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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 2016

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 2016 (the "**Reporting Period**") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2016

	NOTES	**2016** **HK$'000**	2015 HK$'000
Revenue	*3*	**5,915,428**	4,735,523
Cost of sales		**(5,804,897)**	(4,617,341)
Gross profit		**110,531**	118,182
Distribution expenses and administrative expenses	*4*	**(70,314)**	(111,956)
Other income		**856**	656
Other gains – net		**2,814**	3,507
Operating profit		**43,887**	10,389
Finance income		**51**	–
Finance expenses		**(8,782)**	(4,513)
Finance expenses – net		**(8,731)**	(4,513)
Profit before income tax		**35,156**	5,876
Income tax expense	*5*	**(10,786)**	(16,048)
Profit/(loss) for the year, all attributable to owners of the Company		**24,370**	(10,172)

	NOTES	2016 HK$'000	2015 HK$'000
Earnings/(loss) per share attributable to owners of the Company for the year			
– Basic earnings/(loss) per share *(in cents per share)*	*7*	**3.15**	(1.39)
– Diluted earnings/(loss) per share *(in cents per share)*	*7*	**3.15**	(1.39)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016	2015
	HK$'000	*HK$'000*
Profit/(loss) for the year	**24,370**	(10,172)
Other comprehensive loss:		
Items that may be reclassified to profit or loss		
Currency translation differences	**(22,878)**	(14,345)
Other comprehensive loss for the year	**(22,878)**	(14,345)
Total comprehensive income/(loss) for the year, all attributable to owners of the Company	**1,492**	(24,517)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000
Assets			
Non-current assets			
Property, plant and equipment		**5,972**	13,255
Intangible assets		**978**	978
Prepayment for non-current assets		**103,779**	105,925
Rental deposits		**571**	609
Deferred income tax assets		**280**	–
		111,580	120,767
Current assets			
Inventories		**33,855**	35,230
Trade and other receivables and prepayments	*8*	**677,196**	546,298
Cash and cash equivalents		**54,668**	30,948
Restricted cash		**44,717**	–
		810,436	612,476
Total assets		**922,016**	733,243
Equity			
Equity attributable to owners of the Company			
Share capital	*10*	**3,868**	3,868
Other reserves		**163,937**	191,731
Retained profits		**187,443**	158,157
Total equity		**355,248**	353,756
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		**4,113**	2,506
Current liabilities			
Trade and other payables	*9*	**358,514**	232,326
Current income tax liabilities		**4,029**	7,366
Borrowings		**200,112**	137,267
Finance lease liabilities		**–**	22
		562,655	376,981
Total liabilities		**566,768**	379,487
Total equity and liabilities		**922,016**	733,243

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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 and speaker manufacturing and sales. 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.

The consolidated financial statements were approved for issue by the Board of Directors on 24 March 2017.

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 2016:

- Annual improvements 2014 include changes from the 2012 – 2014 cycle of the annual improvements project. Only the below are effective for relevant transactions on or after 1 January 2016:

  – Amendments to HKFRS 7 'Financial instruments: Disclosures condensed interim financial statements'. It clarifies that the additional disclosure required by the amendments to HKFRS 7, 'Disclosure – Offsetting financial assets and financial liabilities' is not specifically required for all interim periods, unless required by HKAS 34.

– Amendments to HKAS 34, 'Interim financial reporting'. It clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. It also amends HKAS 34 to require a cross-reference from the interim financial statements to the location of that information. This amendment is retrospective.

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

(b) Standards, amendments and interpretations to existing standards effective in 2016 but not relevant to the Group

The following new standards and amendments are effective for the first time for the financial year beginning on 1 January 2016 and not relevant to the Group's operations (although they may affect the accounting for future transactions and events).

