THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Yuhua Energy Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.

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

(formerly known as Shinhint Acoustic Link Holdings Limited 成謙聲匯控股有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2728)

(1) CONNECTED TRANSACTION RELATING TO THE SUBSCRIPTION OF NEW SHARES BY A SUBSTANTIAL SHAREHOLDER; (2) APPLICATION FOR WHITEWASH WAIVER; AND (3) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to the Company

ASTRUM
Astrum Capital Management Limited
阿仕特朗資本管理有限公司

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

高銀融資有限公司
GOLDIN FINANCIAL LIMITED

Terms used in this cover shall have the same meanings as defined in this circular.

A letter from the Board is set out on pages 6 to 21 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 22 to 23 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 24 to 49 of this circular.

A notice dated 21 January 2016 convening the EGM to be held on Friday, 5 February 2016 at 10:30 a.m. at Room 2207, 22/F, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend the EGM in person, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any adjourned meeting thereof if you so wish and, in such event, the relevant form of proxy shall be deemed to be revoked.

21 January 2016

CONTENTS

In this circular, unless the context otherwise requires, the following terms or expressions shall have the meanings set out below:

"Announcement"	the announcement of the Company dated 4 December 2015 relating to, among other things, the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Bao Ta Chemical"	廣州寶塔石化有限公司 (Guangzhou Bao Ta Chemical Company Limited*)
"Board"	the board of Directors
"Business Day"	any day (other than a Saturday or Sunday, or a day on which a tropical cyclone warning signal numbered 8 or above or a "black" rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.) on which licensed banks in Hong Kong are open for business and the Stock Exchange is open for the business of dealing in securities
"Company"	Yuhua Energy Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange
"Completion"	completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement
"Completion Date"	the date of Completion, being any day within 10 Business Days from the day on which all the Conditions have been fulfilled, or such later date as may be agreed between the Company and the Subscriber
"Conditions"	the conditions precedent to Completion, as more particularly set out under the section headed "Conditions of the Subscription" in this circular
"connected person"	has the meaning as ascribed to it under the Listing Rules
"Director(s)"	director(s) of the Company

"EGM"	an extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver
"Executive"	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegates
"Fuhua Fujian Energy"	富華(福建)能源有限公司 (Fuhua (Fujian) Energy Company Limited*), an indirect wholly-owned subsidiary of the Company
"Fujian Ji Yuan"	福建吉源物流有限公司 (Fujian Ji Yuan Logistics Company Limited*)
"Group"	the Company and its subsidiaries
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent board committee of the Company, comprising all independent non-executive Directors, namely Mr. Liu Yang, Mr. Lum Pak Sum and Mr. Zhang Jiping, which has been established by the Board for the purpose of advising the Independent Shareholders on the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver and as to voting
"Independent Financial Adviser" or "Goldin"	Goldin Financial Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver and as to voting

"Independent Shareholders"	Shareholders other than (i) the Subscriber and his associates; (ii) any parties acting in concert with the Subscriber; and (iii) parties involved or interested in the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and/or the Whitewash Waiver
"Last Trading Day"	26 November 2015, being the last trading day of the Shares on the Stock Exchange prior to the entering into of the Subscription Agreement
"Latest Practicable Date"	19 January 2016, being the latest practicable date prior to printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	29 February 2016, or such later date as may be agreed in writing between the Company and the Subscriber
"PRC"	the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"Profit Warning Statement"	the statement made by the Company based on the preliminary review of the Group's unaudited management accounts for the eleven months ended 30 November 2015 and the information currently available to the Board as disclosed in the announcement of the Company dated 4 January 2016 announcing that the Group is expected to record a net loss for the year ended 31 December 2015 as compared with a net profit of approximately HK$7,572,000 for the year ended 31 December 2014
"Properties"	collectively, levels 2 to 7, 海之星國際營運中心A棟 (Block A of Ocean Star International Operation Center*) at 中國福建省廈門海滄區05-13保稅港區海景路東段 (the east session of Haijing Road, 05-13 Free Trade Port Zone, Haicang District, Xiamen, Fujian Province, PRC*)

"Qianhai Yuhua Energy"	前海裕華能源(深圳)有限公司 (Qianhai Yuhua Energy (Shenzhen) Company Limited*), an indirect wholly-owned subsidiary of the Company
"Relevant Period"	the period commencing from 4 June 2015, being the date falling 6 months before the date of the Announcement, up to and including the Latest Practicable Date
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shanghai Bei Xin"	上海北欣石油有限公司 (Shanghai Bei Xin Oil Company Limited*)
"Shanghai Chuan Run"	上海川潤供應鏈管理有限公司 (Shanghai Chuan Run Supply Chain Management Company Limited*)
"Shanghai Ludi"	上海綠地石油化工有限公司 (Shanghai Ludi Petroleum and Chemical Industry Company Limited*)
"Share(s)"	ordinary share(s) of HK$0.005 each in the issued share capital of the Company
"Shareholder(s)"	the holder(s) of the Share(s)
"Share Options"	the share options granted pursuant to the Share Option Scheme
"Share Option Scheme"	the share option scheme of the Company approved and adopted by the Company on 25 June 2005, pursuant to which a total of 38,500,000 Share Options were still outstanding as at the Latest Practicable Date
"Specific Mandate"	the specific mandate proposed to be granted by the Independent Shareholders to the Directors at the EGM to allot and issue the Subscription Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscriber" or "Mr. Lin"	Mr. Lin Caihuo, a substantial Shareholder, the chairman of the Board and an executive Director
"Subscription"	the proposed subscription of the Subscription Shares by the Subscriber pursuant to the Subscription Agreement

"Subscription Agreement"	the conditional share subscription agreement dated 26 November 2015 entered into between the Company and the Subscriber in relation to the Subscription
"Subscription Price"	HK$1.00 per Subscription Share
"Subscription Shares"	640,000,000 new Shares to be allotted and issued to the Subscriber pursuant to the terms and conditions of the Subscription Agreement
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Whitewash Waiver"	a waiver from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code of the obligation on the part of the Subscriber to make a general offer for all securities of the Company (other than those already owned or agreed to be acquired by the Subscriber and parties acting in concert with him) as a result of the allotment and issue of the Subscription Shares under the Subscription Agreement
"Xiamen Ocean Star"	廈門海之星航運有限公司 (Xiamen Ocean Star Shipping Company Limited*), a company wholly owned by 福建裕華集團有限公司 (Fujian Yuhua Group Limited*), which is, in turn, owned by the Subscriber and his spouse as to 90% and 10%, respectively
"Xiamen Yuhua Energy"	裕華能源(廈門)有限公司 (Yuhua Energy (Xiamen) Company Limited*), an indirect wholly-owned subsidiary of the Company
"Zhong Shang Tou Hao Jia"	中商投灝嘉(上海)投資控股有限公司 (Zhong Shang Tou Hao Jia (Shanghai) Investment Holdings Company Limited*)
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"US$"	U.S. dollars, the lawful currency of the United States of America
"%"	per cent

* *In this circular, the English transliteration of the Chinese names, where indicated, are included for identification purpose only, and should not be regarded as the official English names of such Chinese names. In the event of any inconsistency, the Chinese names shall prevail.*

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

(formerly known as Shinhint Acoustic Link Holdings Limited 成謙聲匯控股有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2728)

Executive Directors:
Mr. Lin Caihuo *(Chairman of the Board)*
Mr. Wang Enguang

Independent non-executive Directors:
Mr. Liu Yang
Mr. Lum Pak Sum
Mr. Zhang Jiping

Registered Office:
Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business in Hong Kong:
Room 2207, 22/F
Harbour Centre
25 Harbour Road
Wanchai, Hong Kong

21 January 2016

To the Shareholders

Dear Sir or Madam,

(1) CONNECTED TRANSACTION RELATING TO THE SUBSCRIPTION OF NEW SHARES BY A SUBSTANTIAL SHAREHOLDER; AND (2) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver.

On 26 November 2015 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber whereby the Subscriber conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue 640,000,000 new Shares at the Subscription Price of HK$1.00 per Subscription Share.

The purpose of this circular is to provide you with, among others, (i) further details of the Subscription, the Subscription Agreement, the Specific Mandate and the Whitewash Wavier; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders on the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver; (iv) a notice of EGM; and (v) other information as required under the Listing Rules and the Takeovers Code.

THE SUBSCRIPTION AGREEMENT

The major terms and conditions of the Subscription Agreement are set out below:

Date

26 November 2015 (after trading hours)

Parties

Issuer:	the Company; and
Subscriber:	Mr. Lin Caihuo, a substantial Shareholder, the chairman of the Board and an executive Director

As at the Latest Practicable Date, the Subscriber held 208,278,946 Shares, representing approximately 26.92% of the issued share capital of the Company.

The Subscription Shares

Pursuant to the Subscription Agreement, the Subscriber conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue 640,000,000 new Shares at the Subscription Price of HK$1.00 per Subscription Share. As at the Latest Practicable Date, there were 773,629,352 Shares in issue. The Subscription Shares represent (i) approximately 82.73% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 45.27% of the issued share capital of the Company as enlarged by the Subscription Shares, assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the Subscription Shares since the date of the Subscription Agreement and up to the Completion Date.

Subscription Price

The Subscription Price of HK$1.00 per Subscription Share:

(i) is equivalent to the closing price of HK$1.00 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) represents a discount of approximately 2.15% to the average closing price of HK$1.022 per Share as quoted on the Stock Exchange for the last five consecutive trading days prior to but excluding the Last Trading Day;

(iii) represents a discount of approximately 2.44% to the average closing price of HK$1.025 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days prior to but excluding the Last Trading Day;

(iv) represents a premium of approximately 2.04% over the closing price of HK$0.98 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(v) represents a premium of approximately 126.8% over the Group's unaudited consolidated net assets attributable to the Shareholders per Share as at 30 June 2015 of approximately HK$0.441 (based on a total of 773,629,352 Shares as at the Latest Practicable Date and the Group's unaudited consolidated net assets of approximately HK$340,924,000 as at 30 June 2015).

The Subscription Price was determined after arm's length negotiations between the Company and the Subscriber with reference to the financial conditions of the Company, the prevailing market prices of the Shares and the recent market conditions.

Ranking of the Subscription Shares

The Subscription Shares, when issued and fully paid, will rank *pari passu* in all respects among themselves and with all the Shares in issue at the date of allotment and issue of the Subscription Shares, including the right to any dividends or distributions made or declared on or after the date of allotment and issue of the Subscription Shares.

Conditions of the Subscription

Completion is conditional upon fulfillment of the Conditions set out as follow:

(a) the Executive having granted the Whitewash Waiver;

(b) all conditions attached to the Whitewash Waiver having been satisfied;

(c) the Independent Shareholders having at the EGM approved the Subscription, the Whitewash Waiver, the Specific Mandate and the transactions contemplated thereunder;

(d) the Company having obtained the approval from the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares, and such approval not having been revoked or cancelled prior to the Completion;

(e) the Completion would not result in the Company not meeting the public float requirement as required under the Listing Rules; and

(f) all other regulatory consents and authorisations of any governmental or regulatory body which are necessary and required for the purpose of implementing and completing the Subscription, the Whitewash Waiver, the Specific Mandate and the transactions contemplated under the Subscription Agreement having been obtained and remaining in full force and effect pursuant to the provisions of any laws or regulations in any relevant jurisdiction.

In respect of condition (b) above, the Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the approval of the Independent Shareholders in respect of the Whitewash Waiver by way of poll at the EGM.

In respect of condition (f) above, so far as the Company is aware, the only necessary consents and approvals required are that from the Executive regarding the Whitewash Waiver (as set out in condition (a) above) and that from the Stock Exchange regarding the listing of, and permission to deal in, the Subscription Shares (as set out in condition (d) above). The Subscriber has made an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the issue of the Subscription Shares pursuant to the Subscription Agreement and the Executive has indicated that it will grant the Whitewash Waiver subject to, among other things, the approval of the Independent Shareholders by way of poll at the EGM. In addition, an application has been made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

None of the Conditions can be waived by either party to the Subscription Agreement.

In the event that not all the Conditions have been fulfilled on or before the Long Stop Date, the Subscription Agreement shall terminate and lapse, and the Company and the Subscriber shall be released from all obligations thereunder and neither party shall have any claim against the other save for any antecedent breaches of the Subscription Agreement.

As at the Latest Practicable Date, none of the Conditions had been fulfilled.

Completion

Subject to fulfillment of all the Conditions, Completion shall take place on the Completion Date and in any event, within one month after the date of the EGM.

Lock-up arrangement for the Subscription Shares

Pursuant to the Subscription Agreement, there is no lock-up arrangement for the Subscription Shares upon allotment and issue thereof.

Specific Mandate

The Subscription Shares will be allotted and issued under the Specific Mandate to be obtained from the Independent Shareholders at the EGM.

Application for listing

An application has been made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Group is principally engaged in (i) trading and manufacturing of speaker units and provision of consultancy services in connection with research and development of headphones and speaker products; and (ii) trading of energy products including but not limited to fuel oil, oil, natural gas, biodiesel and chemical products (the "**Energy Trading Business**").

In 2015, the Group has put tremendous effort in the operation and development of the Energy Trading Business generally through back-to-back purchase and sale of energy products. For the six months ended 30 June 2015, the revenue and the segment loss derived from the Energy Trading Business amounted to approximately HK$822.2 million and HK$39.29 million respectively. Without taking into account the one-off non-cash share-based payment expenses of approximately HK$49.34 million relating to the grant of Share Options during the six months ended 30 June 2015, the Energy Trading Business would record a segment profit of approximately HK$10.1 million.

