certificates and the duly completed transfer forms must be lodged with the Company's branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Monday, 25 September 2017.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with the Corporate Governance Code

The Company devotes to the best practices on 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 of Securities (the "Listing Rules") 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. 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 Ms. Wong Yan Ki, Angel were unable to attend the extraordinary general meeting and the annual general meeting of the Company held on 26 April 2017 and 26 May 2017 respectively due to other commitments.

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 2017 have not been audited, but have been reviewed by the Company's external auditor, PricewaterhouseCoopers. The Audit Committee has also reviewed with senior management of the Group, the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2017.

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, 25 August 2017

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, Mr. Wang ShouLei and three independent non-executive Directors, namely Mr. Liu Yang, Mr. Lum Pak Sum and Ms. Wong Yan Ki, Angel.