Standards and amendments	**Effective for annual periods beginning on or after**
Annual improvements 2014: HKFRS 5, 'Non-current assets held for sale and discontinued operations'	1 January 2016
HKFRS 14 'Regulatory Deferral Accounts'	1 January 2016
Amendment to HKFRS 11 'Accounting for acquisitions of interests in joint operations'	1 January 2016
Amendments to HKAS 16 and HKAS 38 'Clarification of acceptable methods of depreciation and amortisation'.	1 January 2016
Amendments to HKAS 16 and HKAS 41 'Agriculture: bearer plants'	1 January 2016
Annual improvements 2014: HKAS 19, 'Employee benefits'	1 January 2016
Amendment to HKAS 27 'Equity method in separate financial statements'	1 January 2016
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 'Investment entities: applying the consolidation exception'	1 January 2016
Annual improvements 2014: HKFRS 7, 'Financial instruments: Disclosures' – Application of the disclosure requirements to a servicing contract	1 January 2016
Amendments to HKAS 1 'Disclosure initiative'	1 January 2016

(c) *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 2016 and have not been applied in preparing these consolidated financial statements. 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

Amendments	**Effective for annual periods beginning on or after**
Amendments to HKAS 7 'Statement of cash flows'	1 January 2017
Amendments to HKAS 12 'Income taxes' on Recognition of deferred tax assets for unrealised losses	1 January 2017
Amendment to HKFRS 2 'Classification and Measurement of Share-based Payment Transactions'	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 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.

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 twelve 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 31 December 2016, the Group has non-cancellable operating lease commitments of HK$84,065,000. 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 two business lines, speaker manufacturing and energy trading.

The board of directors assesses the performance of the operating segments based on a measure of segment profit/(loss) excluding finance income/(costs) and the Company's incomes and expenses. Finance income/(costs) 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 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.

	2016			2015		
Profit/(loss)	**Energy trading**	**Speaker unit**	**Total**	Energy trading	Speaker unit	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December						
Segment revenue						
– Revenue from external customers	**5,433,950**	**481,478**	**5,915,428**	4,195,566	539,957	4,735,523
Segment profit	**26,991**	**25,810**	**52,801**	33,107	31,869	64,976
Share based payment expense	**–**	**–**	**–**	(49,343)	–	(49,343)
Unallocated operating expenses			**(8,914)**			(5,244)
Operating profit			**43,887**			10,389
Finance costs/(income) – net			**(8,731)**			(4,513)
Profit before income tax			**35,156**			5,876
Income tax expense			**(10,786)**			(16,048)
Profit/(loss) for the year			**24,370**			(10,172)

	2016			2015		
	Energy trading	**Speaker unit**	**Total**	Energy trading	Speaker unit	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Assets						
As at 31 December						
Segment assets	**590,212**	**225,623**	**815,835**	386,771	238,300	625,071
Unallocated assets			**1,144**			1,269
Deferred income tax assets			**280**			–
Intangible assets			**978**			978
Prepayment for non-current assets			**103,779**			105,925
Total			**922,016**			733,243
Liabilities						
As at 31 December						
Segment liabilities	**207,244**	**142,324**	**349,568**	77,864	152,070	229,934
Unallocated liabilities			**8,946**			2,414
Borrowings			**200,112**			137,267
Current income tax liabilities			**4,029**			7,366
Deferred income tax liabilities			**4,113**			2,506
Total			**566,768**			379,487

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

	2016	2015
	HK$'000	*HK$'000*
China	**5,568,626**	4,364,730
Belgium	**224,744**	145,209
Other countries	**73,227**	72,682
Germany	**17,591**	62,778
US	**16,214**	47,535
Canada	**8,406**	30,437
Japan	**6,620**	12,152
Total	**5,915,428**	4,735,523

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

	2016	2015
	HK$'000	*HK$'000*
Revenue from customer attributable to energy trading		
Company A	**603,552**	–

Non-current assets, other than financial instruments and deferred income tax assets (there are no employment benefit assets and rights arising under insurance contracts), by country is as follows:

	2016	2015
	HK$'000	*HK$'000*
China mainland	**108,480**	116,866
Hong Kong	**2,820**	3,901
	111,300	120,767