In order to cope with the liquid capital needs for the expansion of the Energy Trading Business, the Group had conducted various fund-raising exercises in the second quarter of 2015. In April 2015, the Group raised approximately HK$61.3 million by placing of new Shares under general mandate to independent third parties (the "**Placing**"). During the period commencing from 25 May 2015 to 15 June 2015, the Group entered into three separate loan agreements with a bank for loan in the principal amount of RMB50 million ("**Loan I**"), RMB49.75 million ("**Loan II**") and RMB9.2 million ("**Loan III**", and together with Loan I and Loan II, the "**Loans**"), respectively. The Loans were interest-bearing with an interest rate of 5.61% per annum. Loan I, Loan II and Loan III would be due on 25 November 2015, 26 November 2015 and 15 December 2015, respectively. Both the net proceeds from the Placing of approximately HK$61.3 million and the Loans of RMB108.95 million (equivalent to approximately HK$138.2 million, based on the exchange rate of RMB1.00 to HK$1.2681 as at 30 June 2015) were applied towards the Energy Trading Business as the liquid capital for the on-and-off prepayment for the purchase of energy products.

With the additional liquid capital from the Placing and the Loans, the liquid capital allocated for the Energy Trading Business, including prepayment, inventory and cash, increased to approximately HK$400 million. Subsequently, the Group has recorded a gradual growth in the number of back-to-back energy trading transactions in recent months. During the period commencing from 1 July 2015 to 30 November 2015, the average monthly turnover of the Group's Energy Trading Business amounted to approximately HK$557.9 million, representing a significant increase of approximately 307.2% as compared to the average monthly turnover of the Group's Energy Trading Business of approximately HK$137.0 million for the six months ended 30 June 2015.

Relying on the experience and connection accumulated in 2015, the management targets to double the current monthly transaction volume of the Energy Trading Business in 2016. In order to secure a solid and friendly relationship with the customers and suppliers, the Group has entered into the following framework agreements:

(i) on 26 November 2015, Xiamen Yuhua Energy (as purchaser), entered into a sale and purchase framework agreement with Zhong Shang Tou Hao Jia (as vendor), pursuant to which Zhong Shang Tou Hao Jia agreed to sell and Xiamen Yuhua Energy agreed to purchase fuel oil in the target amount of not less than RMB1,000 million from 1 January 2016 to 31 December 2016;

(ii) on 26 November 2015, Xiamen Yuhua Energy (as purchaser) entered into a sale and purchase framework agreement with Bao Ta Chemical (as vendor), pursuant to which Bao Ta Chemical agreed to sell and Xiamen Yuhua Energy agreed to purchase fuel oil in the target amount of not less than RMB500 million from 1 January 2016 to 31 December 2016;

(iii) on 26 November 2015, Xiamen Yuhua Energy (as vendor) entered into a fuel oil purchase framework agreement with Shanghai Ludi (as purchaser), pursuant to which Xiamen Yuhua Energy agreed to sell and Shanghai Ludi agreed to purchase fuel oil in the preliminary target volume of 30,000 tonnes per month for a period of one year commencing from the date of the agreement, provided that the terms offered by Xiamen Yuhua Energy to Shanghai Ludi are similar to or more favourable than the terms offered by third parties to Shanghai Ludi;

(iv) on 18 December 2015, Xiamen Yuhua Energy (as vendor) entered into a fuel oil purchase framework agreement with Fujian Ji Yuan (as purchaser), pursuant to which Fujian Ji Yuan agreed to purchase fuel oil in the preliminary target amount of 30,000 tonnes per month from Xiamen Yuhua Energy for a period of one year commencing from the date of the agreement, provided that the terms offered by Xiamen Yuhua Energy to Fujian Ji Yuan are similar to or more favourable than the terms offered by third parties;

(v) on 18 December 2015, Qianhai Yuhua Energy (as vendor) entered into a fuel oil purchase framework agreement with Shanghai Bei Xin (as purchaser), pursuant to which Shanghai Bei Xin agreed to purchase fuel oil and other oil products in the preliminary target amount of 20,000 tonnes per month from Qianhai Yuhua Energy for a period of one year commencing from the date of the agreement, provided that the terms offered by Qianhai Yuhua Energy to Shanghai Bei Xin are similar to or more favourable than the terms offered by third parties; and

(vi) on 18 December 2015, Fuhua Fujian Energy (as vendor) entered into a fuel oil purchase framework agreement with Shanghai Chuan Run (as purchaser), pursuant to which Shanghai Chuan Run agreed to purchase fuel oil in the preliminary target amount of 30,000 tonnes per month from Fuhua Fujian Energy for a period of one year commencing from the date of the agreement, provided that the terms offered by Fuhua Fujian Energy to Shanghai Chuan Run are similar to or more favourable than the terms offered by third parties.

Each of Zhong Shang Tou Hao Jia, Bao Ta Chemical, Shanghai Ludi, Fujian Ji Yuan, Shanghai Bei Xin and Shanghai Chuan Run and their respective ultimate beneficial owners is third party independent of the Company and its connected persons and is not interested in any Shares. Save for the framework agreements as disclosed above, the Company was not in negotiation with other existing nor potential suppliers and purchasers of fuel oil as at the Latest Practicable Date.

As at 30 June 2015, the bank balances and cash position of the Group amounted to approximately HK$59.5 million while prepayment for the Energy Trading Business amounted to approximately HK$308.1 million. With the increasing number of energy trading transactions in recent months, the cash position of the Group further dropped to approximately HK$26.4 million as at 30 November 2015 as majority of the cash were applied towards the prepayment for the Energy Trading Business. As at 30 November 2015, the Group's total assets and net assets amounted to approximately HK$739.4 million and approximately HK$356.6 million, respectively. During the period from 23 December 2015 to 30 December 2015, the Group settled the purchase price of the Properties of approximately RMB88.7 million (equivalent to approximately HK$105.9 million, as calculated based on the exchange rate of RMB1.0000 to HK$1.1936) pursuant to the acquisition agreements dated 7 September 2015 entered into between the Group and Xiamen Ocean Star (as supplemented by two supplemental agreements both dated 7 September 2015), which further tightened the liquidity level of the Group. Details of the acquisition of the Properties were disclosed in the circular of the Company dated 3 November 2015 and the poll results announcement of the Company dated 20 November 2015. The management considered that the current liquidity and cash flow level of the Group is sufficient to maintain the daily operation of the Group's existing business. However, the management envisaged that the current capital level of the Group is insufficient to cope with the expansion of the Energy Trading Business. Based on the target of doubling the current monthly transaction volume of the Energy Trading Business in 2016, the Directors estimated that the Group should double the amount of the existing liquid capital for the on-and-off prepayment for the purchase of energy products in order to achieve the above target.

In view of the above, the Board has considered various fund raising methods including long term bank borrowing, placement of new Shares to independent third parties, rights issue, open offer and the Subscription. In respect of long-term bank borrowings, commercial banks would request for assets pledge and guarantee which the size of the Group's property, plant and equipment may not be sufficient. In addition, the finance cost of the Group would increase significantly taking into account the considerable size of the loan principal. As to equity fund raising exercise (such as placement of new Shares to independent third parties, rights issue and/or open offer), the Group has approached several brokers about the possibility and feasibility of acting as placing agent or underwriter of the Company. Upon enquiry, the brokers requested a placing/underwriting commission ranging from 2.5% to 5.0% on the total fund raising size and also a deep discount on the placing/subscription price so as to increase the attractiveness of the equity fund raising exercise. The placing would be conducted on best effort basis and as such the amount to be raised from the placing would be uncertain and subject to market condition. The rights issue and open offer would take a few months to complete and would be set at deep discount with a high offer ratio.

Having considered the restrictions of the alternative fund raising methods as discussed above, the Subscriber, being an executive Director, the chairman of the Board and a substantial Shareholder, expressed his willingness to subscribe for new Shares at the prevailing market price.

The Subscription enables the Group to issue the new Shares at the prevailing market price and save the finance cost or commission which the Group would need to incur if alternative fund raising methods are adopted.

The gross proceeds and the net proceeds to be raised from the Subscription will be HK$640.0 million and approximately HK$637.8 million respectively. The net Subscription Price per Subscription Share would be approximately HK$0.9966. The Board intends to apply the net proceeds as follow:

Intended use of net proceeds	*HK$ million*
Liquid capital for Energy Trading Business	450.0
Repayment of the New Loans *(Note 1)*	139.3 *(Note 2)*
General working capital	48.5
Total	**637.8**

Notes:

1. In late November and early December 2015, the Group entered into six new loan agreements with the bank, which is, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, third party independent of the Company and its connected persons and is not interested in any Shares, for an aggregate loan amount of RMB115 million (the "**New Loans**") for the repayment of the Loans where the New Loans are interest-bearing with an interest rate of 4.785% per annum and will be due in late May and early June 2016. The Loans were subsequently fully repaid.

2. The principal amount of the New Loans is denominated in Renminbi in the amount of RMB115 million which is converted into Hong Kong Dollars at the exchange rate of RMB1.00 to HK$1.2117 as at 30 November 2015.

In respect of the proceeds allocated for liquid capital of the Energy Trading Business, it will be used for the on-and-off prepayment for the purchase of energy products. Based on the average monthly turnover of the Group from July 2015 to November 2015 of approximately HK$557.9 million, the management expected that the net proceeds allocated for liquid capital of the Energy Trading Business of HK$450 million will be fully utilized at one time within one month after Completion.

With the additional fund of HK$450 million to be raised from the Subscription, the liquid capital for the Energy Trading Business will be doubled from the existing level of approximately HK$420 million to approximately HK$870 million. Having taken into consideration (i) the historical monthly transaction volume of the Energy Trading Business in 2015; and (ii) the Group's target of doubling the current monthly transaction volume of the Energy Trading Business in 2016, the management believes that the liquid capital level after the Subscription is sufficient for the operation of the Energy Trading Business in 2016.

In addition, the Company intends to repay the New Loans within 1 month after Completion by using part of the proceeds to be raised from the Subscription of approximately HK$139.3 million.

Taking into account (i) the net proceeds to be raised from the Subscription of approximately HK$637.8 million; and (ii) the settlement of the purchase price of the Properties of approximately RMB88.7 million (equivalent to approximately HK$105.9 million, as calculated based on the exchange rate of RMB1.0000 to HK$1.1936) in December 2015, and based on the latest management accounts of the Group for the eleven months ended 30 November 2015, the Group's cash position, total assets and net assets will increase to approximately HK$558.3 million, approximately HK$1,377.2 million and approximately HK$994.4 million, respectively, and the cash to total assets ratio will be approximately 40.5%.

The Directors (including the independent non-executive Directors whose opinion is set out in the letter of recommendation from the Independent Board Committee as contained in this circular) consider that the Subscription represents a straightforward and cost-effective means of financing for the Group and is fair and reasonable and on normal commercial terms and the entering into of the Subscription Agreement is in the ordinary and usual course of business of the Company and in the interests of the Group and the Independent Shareholders as a whole.

Save for the Subscription, the Company had no further fund raising plan as at the Latest Practicable Date.

INTENTION OF THE SUBSCRIBER

The Group is principally engaged in (i) trading and manufacturing of speaker units and provision of consultancy services in connection with research and development of headphones and speaker products (the "**Speaker Business**"); and (ii) the Energy Trading Business.

The Group's Speaker Business grew modestly in the first half of 2015 and recorded revenue of approximately HK$246.7 million, representing a period-on-period drop of approximately 1.7% as compared to approximately HK$250.9 million for the six months ended 30 June 2014. Profit derived from the Group's Speaker Business increased from approximately HK$6.6 million for the six months ended 30 June 2014 to approximately HK$8.6 million for the six months ended 30 June 2015. Such improvement was mainly due to the increase in volume of purchase orders placed by existing customers with higher profit margin during the six months ended 30 June 2015. The management expects that the Group's Speaker Business would not have significant growth in 2016. Given the modest development of the Speaker Business, the Group considers that the present available resources is sufficient to maintain the normal operation and meet the demand from customers in 2016. Therefore, the Group does not have any intention to allocate further resources to the Speaker Business but will keep reviewing the operation and consider appropriate adjustment from time to time.

It is the intention of the Subscriber that the Company will maintain its existing business (including the Speaker Business and the Energy Trading Business). The Subscriber has no intention to introduce any major change to the existing operation of the Company. As at the Latest Practicable Date, the Subscriber and parties acting in concert with him had no intention to re-deploy the fixed assets, or to discontinue the employment of the employees of the Group other than in the ordinary course of business of the Group.