4. DISTRIBUTION EXPENSES AND ADMINISTRATIVE EXPENSES

	2016	**2015**
	HK$'000	*HK$'000*
Employee benefit expense	**27,049**	78,671
Legal & professional fees	**8,075**	1,744
Operating lease payments	**6,823**	5,044
Storage charge	**3,870**	6,285
Product development	**3,153**	1,264
Customs & excise tax	**1,856**	1,859
Depreciation, amortisation and impairment charges	**1,481**	1,146
Auditors' remuneration- annual report	**1,480**	560
Auditors' remuneration- others	**747**	1,051
Entertainment expense	**1,473**	649
Taxes	**3,742**	2,761
Travelling expense	**1,031**	634
Electricity and water	**1,009**	1,096
Transportation expense	**932**	1,063
Other expenses	**7,593**	8,129
Total distribution expenses and administrative expenses	**70,314**	111,956

5. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2016	2015
	HK$'000	*HK$'000*
Current tax:		
Current tax on profits for the year – Hong Kong	**2,609**	3,318
Adjustments in respect of prior years – Hong Kong	**–**	(2)
	2,609	3,316
Current tax on profits for the year – PRC	**8,435**	10,799
Adjustments in respect of prior years – PRC	**(1,585)**	410
	6,850	11,209
Total current tax	**9,459**	14,525
Deferred tax:		
Origination and reversal of temporary differences	**1,327**	1,523
Total deferred tax	**1,327**	1,523
Income tax expense	**10,786**	16,048

Hong Kong profits tax has been provided for at the rate of 16.5% (2015: 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% (2015: 25%) except for Dongguan Shinhint Audio Technology Limited which are subject to CIT at the rate of 15% (2015: 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 2015 to 2017.

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.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2016	2015
	HK$'000	*HK$'000*
Profit before tax	**35,156**	5,876
Tax calculated at domestic tax rates applicable to profits/(loss) in the respective countries	**8,958**	(526)
Tax effects of:		
– Expenses not deductible for tax purposes	**300**	13,765
– Tax losses for which no deferred income tax asset was recognised	**1,872**	878
– Others	**(366)**	–
Adjustment in respect of prior years	**(1,585)**	408
Withholding tax on unremitted earnings	**1,607**	1,523
Income tax expense	**10,786**	16,048

6. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during 2016, nor has any dividend been proposed since the end of the reporting period (2015: Nil).

7. EARNINGS/(LOSS) PER SHARE

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

	2016	2015
	HK$'000	*HK$'000*
Earnings/(loss) for the purpose of basic and diluted earnings per share	**24,370**	(10,172)
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share *(thousands)*	**773,629**	731,657
Earnings/(loss) per share		
– Basic earnings/(loss) per share (in cents per share)	**3.15**	(1.39)
– Diluted earnings/(loss) per share (in cents per share)	**3.15**	(1.39)

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 2015 had been retrospectively adjusted to reflect the share subdivision with effect from 8 July 2015.

For the year ended 31 December 2016, 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 twelve months ended 31 December 2016) 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. The diluted loss per share for the twelve months ended 31 December 2015 was the same as the basic loss per share since the computation of diluted earnings per share does not assume the exercise of share options granted under the share option scheme since their exercise would result in an anti-dilutive effect on the loss per share for the twelve months ended 31 December 2015.

8. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2016	2015
	HK$'000	*HK$'000*
Trade receivables from third parties	**138,309**	205,946
Trade receivables from related parties	**4,675**	–
Less: allowance for impairment of trade receivables	**–**	–
Trade receivables – net	**142,984**	205,946
Prepayments to suppliers	**528,365**	335,078
Other receivables		
– Export tax rebate receivable	**4,236**	2,740
– Other receivables and deposits	**1,611**	2,534
Total	**677,196**	546,298

The Group normally allows a credit period of 30 days to 90 days (2015: 30 days to 90 days) to its trade customers and may further extend the credit period to selected customers depending on their trade volume and settlement history. At 31 December 2016 and 2015, the ageing analysis of trade receivables based on invoice date were as follows:

	2016	2015
	HK$'000	*HK$'000*
Within 30 days	**55,251**	108,326
31 to 60 days	**38,218**	36,689
61 to 90 days	**49,318**	42,396
91 to 120 days	**197**	16,370
Over 120 days	**–**	2,165
	142,984	205,946

As of 31 December 2016, trade receivables of HK$49,872,000 (2015: HK$86,584,000) 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 could 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. In addition, the Group enters into an agreement with an insurance company to cover part of the individual trade debts. 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:

	2016	2015
	HK$'000	*HK$'000*
Overdue by:		
Within 30 days	**49,575**	80,699
31 to 90 days	**297**	4,025
91 to 365 days	**–**	1,860
	49,872	86,584

9. TRADE AND OTHER PAYABLES

	2016	2015
	HK$'000	*HK$'000*
Trade payables to third parties	**118,160**	191,126
Trade payables to related parties	**420**	620
Bank notes payable	**78,256**	–
Payroll and welfare payable and taxes payable	**19,659**	11,458
Advance from customers	**24,902**	8,344
Amount due to the chairman	**104,048**	5,081
Accrued expenses	**13,069**	15,697
	358,514	232,326

At 31 December 2016, the ageing analysis of the trade payables (including bank notes payable and amounts due to related parties of trading in nature) based on invoice date were are follows:

	2016	2015
	HK$'000	*HK$'000*
Within 30 days	**50,506**	98,741
31 to 60 days	**38,789**	37,035
61 to 90 days	**99,345**	32,045
91 to 120 days	**7,131**	20,347
Over 120 days	**1,065**	3,578
	196,836	191,746

10. SHARE CAPITAL

	Number of shares	**Share capital**
		HK$'000
Ordinary shares of HK$0.005 each		
Authorised:		
As at 31 December 2015 and 31 December 2016	4,000,000,000	20,000
Issued and fully paid:		
At 1 January 2015	322,445,564	3,224
Issue of new shares (a)	64,369,112	644
Share subdivision (b)	386,814,676	–
As at 31 December 2015	773,629,352	3,868
As at 31 December 2016	773,629,352	3,868

(a) On 15 April 2015, the Company entered into a placing agreement with a placing agent whereby the Company agreed to place, through the placing agent, a maximum of 64,369,112 new shares to not less than six placees at a price of HK$0.97 per placing share. The placing was completed on 30 April 2015 and 64,369,112 new shares were issued to not less than six placees in accordance with the terms of the placing agreement.

(b) Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 7 July 2015, each of the issued and unissued shares of HK$0.01 in the share capital of the Company was subdivided into two subdivided shares of par value of HK$0.005 each with effect from 8 July 2015. Accordingly, the number of issued ordinary shares of the Company was increased from 386,814,676 shares to 773,629,352 shares since 8 July 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Energy Trading

There was a significant improvement for the segment of energy trading. For the Reporting Period, its turnover amounted to approximately HK$5,433,950,000 (2015: approximately HK$4,195,566,000), representing a year-on-year growth of approximately 29.5%. The growth was mainly attributable to the increase in contribution to the revenue by Yuhua Energy (Xiamen) Company Limited*（裕華能源（廈門）有限公司）and Qianhai Yuhua Energy (Shenzhen) Company Limited*（前海裕華能源（深圳）有限公司 (which commenced trading business in June 2015 and July 2015 respectively) and the effect of full year's operation in 2016.

Speaker Units Business

The revenue from speaker units business recorded a decrease in the Reporting Period. For the Reporting Period, its turnover amounted to approximately HK$481,478,000 (2015: approximately HK$539,957,000), representing a decline of approximately 10.8%. The decline was mainly due to the decreased 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 94.1% of the turnover for the Reporting Period (2015: approximately 92.2%).

* *For identification purpose only*

FINANCIAL REVIEW

Results Performance

For the Reporting Period, the Group's revenue increased by 24.9% to approximately HK$5,915,428,000 (2015: approximately HK$4,735,523,000). 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 dropped by approximately 6.5% to approximately HK$110,531,000 (2015: approximately HK$118,182,000) and the Group has reported a net profit for the Reporting Period of approximately HK$24,370,000 (2015: net loss of approximately HK$10,172,000). The net profit of the Group for the Reporting Period, as compared with the net loss for the corresponding period of last year is mainly due to the absence of share-based payment expenses related to the grant of share option of the Company incurred in last year.