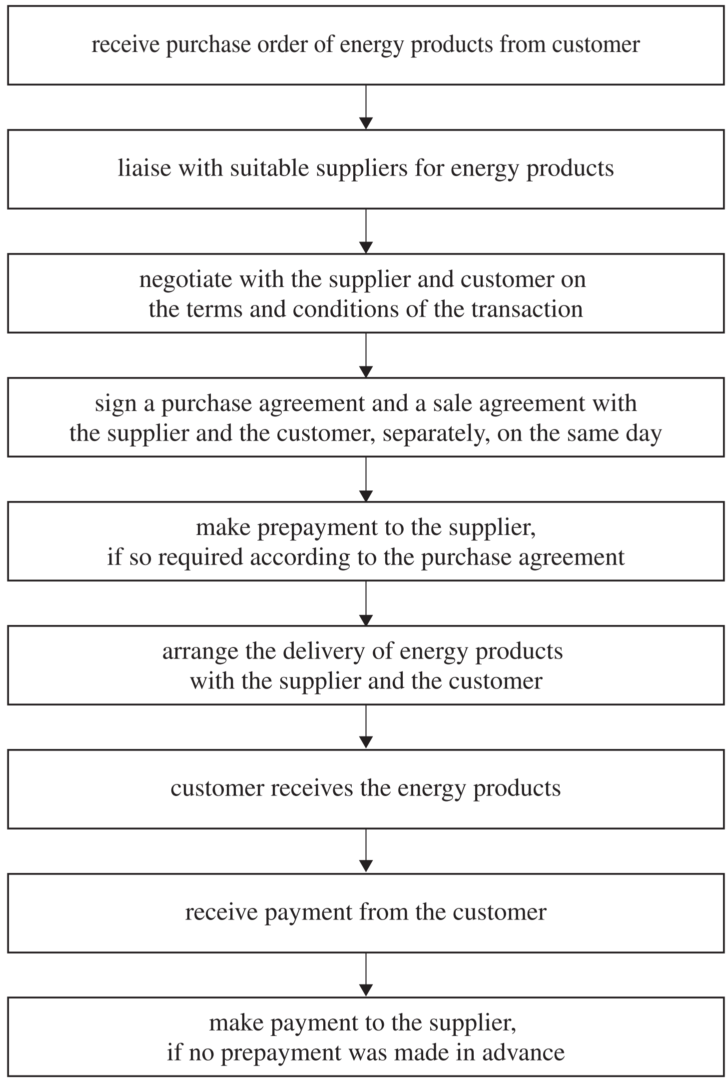
INFORMATION ON THE GROUP

The Company is a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange. The principal activity of the Company is investment holding and its subsidiaries are principally engaged in the Speaker Business and the Energy Trading Business.

BUSINESS MODEL OF THE ENERGY TRADING BUSINESS

In each energy trading transaction, the Group acts as an intermediary between the suppliers and customers by sourcing energy products from the suppliers and then re-selling such products to the customers, and earns a spread between the purchase and selling prices. In general, the Group will only purchase energy products from its suppliers upon receiving purchase orders from potential customers. The Directors consider that such back-to-back trading could avoid the Group from exposing pricing risk as the Group locks in the spread by signing purchase agreement and sale agreement on the same day, and it is in line with the normal market practice.

The chart below summaries the work flow of the Group's Energy Trading Business:



For the year ended 31 December 2015, the major suppliers of the Group's Energy Trading Business were oil refineries and energy trading companies, and the major customers of the Group's Energy Trading Business were factories and energy trading companies.

The energy products suppliers usually have stringent requirement on the background of customers in terms of, among other things, (i) the scale of companies; (ii) the length of relationship; and (iii) the transaction volume. Leveraging on the contact of the Group with the suppliers, the Group is able to obtain energy products from various energy products suppliers in the PRC. As such, those customers, who have short operating history and/or are not acquainted with those suppliers, will rely on the Group as an intermediary to purchase energy products from the suppliers. Furthermore, the suppliers will usually offer the Group a favorable purchase price in view of the long-term relationship as well as large purchase volume, and are able to offer supply of energy products to the Group under tight supply situation. This further increases the competitiveness of the Group as an intermediary in energy trading transactions.

In addition, the Group also provides the following value-added services to its suppliers and customers:

(i) Liaising with the Group's associated companies, on behalf of the suppliers and/or the customers, for the provision of other complementary services (such as, delivery service of energy products by their self-owned oil tankers and oil trucks);

(ii) Provision of prompt feedback to the suppliers and customers during deal negotiations; and

(iii) Provision of rental service of oil storage tanks, if necessary.

The Company noted that the global oil price has declined significantly in recent months. Based on the information extracted from Bloomberg, Brent oil price dropped from US$107.78 a barrel as at 2 January 2014 to approximately US$37.28 a barrel as at 31 December 2015. Notwithstanding that, the Directors did not observe a correlation between the oil price and the spread earned from each trading transaction in 2015. As the Group mainly conducts back-to-back trading business and negotiates with the counterparty for the spread for each trading transaction on a case-by-case basis, the spread of each trading transaction is affected by (i) the then supply and demand of the subject energy product; (ii) the then potential or actual purchase orders on hand which, in turn, affect the bargaining power of the Group with the suppliers; and (iii) the relationship with and the order size of the customers. The Directors believe that the fluctuation of the global oil price would not have impact on the Group's Energy Trading Business. Given that the PRC is the world's most populous country with a fast-growing economy that has led it to be the largest energy consumer and producer in the world, the Directors foresee that the Energy Trading Business is optimistic in the coming years.

PROFIT WARNING

As disclosed in the profit warning announcement of the Company dated 4 January 2016, based on the preliminary review of the Group's unaudited management accounts for the eleven months ended 30 November 2015 and the information currently available to the Board, the Group is expected to record a net loss for the year ended 31 December 2015 as compared with a net profit of approximately HK$7,572,000 for the year ended 31 December 2014 (i.e. the Profit Warning Statement). The estimated net loss was mainly attributable to the one-off share-based payment expenses in relation to the Share Options granted by the Company on 19 June 2015, details of which were disclosed in the announcement of the Company dated 19 June 2015. The Board wishes to point out that such expenses were of non-cash nature. Astrum Capital Management Limited, the financial adviser to the Company, is satisfied that the Profit Warning Statement has been made by the Directors with due care and consideration. Your attention is drawn to the reports issued by Cheng & Cheng Limited, the Company's reporting accountants, and Astrum Capital Management Limited on the Profit Warning Statement set out in Appendices IIIA and IIIB to this circular, respectively.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

Save as disclosed below, the Company had not conducted any other equity fund raising activities in the past twelve months immediately preceding the Latest Practicable Date.

Date of announcement	Fund raising activity	Net proceeds raised	Proposed use of proceeds	Actual use of proceeds
16 April 2015 and 23 April 2015	Placing of 64,369,112 new shares at nominal value of HK$0.01 each at the placing price of HK$0.97 per placing share	approximately HK$61.3 million	To use for general working capital of the Group as the purchase of fuel oil, oil and natural gas	Applied towards the purchase of energy products

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after Completion assuming that there is no change in the issued share capital of the Company since the Latest Practicable Date and up to the Completion Date.

	As at the Latest Practicable Date		Immediately after Completion	
	No. of Shares	*Approximate %*	*No. of Shares*	*Approximate %*
The Subscriber and parties acting in concert with him *(Note 1)*	208,278,946	26.92	848,278,946	60.01
Public Shareholders	565,350,406	73.08	565,350,406	39.99
Total	**773,629,352**	**100.00**	**1,413,629,352**	**100.00**

Notes:

1. All these Shares are or will be held by the Subscriber directly.

2. As at the Latest Practicable Date, there were Share Options granted under the Share Option Scheme outstanding entitling the holders thereof to subscribe for an aggregate of 38,500,000 new Shares. Other than the aforementioned Share Options, the Company has no other outstanding warrants, options or securities convertible into shares of the Company.

If the Whitewash Waiver is approved by the Independent Shareholders, the aggregate shareholding of the Subscriber and parties acting in concert with him will exceed 50% of the then issued share capital of the Company as enlarged by the Subscription Shares. The Subscriber and parties acting in concert with him may further increase their shareholdings in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

Implications under the Listing Rules and the Takeovers Code

As at the Latest Practicable Date, the Subscriber was a substantial Shareholder, the chairman of the Board and an executive Director holding, together with parties acting in concert with him, 208,278,946 Shares, representing approximately 26.92% of the issued share capital of the Company. Accordingly, the Subscriber is a connected person of the Company under Rule 14A.07 of the Listing Rules. Therefore, the Subscription constitutes a connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Upon Completion, the shareholding of the Subscriber and parties acting in concert with him will increase to approximately 60.01% of the issued share capital of the Company as enlarged by the Subscription Shares (assuming that no additional Shares other than the Subscription Shares will be allotted and issued since the date of the Subscription Agreement and up to the Completion Date). Pursuant to Rule 26.1 of the Takeovers Code, the Subscriber and persons acting in concert with him will be required to make a mandatory general offer for all the issued securities of the Company (other than those already owned or agreed to be acquired by the Subscriber and parties acting in concert with him) in the absence of the Whitewash Waiver.

The Subscriber has made an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the issue of the Subscription Shares pursuant to the Subscription Agreement and the Executive has indicated that it will grant the Whitewash Waiver subject to, among other things, the approval of the Independent Shareholders by way of poll at the EGM.

It is one of the Conditions that the Whitewash Waiver be granted by the Executive and approved by the Independent Shareholders by way of poll at the EGM. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Subscription Agreement will not become unconditional and the Subscription will not proceed.

EGM

The EGM will be convened for the purpose of considering and, if thought fit, approving the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver.

In accordance with the Listing Rules and the Takeovers Code, (i) the Subscriber and his associates; (ii) any parties acting in concert with the Subscriber; and (iii) Shareholders involved or interested in the Subscription or the Whitewash Waiver will be required to abstain from voting on the resolution(s) to approve the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver at the EGM. Save as the Subscriber, no other Shareholder has a material interest in or is involved in or interested in the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate or the Whitewash Waiver, and will be required to abstain from voting on the resolution(s) at the EGM.

Furthermore, as the Subscriber, being an executive Director and a substantial Shareholder, was considered to have a material interest in the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver, he had abstained from voting on the Board resolution(s) approving the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver.

RECOMMENDATION

The Directors (including the members of the Independent Board Committee who have expressed their views in the letter from the Independent Board Committee after taking into account the advice of the Independent Financial Adviser) are of the view that the Subscription Agreement is on normal commercial terms and is fair and reasonable and the Subscription is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the members of the Independent Board Committee who have expressed their views in the letter from the Independent Board Committee after taking into account the advice of the Independent Financial Adviser) recommend the Shareholders to vote in favor of the resolutions to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver. You are advised to read the letter from the Independent Board Committee and the letter from Goldin mentioned above before deciding how to vote on the resolutions to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

By order of the Board
Yuhua Energy Holdings Limited
Lin Caihuo
Chairman

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

(formerly known as Shinhint Acoustic Link Holdings Limited 成謙聲匯控股有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2728)

21 January 2016

To the Independent Shareholders

Dear Sir or Madam,

(1) CONNECTED TRANSACTION RELATING TO THE SUBSCRIPTION OF NEW SHARES BY A SUBSTANTIAL SHAREHOLDER; AND (2) APPLICATION FOR WHITEWASH WAIVER

We have been appointed to form an independent board committee to consider and advise you on the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver, details of which are set out in the circular issued by the Company to the Shareholders dated 21 January 2016 (the "**Circular**"), of which this letter forms part. Terms defined in the Circular will have the same meanings when used herein unless the context otherwise requires.

We wish to draw your attention to the letter from the Board and the letter of advice from Goldin set out on pages 6 to 21 and pages 24 to 49 of the Circular, respectively, and the additional information set out in the appendices to the Circular.

Having taken into account the terms of the Subscription, and the principal factors and reasons considered by Goldin, we concur with the view of Goldin and consider that the Subscription Agreement is on normal commercial terms and in the ordinary and usual course of business of the Company and the Subscription and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend you to vote in favour of the resolutions to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver.

Yours faithfully,
For and on behalf of the Independent Board Committee

Mr. Liu Yang	**Mr. Lum Pak Sum**	**Mr. Zhang Jiping**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the full text of the letter from Goldin setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver and as to voting, which has been prepared for the purpose of inclusion in this circular.

高銀融資有限公司
GOLDIN FINANCIAL LIMITED

Goldin Financial Limited
22/F
Two International Finance Centre
8 Finance Street
Central
Hong Kong

21 January 2016

To the Independent Board Committee and
the Independent Shareholders of
Yuhua Energy Holdings Limited

Dear Sirs,

(1) CONNECTED TRANSACTION RELATING TO THE SUBSCRIPTION OF NEW SHARES BY A SUBSTANTIAL SHAREHOLDER; AND (2) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver and as to voting, details of which are contained in the Announcement and in the letter from the board (the "**Letter from the Board**") of the circular of the Company dated 21 January 2016 (the "**Circular**") to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

As stated in the Letter from the Board, on 26 November 2015 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber whereby the Subscriber conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue

640,000,000 new Shares at the Subscription Price of HK$1.00 per Subscription Share. The Subscription is subject to the Conditions set out under the section headed "**Conditions of the Subscription**" in the Letter from the Board.

The Subscription Shares represent (i) approximately 82.73% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 45.27% of the issued share capital of the Company as enlarged by the Subscription Shares, assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the Subscription Shares since the date of the Subscription Agreement and up to the Completion Date.

As at the Latest Practicable Date, the Subscriber is a substantial Shareholder, the chairman of the Board and an executive Director holding, together with parties acting in concert with him, 208,278,946 Shares, representing approximately 26.92% of the issued share capital of the Company. Accordingly, the Subscriber is a connected person of the Company under Rule 14A.07 of the Listing Rules. Therefore, the Subscription constitutes a connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Upon Completion, the shareholding of the Subscriber and parties acting in concert with him will increase to approximately 60.01% of the issued share capital of the Company as enlarged by the Subscription Shares (assuming that no additional Shares other than the Subscription Shares will be allotted and issued since the date of the Subscription Agreement and up to the Completion Date). Pursuant to Rule 26.1 of the Takeovers Code, the Subscriber and persons acting in concert with him will be required to make a mandatory general offer for all the issued securities of the Company (other than those already owned or agreed to be acquired by the Subscriber and parties acting in concert with him) in the absence of the Whitewash Waiver.

The Subscriber has made an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the issue of the Subscription Shares pursuant to the Subscription Agreement and the Executive has indicated that it will grant the Whitewash Waiver subject to, among other things, the approval of the Independent Shareholders taken on a poll at the EGM.

The EGM will be convened for the purpose of considering and, if thought fit, approving the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver.

In accordance with the Listing Rules and the Takeovers Code, (i) the Subscriber and his associates; (ii) any parties acting in concert with the Subscriber; and (iii) Shareholders involved or interested in the Subscription or the Whitewash Waiver will be required to abstain from voting on the resolution(s) to approve the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver at the EGM. Save as the Subscriber, no other Shareholder has a material interest in or is involved in or interested in the

Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate or the Whitewash Waiver, and will be required to abstain from voting on the resolutions at the EGM.

Furthermore, as the Subscriber, being an executive Director and a substantial Shareholder, was considered to have a material interest in the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver, he had abstained from voting on the Board resolution(s) approving the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Liu Yang, Mr. Lum Pak Sum and Mr. Zhang Jiping, which has been formed to advise the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver and as to voting.

We, Goldin, have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver and to make a recommendation as to, among others, whether the terms of the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned, are in the interests of the Company and the Shareholders as a whole, and as to voting in respect of the relevant resolutions at the EGM. Our appointment has been approved by the Independent Board Committee.

Apart from normal professional fees for our services to the Company in connection with the engagements described above, no other arrangement exists whereby we will receive any fees and/or benefits from the Group. We are not aware of any relationships or interest between us and the Group, the Subscriber or any of their respective substantial shareholders, directors or chief executive, or any of their respective associates as at the Latest Practicable Date. We are independent under Rule 13.84 of the Listing Rules as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver and as to voting.

BASIS OF OUR ADVICE

In formulating our opinion and recommendations, we have reviewed, inter alia, the Announcement, the Subscription Agreement, the financial statements of the Company for the two years ended 31 December 2014 and six months ended 30 June 2015, respectively (the "**Annual Report 2013**", the "**Annual Report 2014**" and the "**Interim Report 2015**", respectively). We have also reviewed certain information provided by the management of the Company relating to the operations, financial condition and prospects of the Group. We have also (i) considered such other information, analyses and market data which we deemed relevant; and (ii) conducted verbal discussions with the management of the Company regarding the terms of the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver, the businesses and future outlook of the Group. We have assumed that such information and statements, and any representation made to us, which we have relied upon them in formulating our opinion, are true, accurate and complete in all material respects as of the date hereof and should there be any changes to our opinion after the despatch of the Circular, the Shareholders will be notified of any material changes as soon as possible.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular (other than information relating to the Subscriber and parties acting in concert with him) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed (other than those expressed by the Subscriber and parties acting in concert with him) in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement herein or in the Circular misleading. The Subscriber accepts full responsibility for the accuracy of the information contained in the Circular (other than information relating to the Group) and confirms, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed (other than those expressed by the Group) in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement herein or in the Circular misleading.

We consider that we have been provided with, and we have reviewed, all currently available information and documents which are available under present circumstances to enable us to reach an informed view regarding the terms of, and reasons for entering into the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver and as to voting to justify reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinion. We have no reasons to suspect that any material information has been withheld by the Directors or management of the Company, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the business or affairs or future prospects of the Group. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, at the Latest Practicable Date.

This letter is issued as our advice for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver and as to voting, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In giving our recommendations in respect of the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver and as to voting to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors and reasons:

1. Background information of the Group

The Group is principally engaged in (i) trading and manufacturing of speaker units and provision of consultancy services in connection with research and development of headphones and speaker products (the "**Speaker Business**"); and (ii) trading of energy products including but not limited to fuel oil, oil, natural gas, biodiesel and chemical products (the "**Energy Trading Business**"). Set out below are certain audited financial information of the Group for the two financial years ended 31 December 2014 as extracted from the Annual Report 2014 and certain unaudited financial information of the Group for the six months ended 30 June 2014 and 2015, respectively, as extracted from the Interim Report 2015.

Table 1: Financial highlights of the Group

	For the year ended 31 December		**For the six months ended 30 June**	
	2014	**2013**	**2015**	**2014**
	(audited)	(audited)	(unaudited)	(unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue *(from continuing operations) (Note)*	551,117	433,643	1,068,916	250,912
Profit/(Loss) for the year/period attributable to the owners of the Company *(from continuing operations) (Note)*	5,275	510	(37,682)	4,078

	As at 31 December		As at 30 June
	2013	**2014**	**2015**
	(audited)	(audited)	(unaudited)
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets	18,514	16,613	15,361
Current assets	601,637	449,945	650,234
Current liabilities	358,369	198,116	323,342
Non-current liabilities	837	1,005	1,329
Net current assets	243,268	251,829	326,892
Net assets	260,945	267,437	340,924

Note: On 18 November, 2013, the Group entered into a disposal agreement to dispose of 100% equity interest in Tai Sing Industrial Company Limited, a subsidiary of the Group, which is engaged in the manufacturing and trading of headphones and speaker systems (the "**Disposal**", further details as in the circular of the Company dated 8 January 2014). The Disposal was completed on 28 February 2015. The Group's headphones and speaker systems manufacturing and trading operations have been treated as discontinued operations during the reporting periods.

For the year ended 31 December 2014

For the year ended 31 December 2014, the Group recorded revenue from the continuing operations of approximately HK$551.12 million, representing an increase of approximately 27.09% compared to approximately HK$433.64 million recorded in the respective previous year. Based on the Annual Report 2014, the increase in the revenue from the continuing operations of the Group for the year ended 31 December 2014 as compared with the respective previous year was mainly attributable to the increase of approximately 19.25% in the segment revenue of the Speaker Business from approximately HK$433.64 million in the year ended 31 December 2013 to approximately HK$517.12 million in the year ended 31 December 2014. According to the Annual Report 2014, such increase in the segment revenue from the Speaker Business for the year ended 31 December 2014 was resulted from the relatively stable automotive market.

For the year ended 31 December 2014, the Group recorded profit attributable to the owners of the Company from continuing operations of approximately HK$5.28 million, representing an increase of approximately 935.29% compared to approximately HK$0.51 million recorded in the respective previous year. Based on the Annual Report 2014, the increase in the profit attributable to the owners of the Company from the continuing operations for the year ended 31 December 2014 as compared with the respective previous year was mainly attributable to the one-off gain from the Disposal amounting to approximately HK$5.27 million.

As at 31 December 2014, the Group's net current assets increased to approximately HK$251.83 million from approximately HK$243.27 million as at 31 December 2013, representing an increase of approximately 3.52%. The net assets of the Group amounted to approximately HK$267.44 million as at 31 December 2014, increased by approximately 2.49% from approximately HK$260.95 million as at 31 December 2013.

For the six months ended 30 June 2015

For the six months ended 30 June 2015, the Group recorded revenue from the continuing operations of approximately HK$1,068.92 million, representing an increase of approximately 326.02% compared to approximately HK$250.91 million recorded in the respective previous period. Based on the Interim Report 2015, the substantial increase in the revenue from continuing operations of the Group for the six months ended 30 June 2015 as compared with the respective previous period was mainly attributable to the start of the Group commencing in the Energy Trading Business. According to the Interim Report 2015, the Group recorded segment revenue of the Energy Trading Business of approximately HK$822.17 million for the six months ended 30 June 2015, which such segment revenue was absent in the respective previous period. In addition, it is noted that the segment revenue of the Energy Trading Business accounted for approximately 76.92% of the total revenue from the continuing operations for the six months ended 30 June 2015.

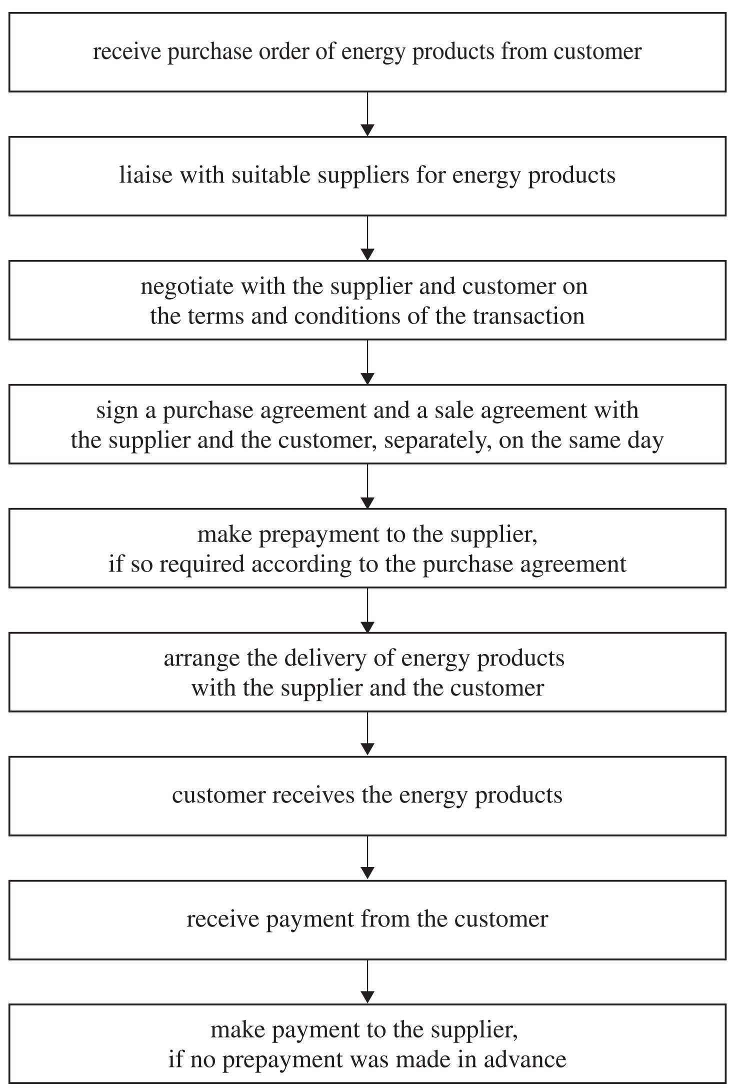
For the six months ended 30 June 2015, the Group recorded loss attributable to the owners of the Company from the continuing operations of approximately HK$37.68 million, while the Group recorded profit attributable to the owners of the Company from continuing operations of approximately HK$4.08 million for the six months ended 30 June 2014. Based on the Interim Report 2015, the loss attributable to the owners of the Company from the continuing operations for the six months ended 30 June 2015 as compared to the profit attributable to the owners of the Company from the continuing operations for the respective previous period, was mainly attributable to the increase of approximately 344.42% in the operating expenses from approximately HK$16.66 million for the six months ended 30 June 2014 to approximately HK$74.04 million for the six months ended 30 June 2015. According to the Interim Report 2015, such increase in the operating expenses for the six months ended 30 June 2015 was resulted from the new business segment of the Energy Trading Business which was commenced in December 2014 and an one-off non-cash share-based payment expenses of approximately HK$49.34 million relating to the grant of share options during the six months ended 30 June 2015.

As at 30 June 2015, the net current assets and the net assets of the Group amounted to approximately HK$326.89 million and HK$340,924 million, respectively.

Business model of the Energy Trading Business

In each energy trading transaction, the Group acts as an intermediary between the suppliers and customers by sourcing energy products from the suppliers and then re-selling such products to the customers, and earns a spread between the purchase and selling prices. In general, the Group will only purchase energy products from its suppliers upon receiving purchase orders from potential customers. The Directors consider that such back-to-back trading could avoid the Group from exposing pricing risk as the Group locks in the spread by signing purchase agreement and sale agreement on the same day, and, it is in line with the normal market practice. The chart below summaries the work flow of the Group's Energy Trading Business:

Chart 1: Work flow of the Group's Energy Trading Business



For the year ended 31 December 2015, the major suppliers of the Group's Energy Trading Business were oil refineries and energy trading companies, and the major customers of the Group's Energy Trading Business were factories and energy trading companies.

The energy products suppliers usually have stringent requirement on the background of customers in terms of, among other things, (i) the scale of companies; (ii) the length of relationship; and (iii) the transaction volume. Leveraging on the contact of the Group with the suppliers, the Group is able to obtain energy products from various energy products suppliers in the PRC. As such, those customers, who have short operating history and/or are not acquainted with those suppliers, will rely on the Group as an intermediary to purchase energy products from the suppliers. Furthermore, the suppliers will usually offer the Group a favorable purchase price in view of the long-term relationship as well as large purchase volume, and are able to offer supply of energy products to the Group under tight supply situation. This further increases the competitiveness of the Group as an intermediary in energy trading transactions.

In addition, the Group also provides the following value-added services to its suppliers and customers:

(i) Liaising with the Group's associated companies, on behalf of the suppliers and/or the customers, for the provision of other complementary services (such as, delivery service of energy products by their self-owned oil tankers and oil trucks);

(ii) Provision of prompt feedback to the suppliers and customers during deal negotiations; and

(iii) Provision of rental service of oil storage tanks, if necessary.

2. Reasons for the Subscription and the use of proceeds

As aforementioned in the Letter from the board, the gross proceeds and the net proceeds to be raised from the Subscription will be HK$640.00 million and approximately HK$637.80 million, respectively. The net Subscription Price per Subscription Share would be approximately HK$0.9966. The Board intends to apply the net proceeds as follow:

Table 2: Intended use of net proceeds

Intended use of net proceeds	*HK$ million*
Liquid capital of Energy Trading Business	450.00
Repayment of the New Loans *(Note 1)*	139.30 *(Note 2)*
General working capital	48.50
Total	637.80

Notes:

1 In late November and early December 2015, the Group entered into six new loan agreements with the bank, which is, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, third party independent of the Company and its connected persons and is not interested in any Shares, for an aggregate loan amount of RMB115 million (the "**New Loans**") for the repayment of the Loans where the New Loans are interest-bearing with an interest rate of 4.785% per annum and will be due in late May and early June 2016. The Loans were subsequently fully repaid.