For the Reporting Period, basic earnings per share reached approximately HK3.15 cents (2015: basic loss of approximately HK1.39 cents per share). The Board did not recommend the payment of a final dividend for the Reporting Period (2015: nil).

Liquidity and Financial Resources

As at 31 December 2016, the Group had cash and cash equivalents of about HK$54,668,000 (2015: about HK$30,948,000), 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$224,706,000 (2015: approximately HK$979,854,000). The Group's current ratio, being the proportion of total current assets against total current liabilities, was approximately 1.4 (2015: approximately 1.6).

As at 31 December 2016, the Group had bank borrowings of approximately HK$200,112,000 (2015: approximately HK$137,267,000) which were denominated in Renminbi. The borrowings carried interest at effective interest rate ranging from 4.785% to 5.22% per annum. The gearing ratio of the Group increased to approximately 56.3% (31 December 2015: approximately 38.8%), which is computed by dividing total borrowings of approximately HK$200,112,000 (31 December 2015: approximately HK$137,267,000) by Shareholders' equity of approximately HK$355,248,000 (31 December 2015: approximately HK$353,756,000).

Capital Expenditure

During the Reporting Period, the Group's total capital expenditure amounted to approximately HK$346,000, which was used in the purchase of property, plant and equipment.

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, 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 2016, the Group's work force amounted to approximately 1,150 staff (2015: approximately 1,120) in Hong Kong and the PRC collectively. Staff costs (excluding directors' emoluments) amounted to approximately HK$83,793,000 (2015: approximately HK$133,991,000). 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 2016, the Group had no material contingent liabilities.

Pledge on the Group's Assets

As at 31 December 2016, no assets had been pledged to secure the Group's banking facilities.

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

On 15 November 2016, Yuhua Energy (Hong Kong) Limited（裕華能源（香港）有限公司）, an indirect wholly-owned subsidiary of the Company (the "**Purchaser**"), entered into a memorandum of agreement (the "**MOA**") in respect of the acquisition of the vessel, named "**MT ZHU MIN VICTORIA**" (the "**Vessel**") with Great Lakes Shipping Maritime Inc. (the "**Seller**"). Pursuant to the MOA, the Purchaser has agreed to buy and the Seller has agreed to sell the Vessel at the consideration of US$5,800,000 (equivalent to approximately HK$45,240,000). For further details, please refer to the announcement of the Company dated 15 November 2016.

Save as disclosed above, there was no significant investment held, material acquisition or disposal of subsidiaries and associated companies during the year ended 31 December 2016.

Subsequent Events

(i) Supply and R&D Service Agreement

On 8 February 2017, Shinhint Industries Limited（成謙實業有限公司）("**SHL**"), an indirect wholly-owned subsidiary of the Company, entered into the Supply and R&D Service Agreement with Tai Sing Industrial Company Limited（泰升實業有限公司）("**TSI**") for the period from 1 January 2017 to 31 December 2017 in relation to the (i) supply of speaker units by SHL or any of its subsidiaries to TSI; and (ii) provision of the research and development of headphones and speaker products services (the "**R&D Service**") by TSI to SHL or any of its subsidiaries. As at 8 February 2017, Mr. Cheung Wah Keung ("**Mr. Cheung**") is the director of SHL while he is also the ultimate beneficial owner and director of TSI. Therefore, Mr. Cheung and TSI are connected persons of the Company at the subsidiary level. Accordingly, the transactions contemplated under the Supply and R&D Service Agreement constitutes continuing connected transactions of the Company under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**"). The annual caps for the supply of speaker units and the R&D Service for the year ending 31 December 2017 are HK$20 million and HK$2.4 million respectively. For further details, please refer to the announcement of the Company dated 8 February 2017.