2 The principal amount of the New Loans is denominated in Renminbi in the amount of RMB115 million which is converted into Hong Kong Dollars at the exchange rate of RMB1.00 to HK$1.2117 as at 30 November 2015.

We were given to understand that the Group has put tremendous effort in the operation and development of the Energy Trading Business that generally through back-to-back purchase and sale of energy products in 2015. Based on the Interim Report 2015, the revenue and the segment loss of the Group derived from the Energy Trading Business amounted to approximately HK$822.17 million and HK$39.29 million, respectively, for the six months ended 30 June 2015. However, according to the Interim Report 2015, without taking into account the one-off non-cash share-based payment expenses of approximately HK$49.34 million relating to the grant of Share Options during the six months ended 30 June 2015, the Energy Trading Business would record a segment profit of approximately HK$10.05 million for the six months ended 30 June 2015. We also noted that the significant boost in revenue of the group for the six months ended 30 June 2015 was mainly attributable to the growth of the Energy Trading Business.

We have reviewed the fund-raising exercises that had been conducted by the Group in the second quarter of 2015. According to the announcements of the Company dated 16 and 23 April 2015, the Group raised approximately HK$61.34 million by placing of new Shares under general mandate to independent third parties (the "**Placing**"). During the period commencing from 25 May 2015 to 15 June 2015, the Group entered into three separate loan agreements with a bank for loan in the principal amount of RMB50.00 million ("**Loan I**"), RMB49.75 million ("**Loan II**") and RMB9.20 million ("**Loan III**", and together with Loan I and Loan II, the "**Loans**"), respectively. The Loans were interest-bearing with an interest rate of 5.61% per annum. Loan I, Loan II and Loan III would be due on 25 November 2015, 26 November 2015 and 15 December 2015, respectively. Both the net proceeds from the Placing of approximately HK$61.34 million and the Loans of RMB108.95 million (equivalent to approximately HK$138.16 million, based on the exchange rate of RMB1.00 to HK$1.2681 as at 30 June 2015) were applied towards the Energy Trading Business as the liquid capital for the on-and-off prepayment for the purchase of energy products.

We have also reviewed the management account of the Group for eleven months ended 30 November 2015 and noted that in addition to the remarkable contribution of the Energy Trading Business to the Group's revenue in the first half of 2015, with the additional liquid capital from the Placing and the Loans, the Group has recorded a gradual growth in the number of back-to-back energy trading transactions in recent months. During the period commencing from 1 July 2015 to 30 November 2015, the average monthly turnover of the Group's Energy Trading Business amounted to approximately HK$557.91 million, representing a significant increase of approximately 307.15% as compared to the average monthly turnover of the Group's Energy Trading Business of approximately HK$137.03 million for the six months ended 30 June 2015. Hence, it is expected that the availability of further liquid capital could allow the Group to secure more energy trading transactions and is therefore crucial to the expansion of Energy Trading Business.

We were given to understand that the Group targets to double the current monthly transaction volume of the Energy Trading Business in 2016, relying on the experience and connection accumulated in 2015. In order to secure a solid and friendly relationship with the customers and suppliers, the Group has been actively negotiating with various customers and suppliers in respect of entering into of certain framework agreements.

We have reviewed those framework purchase and sale agreements and noted that:

(i) on 26 November 2015, Xiamen Yuhua Energy (as purchaser) entered into sale and purchase framework agreement with Zhong Shang Tou Hao Jia (as vendor), pursuant to which Zhong Shang Tou Hao Jia agreed to sell and Xiamen Yuhua Energy agreed to purchase fuel oil in the target amount of not less than RMB1,000 million from 1 January 2016 to 31 December 2016;

(ii) on 26 November 2015, Xiamen Yuhua Energy (as purchaser) entered into a sale and purchase framework agreement with Bao Ta Chemical (as vendor), pursuant to which Bao Ta Chemical agreed to sell and Xiamen Yuhua Energy agreed to purchase fuel oil in the target amount of not less than RMB500 million from 1 January 2016 to 31 December 2016;

(iii) on 26 November 2015, Xiamen Yuhua Energy (as vendor) entered into a fuel oil purchase framework agreement with Shanghai Ludi (as purchaser), pursuant to which Xiamen Yuhua Energy agreed to sell and Shanghai Ludi agreed to purchase fuel oil in the preliminary target volume of 30,000 tonnes per month for a period of one year commencing from the date of the agreement, provided that the terms offered by Xiamen Yuhua Energy to Shanghai Ludi are similar to or more favourable than the terms offered by third parties to Shanghai Ludi;

(iv) on 18 December 2015, Xiamen Yuhua Energy (as vendor) entered into a fuel oil purchase framework agreement with Fujian Ji Yuan (as purchaser), pursuant to which Fujian Ji Yuan agreed to purchase fuel oil in the preliminary target amount of 30,000 tonnes per month from Xiamen Yuhua Energy for a period of one year commencing from the date of the agreement, provided that the terms offered by Xiamen Yuhua Energy to Fujian Ji Yuan are similar to or more favourable than the terms offered by third parties;

(v) on 18 December 2015, Qianhai Yuhua Energy (as vendor) entered into a fuel oil purchase framework agreement with Shanghai Bei Xin (as purchaser), pursuant to which Shanghai Bei Xin agreed to purchase fuel oil and other oil products in the preliminary target amount of 20,000 tonnes per month from Qianhai Yuhua Energy for a period of one year commencing from the date of the agreement, provided that the terms offered by Qianhai Yuhua Energy to Shanghai Bei Xin are similar to or more favourable than the terms offered by third parties; and

(vi) on 18 December 2015, Fuhua Fujian Energy (as vendor) entered into a fuel oil purchase framework agreement with Shanghai Chuan Run (as purchaser), pursuant to which Shanghai Chuan Run agreed to purchase fuel oil in the preliminary target amount of 30,000 tonnes per month from Fuhua Fujian Energy for a period of one year commencing from the date of the agreement, provided that the terms offered by Fuhua Fujian Energy to Shanghai Chuan Run are similar to or more favourable than the terms offered by third parties.

Each of Zhong Shang Tou Hao Jia, Bao Ta Chemical, Shanghai Ludi, Fujian Ji Yuan, Shanghai Bei Xin and Shanghai Chuan Run and their respective ultimate beneficial owners is third party independent of the Company and its connected persons and is not interested in any Shares. Save for the framework agreements as disclosed above, the Company was not in negotiation with other existing nor potential suppliers and purchasers of fuel oil as at the Latest Practicable Date.

Furthermore, based on the Interim Report 2015, the bank balances and cash position of the Group amounted to approximately HK$59.51 million while prepayment for the Energy Trading Business amounted to approximately HK$308.13 million as at 30 June 2015. As advised by the management of the Company, with the increasing number of energy trading transactions in recent months, the cash position of the Group further dropped to approximately HK$26.42 million as at 30 November 2015 as majority of the cash were applied towards the prepayment for the Energy Trading Business. We have reviewed the management account of the Group for the eleven months ended 30 November 2015 and noted that, as at 30 November 2015, the Group's total assets and net assets amounted to approximately HK$739.42 million and approximately HK$356.59 million, respectively. During the period from 23 December 2015 to 30 December 2015, the Group settled the purchase price of the Properties of approximately RMB88.74 million (which is equivalent to approximately HK$105.92 million, as calculated based on the exchange rate of RMB1.0000 to HK$1.1936) pursuant to the acquisition agreements dated 7 September 2015 entered into between the Group and Xiamen Ocean Star (as supplemented by two supplemental agreements both dated 7 September 2015), which further tightened the liquidity level of the Group. Details of the acquisition of the Properties were disclosed in the circular of the Company dated 3 November 2015 and the poll results announcement of the Company dated 20 November 2015.

In respect of the proceeds allocated for liquid capital of the Energy Trading Business, it will be used for the on-and-off prepayment for the purchase of energy products. Based on the average monthly turnover of the Group from July 2015 to November 2015 of approximately HK$557.91 million, the management expected that the net proceeds allocated for liquid capital of the Energy Trading Business of HK$450.00 million will be fully utilized at one time within one month after Completion. In addition, the Company intends to repay the New Loans within 1 month after Completion by using part of the proceeds to be raised from the Subscription of approximately HK$139.30 million. The Subscription with a majority of net proceeds allocated to the Energy Trading Business could therefore enhance the financial flexibility of the Group while at the same time provide the necessary capital for the expansion of the Energy Trading Business, which is expected to bring positive impact to the financial position and business operation of the Group.

In assessing the future prospect of Energy Trading Business industry in the PRC, we have conducted research from the public domain. According to the U.S. Energy Information Administration ("**EIA**", which is the statistical and analytical agency within the Department of Energy of the Federal Government of the United States of America) (www.eia.gov), the PRC holds 24.6 billion barrels of proved oil reserves, up almost 0.3 billion barrels from the 2014 level and the highest in the Asia-Pacific region (excluding Russia). Total petroleum and other production of the PRC, being the fourth-largest in the world, has risen about 50% over the past two decades and serves only its domestic market. However, the production growth has not kept pace with demand growth during this period. As disclosed by EIA, the PRC produced nearly 4.6 million barrels per day ("**bbl/d**") of petroleum and other liquids in 2014, of which 92% was crude oil and the remainder was non-refining liquids and refining gain. The EIA forecasts China's oil production will increase slightly to higher than 4.6 million bbl/d by the end of 2016. In addition, based on the "International Energy Outlook 2014" (the "**EIA Report**") published by the EIA in September 2014, in relation to medium and long term, the EIA predicts the PRC's oil production will grow incrementally to 5.1 million bbl/d by 2020, 5.5 million bbl/d by 2030, and 5.7 million bbl/d by 2040. The EIA Report also claimed that long-term growth will require continued success of enhancing recovery at mature crude oil fields, greater investment to access more technically challenging plays such as shale oil, tight oil, and deepwater fields, and growth in non-petroleum liquids such as gas-to-liquids, coal-to-liquids, and biofuels.

According to the "China Statistical Yearbook 2014" which was compiled by the National Bureau of Statistics of China, the proportion of natural gas in primary energy consumption in the PRC in 2013 was approximately 5.8%, representing an increase of approximately 0.6 percentage point as compared to that in 2012 of approximately 5.2%. In November 2014, the "Action Plan for Energy Development Strategy (2014-2020)" *(《能源發展戰略行動計畫(2014-2020年)》), which was issued by the State Council of the PRC government, clearly stated that the proportion of natural gas in primary energy consumption should be increased to around 10% in 2020. By then, domestic natural gas consumption is expected to increase from the current 183,000 million cubic meters to around 360,000 million cubic meters, presenting a huge room for growth in the natural gas market in the PRC. With the start of the construction of the East Pipeline between the PRC and Russia (中俄東線天然氣管道), coupled with the smooth operation of the Central Asia Pipeline (中亞管道), China-Myanmar Pipeline (中緬管道) and coastal liquefied natural gas import channels, the four major oil and gas import channels in the PRC was preliminarily established. Moreover, the gradual improvements in the domestic trunk lines and the branch lines including West-to-East Pipeline (西氣東輸幹線管道) and Shaanxi-Beijing Pipeline (陝京線幹線管道) will provide more powerful sources and infrastructure protection for the future development of the natural gas market. In addition, along with the price convergence of incremental natural gas and stock natural gas for non-residential usage on 1 April 2015, and the gradual streamlining of the pricing mechanism of the domestic natural gas, it is expected that the natural gas industry will enter into a new stage of orderly, healthy and rapid development.

On the other hand, it is noted that the global oil price has declined significantly in recent months. Based on the information extracted from Bloomberg, Brent oil price dropped from US$107.78 a barrel as at 2 January 2014 to approximately US$37.28 a barrel as at 31 December 2015. However, as the Group mainly conducts back-to-back trading business and negotiates with the counterparty for the spread for each trading transaction on a case-by-case basis, the spread of each trading transaction is affected by (i) the then supply and demand of the subject energy product; (ii) the then potential or actual purchase orders on hand which, in turn, affect the bargaining power of the Group with the suppliers; and (iii) the relationship with and the order size of the customers, we are of the view that the fluctuation of the global oil price would not have a material adverse impact on the Energy Trading Business. Taking into account the EIA Report and the "Action Plan for Energy Development Strategy (2014-2020)" as discussed above, it is expected that the future prospect of the Energy Trading Business industry will be optimistic in the next few years in the PRC.

Considering that (i) the recent gradual growth in the Energy Trading Business of the Group; (ii) the lack of capital; (iii) the expansion plan of the Energy Trading Business in 2016; and (iv) the optimistic prospect of the Energy Trading Business in the PRC, we are of the view that the Subscription could cater the capital needs for the Group's Energy Trading Business and enable the Group to capture the potential growth in the Energy Trading Business industry in the PRC.

Alternative fund raising methods

Upon enquiry with the management of the Company, we were given to understand that the Board has considered various fund raising methods including long-term bank borrowing, placement of new Shares to independent third parties, rights issue, open offer and the Subscription. In respect of long-term bank borrowings, commercial banks would request for assets pledge and guarantee which the size of the Group's property, plant and equipment may not be sufficient. In addition, the finance cost of the Group would increase significantly taking into account the considerable size of the loan principal. As to equity fund raising exercise (such as placement of new Shares to independent third parties, rights issue and/or open offer), the Group has approached several brokers about the possibility and feasibility of acting as placing agent or underwriter of the Company. Upon enquiry, the brokers requested a placing/underwriting commission ranging from 2.5% to 5.0% on the total fund raising size and also a deep discount on the placing/subscription price so as to increase the attractiveness of the equity fund raising exercise. The placing would be conducted on best effort basis and as such the amount to be raised from the placing would be uncertain and subject to market condition. The rights issue and open offer would take a few months to complete and would be set at deep discount with a high offer ratio. Save for the Subscription, the Company had no further fund raising plan as at the Latest Practicable Date.

Having considered that the Subscription enables the Group to issue the new Shares at the prevailing market price and save the finance cost or commission which the Group would need to incur if alternative fund raising methods are adopted, together with the aforesaid reasons for and benefits of the Subscription, we are of the view that the Subscription is an appropriate means to raise funds for the Group.

Conclusion

Despite the Subscription Agreement is not entered into in the ordinary and usual course of business of the Company, taking into account that (i) revenue from the Energy Trading Business of the Group has been on a growth trend; (ii) the optimistic future prospect of the PRC Energy Trading Business industry; (iii) the intended uses of the net proceeds would be in line with the Group's business strategy, i.e. the Energy Trading Business; (iv) the intended uses of the net proceeds would help the Group in the repayment of the New Loans; (v) the Subscription would enhance the capital base of the Group and provide the Group with financial flexibility to make timely commitments when other investment opportunities arise in the future; and (vi) the Subscription is an appropriate means to raise fund for the Company, we are of the view that the entering into of the Subscription Agreement is in the interest of the Company and the Shareholders as a whole.

3. Principal terms of the Subscription Agreement

The major terms and conditions of the Subscription Agreement and our analysis in relation to that are set out below:

Date:	26 November 2015 (after trading hours)
Issuer:	the Company
Subscriber:	Mr. Lin Caihuo, a substantial Shareholder, the chairman of the Board and an executive Director

Subscription Price

The Subscription Price of HK$1.00 per Subscription Share:

(i) is equivalent to the closing price of HK$1.00 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) represents a discount of approximately 2.15% to the average closing price of HK$1.022 per Share as quoted on the Stock Exchange for the last five consecutive trading days prior to but excluding the Last Trading Day;

(iii) represents a discount of approximately 2.44% to the average closing price of HK$1.025 per Share as quoted on the Stock Exchange for the last ten consecutive trading days prior to but excluding the Last Trading Day;

(iv) represents a premium of approximately 2.04% over the closing price of HK$0.98 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(v) represents a premium of approximately 126.76% over the Group's unaudited consolidated net assets attributable to the Shareholders per Share as at 30 June 2015 of approximately HK$0.441 (based on a total of 773,629,352 Shares as at the Latest Practicable Date and the Group's unaudited consolidated net assets of approximately HK$340.92 million as at 30 June 2015).

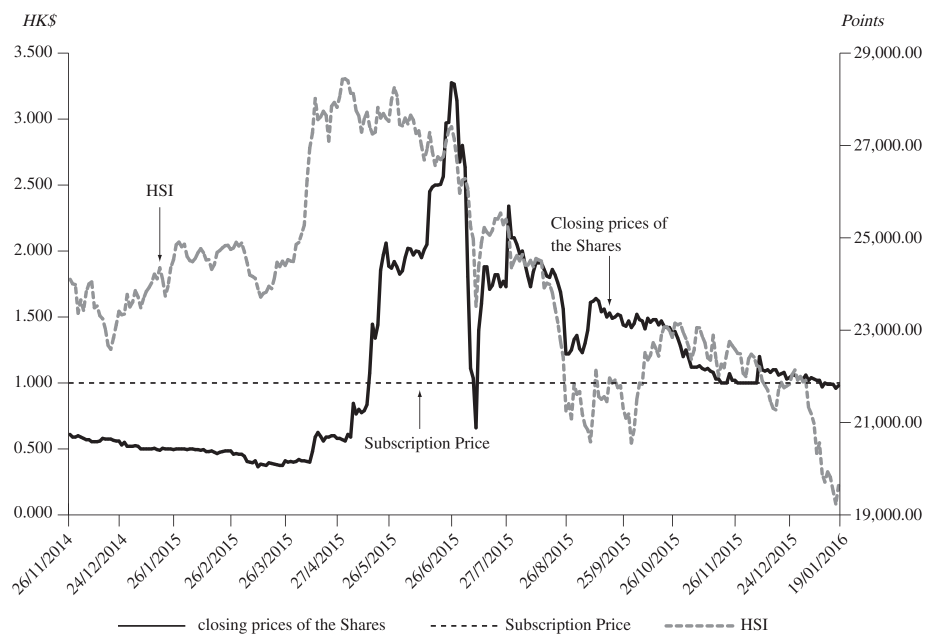
As stated in the Letter from the Board, the Subscription Price was determined after arm's length negotiations between the Company and the Subscriber with reference to the financial conditions of the Company, the prevailing market prices of the Shares and the recent market conditions.

Historical Share price performance

The following chart sets out the daily closing prices of the Shares on the Stock Exchange for the period from 26 November 2014 (being the first trading day of the 12-month period prior to the Last Trading Day) up to and including the Latest Practicable Date (the "**Review Period**"). We are of the view that the Review Period represents a reasonable period of time to provide a general overview of the recent price performance of the Shares.

Chart 2 below shows the daily closing price of the Share as quoted on the Stock Exchange versus the Subscription Price and the Hang Seng Index ("**HSI**") during the Review Period:

Chart 2: Share price performance against the Subscription Price during the Review Period



Source: The website of the Stock Exchange (www.hkex.com.hk) and the website of the Hang Seng Indexes (www.hsi.com.hk)

Note: Trading in the Shares was suspended on 27 November 2015, and from 30 November to 4 December 2015 during the Review Period.

As shown in Chart 2 above, the closing Share price for the Review Period was traded within a range from a lowest price at HK$0.365 to a highest price of HK$3.275 with an average closing Share price of approximately HK$1.138. The Subscription Price of HK$1.00 represents a premium of approximately 173.97% over the aforementioned lowest closing Share price, discount of approximately 69.47% to the aforementioned highest closing Share price and a discount of approximately 12.13% to the average closing Share price during the Review Period, respectively.

It is also noted that the closing Share price for the period from 26 May 2015 (being the first trading day of the 6-month period prior to the Last Trading Day) up to the Last Trading Day was traded within a range from a lowest price at HK$0.660 to a highest price of HK$3.275 with an average closing Share price of approximately HK$1.665. The Subscription Price of HK$1.00 represents a premium of approximately 51.52% over the aforementioned lowest closing Share price, discount of approximately 69.47% to the aforementioned highest closing Share price and a discount of approximately 39.94% to the average closing Share price, during the period from 26 May 2015 up to the Last Trading Day, respectively. We noted that the highest closing Share price during the period from 26 May 2015 up to the Last Trading Day, being HK$3.275, is also the highest closing Share price during Review Period. The Share price recorded HK$3.275 on 24 June 2015 and then dropped sharply to HK$ 0.660 on 8 July 2015 (which is the lowest closing Share price during the period from 26 May 2015 up to the Last Trading Day). The Shares were then traded between HK$2.34 and HK$1.00 during the period from 26 May 2015 up to the Last Trading Day. We noted that the HSI from the start of April 2015 to the end of June 2015 was in its highest level during the Review Period (which was within a range from a lowest of 25,082.75 points to a highest of 28,442.75 points with an average of approximately 27,354.08 points), and the HSI was then in a decreasing trend from the start of July 2015 to the Latest Practicable Date. We are of the view that the Share price was generally in line with the Share price during the period from 26 May 2015 up to the Last Trading Day, in particular, they were both in a decreasing trend after reaching their respective highest of the aforesaid period.

In addition, it is noted that on 7 December 2015, being the first trading day of the Shares after the publication of the Announcement, the Share price increased from HK$1.00 on the Last Trading Day to HK$1.20, with the highest of HK$1.33. The Shares were then traded between HK$1.03 and HK$1.10 during the period from 8 December 2015 to 31 December 2015. On 4 January 2016, the Company published the Profit Warning Statement. As disclosed in the Profit Warning Statement, based on the preliminary review of the Group's unaudited management accounts for the eleven months ended 30 November 2015 and the information currently available to the Board, the Group is expected to record a net loss for the year ended 31 December 2015 as compared with a net profit of approximately HK$7,572,000 for the year ended 31 December 2014. The estimated net loss was mainly attributable to the one-off share-based payment expenses in relation to the share options granted by the Company on 19 June 2015, details of which were disclosed in the announcement of the Company dated 19 June 2015. On 5 January 2016, being the first trading day of the Shares after the publication of the Profit Warning Statement, the Share price increased from HK$1.02 on 4 January 2016 to HK$1.04, with the highest of HK$1.04 and the lowest of HK$1.00, respectively. The Shares were then traded between HK$1.04 and HK$0.96 during the period from 5 January 2016 to the Latest Practicable Date.

Since there was no announcement or document issued by the Company relating to any change in the financial position of the Group in the public domain other than the Profit Warning Statement and the management of the Company also confirmed to us that they are not aware any material change in the financial position and prospects of the Group during the period from the Last Trading Day to the Latest Practicable Date, we are of the view that the recent significant surge in Share price during the period from the Last Trading Day to the Latest Practicable Date was not supported by any improvement in the financial performance of the Group and the said surge of the Share price may reflect the positive market sentiment and perception towards the Subscription and the future prospect of the Company and therefore, the closing Share prices during the period from the Last Trading Day to the Latest Practicable Date may not serve a fair and meaningful indicator for assessing the Subscription Price.

Despite that the Subscription Price represents: (a) a discount of approximately 12.13% to the average closing Share price of approximately HK$1.138 during the Review Period; and (b) a discount of approximately 39.94% to the average closing Share price of approximately HK$1.665 during the period from 26 May 2015 to the Last Trading Day, having considered that the Subscription Price (i) is equivalent to the closing price of HK$1.00 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) represents a slight discount of approximately 2.15% to the average closing price of HK$1.022 per Share as quoted on the Stock Exchange for the last five consecutive trading days prior to but excluding the Last Trading Day; (iii) represents a slight discount of approximately 2.44% to the average closing price of HK$1.025 per Share as quoted on the Stock Exchange for the last ten consecutive trading days prior to but excluding the Last Trading Day; (iv) represents a premium of approximately 2.04% over the closing price of HK$0.98 per Share as quoted on the Stock Exchange on the Latest Practicable Date; (v) represents a premium of approximately 126.76% over the Group's unaudited consolidated net assets attributable to the Shareholders per Share as at 30 June 2015 of approximately HK$0.441 (based on a total of 773,629,352 Shares as at the Latest Practicable Date and the Group's unaudited consolidated net assets of approximately HK$340.92 million as at 30 June 2015), (vi) the optimistic future prospect of the PRC Energy Trading Business industry; (vii) the intended uses of the net proceeds would be in line with the Group's business strategy, i.e. the Energy Trading Business; (viii) the intended uses of the net proceeds would help the Group in the repayment of the New Loans; and (ix) the Subscription would enhance the capital base of the Group and provide the Group with financial flexibility to make timely commitments when other investment opportunities arise in the future, we are of the view that the Subscription Price is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

Comparison of the Subscription Price

In accessing the fairness and reasonableness of the Subscription Price, we have reviewed the relevant subscription of new shares exercises under specific mandates announced by companies listed on the Main Board of the Stock Exchange with market capitalisation under HK$2,000,000,000 (the market capitalisation of the Company was HK$796,838,233 as at 30 December 2015) in six calendar months prior to and up to the Last Trading Day, i.e. from 26 May 2015 to 26 November 2015 and identified an exhaustive list of 4 subscription of new shares exercises under specific mandates (the "**Comparables**") announced during the aforesaid period of which were issued to connected persons or independent third parties, both of which we consider appropriate in our analysis since their respective subscription price is determined after arm's length negotiation between the relevant parties. Taking into account (a) all Comparables are listed on the Main Board of the Stock Exchange; and (b) the market capitalisation of the Comparables, we consider that the Comparables are fair and representative samples for accessing the fairness and reasonableness of the Subscription Price. We consider that a review period of six calendar months prior to and up to the Last Trading Day is appropriate to capture the recent market practice because the Comparables are considered for the purpose of taking a general indication for the recent market practice in relation to the subscription price under other subscription of new shares exercises under specific mandates as compared to the relevant prevailing market share prices under the recent market conditions and sentiments.

Independent Shareholders should note that the Comparables are not identical to the Company in terms of principal business, operations and financial position, and that the determination of subscription prices of the subscription of new shares exercises under specific mandates were made reference to the arm's length commercial negotiation between the companies and the subscribers, the share price performance, financial positions of the companies and the then prevailing market condition.

Table 3: Summary of the Comparables

Company name	Stock code	Date of announcement	Connected transaction	Premium/(Discount) of subscription price over/(to) the closing price on the last trading day	Premium/(Discount) of subscription price over/(to) the closing price on the latest practicable date
Global Bio-chem Technology Group Company Limited	809	30 August 2015	No	(33.33)	(25.81)
Shanghai Tonva Petrochemical Company Limited	1103	5 August 2015	Yes	(4.76)	(4.76)
Yueshou Environment Holdings Limited	1191	28 July 2015	No	(80.41)	N/A *(Note)*
A8 New Media Group Limited	800	16 July 2015	Yes	(12.31)	23.91
			Average	(32.70)	(2.22)
The Company	2728	26 November 2015	Yes	0	2.04

Source: The website of the Stock Exchange dedicating for the dissemination of issuer information (www.hkexnews.hk)

Notes: Figures not available as at the Latest Practicable Date.