(ii) Share Subdivision

On 13 March 2017, the Board proposed to subdivide every one (1) existing issued and unissued share of the Company (the "**Share**") of a par value of HK$0.005 each into two (2) subdivided Shares of a par value of HK$0.0025 each. The share subdivision will become effective upon the fulfilment of the conditions of the share subdivision. All subdivided Shares will rank pari passu with each other in all respects with the Shares in issue and the share subdivision will not result in any change in the relevant rights of the shareholders of the Company (the "**Shareholders**"). The Shares are currently traded in board lot size of 4,000 Shares. Upon the share subdivision becoming effective, the board lot size of the subdivided Shares for trading on the Stock Exchange will remain unchanged with 4,000 subdivided Shares for each board lot. For further details, please refer to the announcement of the Company dated 13 March 2017.

Save as disclosed above, there was no important event affecting the Group that has occurred since the end of 31 December 2016.

Mandatory Cash Offer

On 26 May 2016, Mr. Lin Caihuo (the "**Offeror**") completed the acquisition of 28,000,000 Shares, representing approximately 3.62% of the entire issued share capital of the Company as at 26 May 2016 at an aggregate consideration of HK$26,040,000, equivalent to HK$0.93 per Share (the "**Share Acquisition**"). As at 23 May 2016, the Offeror and the parties acting in concert with him owned, controlled or had direction over 209,418,946 Shares, representing approximately 27.07% of the total issued share capital of the Company as at 23 May 2016. Immediately following the completion of the Share Acquisition, the Offeror and the parties acting in concert with him were interested in a total of 237,418,946 Shares, representing approximately 30.69% of the total issued share capital of the Company as at 23 May 2016. The Offeror thus became a controlling shareholder (as defined in the Listing Rules) of the Company upon completion of the Share Acquisition.

Subsequently, Brilliant Norton Securities Company Limited (億聲證券有限公司), on behalf of the Offeror, had therefore made the mandatory conditional cash offer pursuant to the Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission of Hong Kong for all the issued Shares not already owned or agreed to be acquired by the Offeror and the parties acting in concert with him (the "**Share Offer**") and for cancellation of all outstanding share options to subscribe for Shares granted by the Company in accordance with the share option scheme adopted by the Company on 25 June 2005 (the "**Option Offer**").

For details of the Share Acquisition, the Share Offer and the Option Offer, please refer to the joint announcements of the Offeror and the Company dated 23 May 2016, 26 May 2016, 13 June 2016, 22 June 2016, 11 July 2016, 21 July 2016 and 4 August 2016 and the composite offer and response document and circulars dated 11 July 2016 jointly issued by the Offeror and the Company.

PROSPECTS

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 opportunity for the Company to reallocate resources to energy trading segment as well as other business opportunities to achieve further business growth.

On the other hand, the Group intends to further expand the development of the energy business and improve the overall resource configuration of the Group. The Company acquired the Vessel during the year and intended to provide transportation services for the Group to carry out international businesses for the coming year.

At the same time, in order to expand the upstream and downstream of the business and achieve the Company's goal of becoming an integrated global energy supply chain service provider, Yuhua Energy (Zhangzhou) Co., Ltd*（裕華能源（漳州）有限公司）, an indirect wholly owned subsidiary of the Company entered into a project framework agreement with the Administrative Committee of Fujian Zhangzhou Gulei Port Economic Development Zone, pursuant to which the parties thereto agreed to form a cooperation relationship in relation to the investment and construction on (i) the storage and wholesale of crude oil, chemical raw materials and refined oil; (ii) the petrochemical commercial repository; and (iii) the logistics projects in Fujian Zhangzhou Gulei Port Economic Development Zone.

Looking forward, the Group will continue to develop its energy trading business in all aspects. In addition, the Group will also explore other investment opportunities that are beneficial to the Shareholders.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: 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:

* *For identification purpose only*

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. Mr. Zhang Jiping, an independent non-executive Director (who resigned from directorship with effect from 1 November 2016), was unable to attend the annual general meeting of the Company held on 27 May 2016 due to other commitments.

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 should 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 2016.

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 26 May 2017 (Friday) (the "**2016 AGM**"), the register of members of the Company will be closed from 23 May 2017 (Tuesday) to 26 May 2017 (Friday), both days inclusive. During the closure period, no transfer of Shares will be registered. To be eligible to attend and vote at the 2016 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 22 May 2017 (Monday).

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 2016 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, 24 March 2017

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