As shown in Table 2 above, the subscription price per subscription share issued under the respective Comparables to the respective share closing price on the last trading day ranges from a discount of approximately 80.41% to a discount of approximately 4.76%, with an average of approximately 32.70% discount. We noted that the Subscription Price falls above the aforementioned range and being above the average of the Comparables. Moreover, we also noted that the subscription price per subscription share issued under the respective Comparables to the respective share closing price on the latest practicable date ranges from a discount of approximately 25.81% to a premium of approximately 23.91%, with an average of approximately 2.22% discount. We noted that the Subscription Price falls within the aforementioned range and being above the average of the Comparables. Taking into account that the Subscription Price (i) is equivalent to the closing price of HK$1.00 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) represents a slight discount of approximately 2.15% to the average closing price of HK$1.022 per Share as quoted on the Stock Exchange for the last five consecutive trading days prior to but excluding the Last Trading Day; (iii) represents a slight discount of approximately 2.44% to the average closing price of HK$1.025 per Share as quoted on the Stock Exchange for the last ten consecutive trading days prior to but excluding the Last Trading Day; (iv) represents a premium of approximately 2.04% over the closing price of HK$0.98 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and (v) represents a premium of approximately 126.76% over the Group's unaudited consolidated net assets attributable to the Shareholders per Share as at 30 June 2015 of approximately HK$0.441 (based on a total of 773,629,352 Shares as at the Latest Practicable Date and the Group's unaudited consolidated net assets of approximately HK$340.92 million as at 30 June 2015), we are of the view that the Subscription Price is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

Conclusion

We have reviewed the principal terms of the Subscription Agreement and did not aware that there is any unusual term in the Subscription Agreement which is not normal commercial terms, and together with our point of view that the Subscription Price is fair and reasonable and is in the interest of the Company and the Shareholders as a whole as discussed above, we therefore are of the view that the terms of the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

4. Potential dilution effect on the interests of the Independent Shareholders

The changes in shareholding structure of the Company arising from the Subscription are set out in the paragraph headed "**CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY**" in the Letter from the Board. The shareholding interest of other public Shareholders would reduce by approximately 33.09 percentage points from approximately 73.08% as at the Latest Practicable Date to approximately 39.99% immediately upon Completion (assuming that there is no other change in the issued share capital of the Company from the date of the Subscription Agreement and up to the Completion Date).

Taking into account (i) the reasons for the Subscription as described under the paragraphs headed "**2. Reasons for the Subscription and the use of proceeds**" above; (ii) the terms of the Subscription Agreement are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole; and (iii) the positive impact on the Group's liquidity, gearing position and net asset value as discussed in the section headed "**5. Financial effects of the Subscription**" below, we consider that the possible dilution effect on the shareholding interests of the other public Shareholders is acceptable.

5. Financial effects of the Subscription

Net asset value

According to the Interim Report 2015, the net assets of the Group were approximately HK$340.92 million as at 30 June 2015. Upon the Completion, the net assets of the Group will increase by the net proceeds from the Subscription of approximately HK$637.8 million after deducting related professional fees and all related expenses of about HK$2.2 million which will be borne by the Company under the Subscription. Moreover, upon the Completion, the Group's unaudited consolidated net assets attributable to the Shareholders per Share will increase from approximately HK$0.441 (based on a total of 773,629,352 Shares as at the Latest Practicable Date and the Group's unaudited consolidated net assets of approximately HK$340.92 million as at 30 June 2015) to approximately HK$0.692 (based on a total of 1,413,629,352 Shares immediately after Completion assuming that there is no change in the issued share capital of the Company since the Latest Practicable Date and up to the Completion Date and the Group's unaudited consolidated net assets of approximately HK$978.72 million immediately after Completion) As such, the Subscription is expected to have a positive impact on the financial position of the Group. This significant improvement in the financial position of the Group is beneficial to the Company and the Shareholders as a whole.

Liquidity

According to the Interim Report 2015, the bank balances and cash position of the Group as at 30 June 2015 was approximately HK$59.51 million. Upon the Completion, the bank balances and cash position of the Group is expected to increase by the net proceeds of approximately HK$637.8 million. As such, the net current assets and current ratio of the Company will improve accordingly.

Gearing ratio

According to the Interim Report 2015, as at 30 June 2015, the gearing ratio of the Group was approximately 40.52% (computed by dividing total borrowings of approximately HK$138.15 million by Shareholder's equity of approximately HK$340.92 million). Upon the Completion, the capital base of the Group would be enlarged and approximately HK$139.30 million of the net proceeds is intended to repay the New Loans. Therefore, the gearing ratio of the Group is expected to be improved upon the Completion.

Conclusion

Having considered that the Subscription would improve the net asset value per Share, the liquidity and the gearing position of the Group, we are of the view that the entering into of the Subscription Agreement and the transactions contemplated thereunder and the grant of the Specific Mandate are in the interests of the Company and the Shareholders as a whole.

Shareholders should note that the aforesaid analyses are for illustrative purpose only and do not purport to represent the financial position of the Group upon the Completion.

6. Whitewash Waiver

As at the Latest Practicable Date, the Subscriber is a substantial Shareholder, the chairman of the Board and an executive Director holding, together with parties acting in concert with him, 208,278,946 Shares, representing approximately 26.92% of the issued share capital of the Company. Accordingly, the Subscriber is a connected person of the Company under Rule 14A.07 of the Listing Rules. Therefore, the Subscription constitutes a connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Upon Completion, the shareholding of the Subscriber and parties acting in concert with him will increase to approximately 60.01% of the issued share capital of the Company as enlarged by the Subscription Shares (assuming that no additional Shares other than the Subscription Shares will be allotted and issued since the date of the Subscription Agreement and up to the Completion Date). Pursuant to Rule 26.1 of the Takeovers Code, the Subscriber and persons acting in concert with him will be required to make a mandatory general offer for all the issued securities of the Company (other than those already owned or agreed to be acquired by the Subscriber and parties acting in concert with him) in the absence of the Whitewash Waiver.

The Subscriber has made an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the issue of the Subscription Shares pursuant to the Subscription Agreement and the Executive has indicated that it will grant the Whitewash Waiver subject to, among other things, the approval of the Independent Shareholders taken on a poll at the EGM.

If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Subscription Agreement will not become unconditional and the Subscription will not proceed. Accordingly, the Company will lose all the benefits that are expected to be brought by the Subscription, including but not limited to, the availability of funds out of the net proceeds to be raised from the Subscription for the purpose of the Group's liquid capital for Energy Trading Business, repayment of the New Loans, and general working capital in order to make timely investments for future development when opportunities arise.

Based on our analysis of the terms of the Subscription Agreement, we consider that the Subscription is in the interest of the Company and the Shareholders as a whole. We are of the view that for the purpose of implementing the Subscription, the approval of the Whitewash Waiver by the Independent Shareholders at the EGM is in the interest of the Company and the Shareholders as a whole.

RECOMMENDATIONS

With respect of the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver, based on the abovementioned principal factors and reasons for the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver, we are of the view that, while the Subscription Agreement is not entered into in the ordinary and usual course of business of the Company, the terms of the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolutions to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver.

Yours faithfully,
For and on behalf of
Goldin Financial Limited

Billy Tang
Director

Note: Mr. Billy Tang is a licensed person registered with the Securities and Futures Commission and a responsible officer of Goldin to carry out type 6 (advising on corporate finance) regulated activity under the SFO. He has over 10 years of experience in the corporate finance industry.

* *for identification purposes only*

1. FINANCIAL SUMMARY

The following is a summary of (i) the audited financial results of the Group for the three years ended 31 December 2012, 2013 and 2014 as extracted from the annual reports of the Company for each of the years ended 31 December 2012, 2013 and 2014; and (ii) the unaudited financial results of the Group for the six months ended 30 June 2015 as extracted from the interim report of the Company for the six months ended 30 June 2015.

	Six months ended 30 June 2015	Year ended 31 December 2014	Year ended 31 December 2013	Year ended 31 December 2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Audited)	(Audited)	(Audited)
Continuing operations				
Revenue	1,068,916	551,117	433,643	398,451
(Loss)/profit before tax	(33,691)	7,401	1,053	3,838
Taxation	(3,991)	(2,126)	(543)	(1,283)
(Loss)/profit for the period/year from continuing operations	(37,682)	5,275	510	2,555
Discontinued operations				
(Loss)/profit for the period/year from discontinued operations	–	2,297	5,073	(35,953)
(Loss)/profit for the period/year	(37,682)	7,572	5,583	(33,398)
Other comprehensive (expenses)/income				
Exchange differences on translation of financial statements of foreign operations	333	356	2,892	(186)
Total comprehensive (expenses)/income for the period/year	(37,349)	7,928	8,475	(33,584)
(Loss)/earnings per share				
From continuing and discontinued operations				
Basic *(HK cents)*	(5.47)	2.35	1.74	(10.39)
Diluted *(HK cents)*	(5.47)	2.35	1.74	(10.39)
From continuing operations				
Basic *(HK cents)*	(5.47)	1.64	0.16	0.79
Diluted *(HK cents)*	(5.47)	1.64	0.16	0.79

	As at 30 June 2015 HK$'000 (Unaudited)	As at 31 December 2014 HK$'000 (Audited)	As at 31 December 2013 HK$'000 (Audited)	As at 31 December 2012 HK$'000 (Audited)
Non-current assets	15,361	16,613	18,514	65,894
Current assets	650,234	449,945	601,637	546,619
Current liabilities	323,342	198,116	358,369	356,203
Net current assets	326,892	251,829	243,268	190,416
Non-current liabilities	1,329	1,005	837	736
Net assets	340,924	267,437	260,945	255,574
Capital and reserves				
Share capital	3,868	3,224	3,215	3,215
Reserves	337,056	264,213	257,730	252,359
Total Equity	340,924	267,437	260,945	255,574

The auditors of the Company, Deloitte Touche Tohmatsu and Cheng & Cheng Limited, did not issue any qualified opinion on the financial statements of the Group for the three years ended 31 December 2012, 2013 and 2014, and the Company had no items which are exceptional or extraordinary because of size, nature or incidence for the same financial years.

2. FINANCIAL STATEMENTS OF THE GROUP

(A) AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2014

The following is the full text of the audited consolidated financial statements of the Company for the year ended 31 December 2014 as extracted from the annual report of the Company for the year ended 31 December 2014:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31st December, 2014

	NOTES	2014 HK$'000	2013 HK$'000
Continuing operations			
Revenue	7	551,117	433,643
Cost of sales		(508,003)	(402,708)
Gross profit		43,114	30,935
Other income		1,591	247
Selling and distribution costs		(2,653)	(4,232)
Administrative expenses		(31,860)	(21,736)
Research and development expenses		(2,586)	(2,624)
Other gains and losses		(203)	(1,537)
Finance costs	8	(2)	–
Profit before taxation	9	7,401	1,053
Taxation	10	(2,126)	(543)
Profit for the year from continuing operations		5,275	510
Discontinued operations			
Profit for the year from discontinued operations	11	2,297	5,073
Profit for the year		7,572	5,583

	NOTES	2014 HK$'000	2013 HK$'000
Profit attributable to owners of the Company			
– from continuing operations		5,275	510
– from discontinued operations		2,297	5,073
Profit for the year attributable to owners of the Company		7,572	5,583
Earnings per share	*14*		
From continuing and discontinued operations			
Basic *(HK cents)*		2.35	1.74
Diluted *(HK cents)*		2.35	1.74
From continuing operations			
Basic *(HK cents)*		1.64	0.16
Diluted *(HK cents)*		1.64	0.16

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st December, 2014

	2014	**2013**
	HK$'000	*HK$'000*
Profit for the year	7,572	5,583
Other comprehensive income		
Item that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of foreign operations	356	2,892
Other comprehensive income for the year	356	2,892
Total comprehensive income for the year	7,928	8,475

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2014

	NOTES	2014 HK$'000	2013 HK$'000
Non-current Assets			
Property, plant and equipment	15	14,992	16,887
Intangible assets	16	978	978
Rental deposits		643	649
		16,613	18,514
Current Assets			
Inventories	17	39,218	46,864
Trade debtors, deposits and prepayments	18	182,664	137,353
Bank balances and cash	19	228,063	50,407
		449,945	234,624
Assets classified as held for sale	11	–	367,013
		449,945	601,637
Current Liabilities			
Trade creditors and accrued charges	20	197,238	147,682
Tax liabilities		828	598
Obligations under finance lease	21	50	–
		198,116	148,280
Liabilities associated with assets classified as held for sale	11	–	210,089
		198,116	358,369
Net Current Assets		251,829	243,268
Total Assets less Current Liabilities		268,442	261,782

	NOTES	2014 HK$'000	2013 HK$'000
Non-current Liabilities			
Obligations under finance lease	21	22	–
Deferred tax liability	24	983	837
		1,005	837
Net Assets		267,437	260,945
Capital and Reserves			
Share capital	22	3,224	3,215
Reserves		264,213	257,730
Total Equity		267,437	260,945

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2014

	Share capital	Share premium	Special reserve	Statutory reserve	Exchange reserve	Share option reserve	Retained profits	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(Note a)	*(Note b)*				
At 1st January, 2013	3,215	89,714	4,950	1,527	2,113	1,181	152,874	255,574
Profit for the year	–	–	–	–	–	–	5,583	5,583
Other comprehensive income for the year								
Exchange differences arising on translation of foreign operations	–	–	–	–	2,892	–	–	2,892
Total comprehensive income for the year	–	–	–	–	2,892	–	5,583	8,475
Recognition of equity-settled share-based payments	–	–	–	–	–	111	–	111
2013 interim dividend paid	–	–	–	–	–	–	(3,215)	(3,215)
Transfer from retained profits	–	–	–	210	–	–	(210)	–
At 31st December, 2013	3,215	89,714	4,950	1,737	5,005	1,292	155,032	260,945
Profit for the year	–	–	–	–	–	–	7,572	7,572
Other comprehensive income for the year								
Exchange differences arising on translation of foreign operations	–	–	–	–	356	–	–	356
Total comprehensive income for the year	–	–	–	–	356	–	7,572	7,928
Disposal of subsidiaries	–	–	–	–	(2,273)	–	–	(2,273)
Exercise of share options	9	1,093	–	–	–	(265)	–	837
Lapse of share options	–	–	–	–	–	(1,027)	1,027	–
Transfer from retained profits	–	–	–	298	–	–	(298)	–
At 31st December, 2014	3,224	90,807	4,950	2,035	3,088	–	163,333	267,437

Notes:

(a) Special reserve represents the difference between the nominal value of the entire issued share capital of Shinhint Industries Limited and the aggregate nominal value of the shares issued by the Company pursuant to the group reorganisation in 2005.

(b) Statutory reserve represents general reserve fund required to be set up pursuant to the relevant People's Republic of China ("PRC") laws applicable to a Group's subsidiary in the PRC. The subsidiary is required to transfer 10% of the annual net income from retained profits to the statutory reserve, until the statutory reserve is accumulated up to 50% of its registered capital. The statutory reserve can be used to make up for previous year's losses or convert into additional capital.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2014

	2014	2013
	HK$'000	*HK$'000*
Operating activities		
Profit for the year	7,572	5,583
Adjustments for:		
Taxation	2,491	4,715
Finance costs	2	2
Depreciation	4,956	17,985
Share-based payment expense	–	111
Gain on disposal of subsidiaries	(5,267)	–
Impairment loss recognised on trade debtors	–	3,327
Write down of inventories	320	4,027
Interest income	(1,783)	(671)
Loss on disposal of property, plant and equipment	22	100
Operating cash flows before movements in working capital	8,313	35,179
Decrease (Increase) in inventories	20,785	(11,694)
Decrease in trade debtors, deposits and prepayments	18,632	68
Increase in trade creditors and accrued charges	41,218	19,827
Decrease on deposit paid for rental deposits	6	–
Cash generated from operations	88,954	43,380
Income tax paid	(2,550)	(778)
Net cash generated from operating activities	86,404	42,602
Investing activities		
Proceeds on disposal of subsidiaries	37,995	–
Purchase of property, plant and equipment	(3,103)	(7,291)
Deposits paid for acquisition of property, plant and equipment	–	(1,873)
Interest received	1,783	671
Proceeds on disposal of property, plant and equipment	–	23
Net cash generated from (used in) investing activities	36,675	(8,470)

	2014	2013
	HK$'000	*HK$'000*
Financing activities		
Proceeds from issue of shares	837	–
Repayment of bank borrowings	–	(15,000)
Dividends paid	–	(3,215)
Interest paid	(2)	(2)
Net cash generated from (used in) financing activities	835	(18,217)
Net increase in cash and cash equivalents	123,914	15,915
Effect of foreign exchange rate changes	447	366
Cash and cash equivalents at beginning of the year	103,702	87,421
Cash and cash equivalents at end of the year, representing bank balances and cash	228,063	103,702

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31st December, 2014

1. General

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 shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("SEHK"). As at 31st December, 2014, the Company did not have any immediate and ultimate holding company. The addresses of the registered office and the principal place of business of the Company are disclosed in the Corporate Information in the annual report.

The consolidated financial statements comprise the Company and its subsidiaries (together referred to as the "Group") and are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company acts as an investment holding company. Details of the principal activities of its subsidiaries are set out in note 31.

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

Application of new and revised HKFRSs

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

The adoption of the above new and revised HKFRSs has no material impact on these consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 "Investment Entities"

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss.

Amendments to HKAS 32 "Offsetting Financial Assets and Financial Liabilities"

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32.

Amendments to HKAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash-generating units whose recoverable amount is based on fair value less costs of disposal.

Amendments to HKAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"

The amendments to HKAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria.

HK(IFRIC) – Int 21 "Levies"

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised.

Amendments and interpretations mentioned above are not expected to have a material effect on the group's operating results, financial position or comprehensive income.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[4]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from contracts with customers[3]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[2]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exemption[2]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle[2]

1 *Effective for annual periods beginning on or after 1st July, 2014.*
2 *Effective for annual periods beginning on or after 1st January, 2016.*
3 *Effective for annual periods beginning on or after 1st January, 2017.*
4 *Effective for annual periods beginning on or after 1st January, 2018.*

The Group has already commenced an assessment of the impact of other new and revised HKFRSs, certain of which may be relevant to the Group's operations and may give rise to changes in accounting policies, changes in disclosures and remeasurement of certain items in the consolidated financial statements. The Group is not yet in a position to ascertain their impact on its results of operations and financial position.

3. Significant Accounting Policies

Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on SEHK and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in the exchange for goods.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs of disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of goods is recognised when goods are delivered and title has passed, at which time all the following conditions are satisfied:–

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Club membership

Club membership with indefinite useful life is carried at cost less any subsequent accumulated impairment losses (see accounting policy in respect of impairment losses on non-current assets below).

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other debtors, and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade debtors, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade creditors and accrued charges, and obligations under finance lease are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realised value represents the estimated selling price of inventories less all estimated selling cost of completion and costs necessary to make the sale.

Impairment losses on non-current assets

At the end of the reporting period, the Group reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

In addition, intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as gain immediately.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when it relates to items are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

Retirement benefit costs

Payments to the defined contribution retirement benefit plans, including stated-managed retirement schemes and mandatory provident fund scheme ("MPF Scheme"), are charged as an expense when employees have rendered service entitling them to the contributions.

Equity-settled share-based payment transactions

Share options granted to employees of the Group

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

When the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. Key Source Of Estimation Uncertainty

The following is the key assumption concerning the future and source of estimation uncertainty at the end of the reporting period, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Allowance for inventories

A significant portion of the Group's working capital is devoted to inventories and the nature of inventories is subject to frequent technological changes. The management reviews the inventory age listing on a periodic basis to identify slow-moving and obsolete inventories and makes allowance for obsolete items. The management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. If the market conditions were to deteriorate and more obsolete and slow-moving inventory items were to be identified, additional allowances may be required. As at 31st December, 2014, the carrying amount of inventories was HK$39,218,000 (2013: HK$46,864,000) (net of allowance for inventories of HK$92,000 (2013: HK$193,000)).

5. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. In addition, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, cash and cash equivalents and equity attributable to the owners of the Company, comprising issued share capital, share premium, reserves and retained profits.

6. Financial Instruments

a. *Categories of financial instruments*

	2014	2013
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	361,160	179,091
Financial liabilities		
At amortised cost	197,272	147,591

b. *Financial risk management objectives and policies*

The Group's major financial instruments include trade and other debtors, bank balances, trade creditors and accrued charges. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (i.e. interest rate risk and currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Interest rate risk

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances *(note 19)* and fair value interest rate risk in relation to fixed rate obligations under finance lease *(note 21)*. The Group keeps its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The management will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk section of this note.

Sensitivity analysis is not presented as the management considers that the Group's exposure to interest rate fluctuations is insignificant.

(ii) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk.

The carrying amounts of the Group entities' foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		**Liabilities**	
	2014	**2013**	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
United States dollars ("USD")	145,761	155,630	13,973	9,075

To mitigate the impact of exchange rate fluctuations, the Group continually assesses and monitors the exposure to foreign exchange risk. The management will consider hedging significant foreign currency exposure should the need arise.

<u>Sensitivity analysis</u>

As Hong Kong dollars is currently pegged to United States dollars, the management considers that the exposure to exchange fluctuation in respect of United States dollars is limited.

The following table details the Group's sensitivity to a 6% (2013: 6%) increase and decrease in Renminbi against Hong Kong dollars. The sensitivity rate of 6% (2013: 6%) is used by the management for the assessment of the possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 6% (2013: 6%) change in foreign currency rate. A positive number of the net impact indicates a increase in post-tax profit for the year where Renminbi strengthen against Hong Kong dollars. For a 6% (2013: 6%) weakening of Renminbi against Hong Kong dollars, there would be an equal and opposite impact on the profit (2013: profit) for the year.

		Impact	
		2014	**2013**
		HK$'000	*HK$'000*
Increase in profit	*(i)*	1	–

(i) This is mainly attributable to the exposure on cash and bank balances denominated in Hong Kong dollars held by a PRC subsidiary at the end of reporting period.

The sensitivity analysis above represents the exposure of the foreign exchange risk arising from foreign currency denominated monetary financial assets and liabilities at the end of the reporting period only. In management's opinion, the sensitivity analysis above may not be representative exposure for the year.

Credit risk

As at 31st December, 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's credit risk is primarily attributable to its trade debtors. The Group is exposed to concentration of credit risk as a substantial portion of its trade debtors is generated from a limited number of customers from certain foreign countries. The top five customers of the Group accounted for about 99% (2013: 99%) of the Group's trade debtors as at 31st December, 2014, with an aggregate carrying amount of HK$48,698,000 (2013: HK$40,201,000) which are past due but not impaired at the end of reporting period. These customers are large multi-national companies in acoustic accessories and peripherals business. The assessment on impairment on debtors is set out in note 18.

In order to minimise the credit risk, the Group manages its credit risk by closely monitoring the granting of credit period and credit limit and follow-up action is taken to recover overdue debts. In addition, the Group enters into an agreement with an insurance company to cover part of the individual trade debts. The Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparts are banks with high credit-ratings and reputable banks in the PRC.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other debtors are set out in note 18.

Liquidity risk

The Group regularly monitors its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate credit lines from banks to meet its liquidity requirements in the short and longer term. The Group finances its working capital requirements through a combination of funds generated from operations and bank borrowings. As at 31st December, 2014, the Group had available unutilised overdraft and short-term bank loan facilities of approximately HK$15,133,000 (2013: HK$15,503,000).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

2014	Weighted average effective interest rate	Within 1 year or on demand	More than 1 year but less than 2 years	Total undiscounted cash flows	Carrying amount at 31st December, 2014
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-interest bearing	–	197,200	–	197,200	197,200
Fixed interest rate instrument	3.48%	52	22	74	72

2013	Weighted average effective interest rate	Within 1 year or on demand	More than 1 year but less than 2 years	Total undiscounted cash flows	Carrying amount at 31st December, 2013
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-interest bearing	–	147,591	–	147,591	147,591

c. *Fair value measurement of financial instruments*

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period.

The directors consider the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

7. Revenue And Segment Information

Revenue

Revenue represents the net amount received and receivable for goods sold by the Group to outside customers, less returns and allowances, during the year.

The information reported to the Group's chief operating decision maker ("CODM") for the purposes of resource allocation and assessment of performance is focused on the type of products sold. During the year, the Group commenced the business of energy trading (including but not limited to fuel oil, oil and natural gas). Prior-year figures have been re-presented to conform with current year presentation.

Due to the disposal of Tai Sing Industrial Limited ("TSI" or the "Disposal Group") as described in note 11, which has the headphones and speaker systems businesses and the addition of energy trading business, the Group's reportable and operating segments from continuing operations under HKFRS 8 "Operating Segments" are as follows:

Continuing operations

- Speaker units mainly comprise speaker drivers for automotive, flat-panel TV and audio applications.

- Energy trading mainly comprises fuel oil, oil and natural gas.

Discontinued operations

- Headphones mainly comprise wireless and wired headphones.

- Speaker systems mainly comprise portable and stationary speaker systems.

In accordance with HKFRS 5, headphones, speaker systems and others are regarded as discontinued operations in current year. The segment information reported below does not include any amounts for these discontinued operations, which are described in more detail in note 11.

Segment revenue and results

Reconciliation of segment results reviewed by CODM which are different from the Group's results are as follows:

Year ended 31st December, 2014	Speaker units	Energy trading	Total
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue			
Sales to external customers	517,115	34,002	551,117
Segment results	7,944	(73)	7,871
Reconciliation:			
Unallocated expense			(2,063)
Unallocated income			1,591
Finance costs	2	–	2
Profit before tax from continuing operations			7,401
Income tax expenses			(2,126)
Profit for the year from continuing operations			5,275
Segment assets	424,039	41,541	465,580
Reconciliation:			
Unallocated assets			978
Total assets			466,558

Year ended 31st December, 2014	**Speaker units** *HK$'000*	**Energy trading** *HK$'000*	**Total** *HK$'000*
Segment liabilities	196,437	873	197,310
Reconciliation:			
Unallocated liabilities			1,811
Total liabilities			199,121
Other segment information			
Capital expenditure on property, plant and equipment	2,413	762	3,175
Depreciation	4,951	5	4,956
Reversal of write down of inventories	100	–	100
Research and development expenses	2,586	–	2,586

Year ended 31st December, 2013	Speaker units HK$'000	Energy trading HK$'000	Total HK$'000
Segment revenue			
Sales to external customers	433,643	–	433,643
Segment results	2,593	–	2,593
Reconciliation:			
Unallocated expense			(1,787)
Unallocated income			247
Profit before tax from continuing operations			1,053
Income tax expenses			(543)
Profit for the year from continuing operations			510
Segment assets	252,160	–	252,160
Reconciliation:			
Unallocated assets			978
Total assets			253,138
Segment liabilities	147,682	–	147,682
Reconciliation:			
Unallocated liabilities			1,435
Total liabilities			149,117

Year ended 31st December, 2013	Speaker units HK$'000	Energy trading HK$'000	Total HK$'000
Other segment information			
Capital expenditure on property, plant and equipment	8,809	–	8,809
Depreciation	5,159	–	5,159
Reversal of write down of inventories	1,329	–	1,329
Research and development expenses	2,604	–	2,604

Other information

Continuing operations

Segment result represents the profit earned by without allocation of finance costs, unallocated other income and administrative expenses, and taxation. This is the measure reported to the Group's CODM for the purpose of resource allocation and performance assessment.

Geographical information

The following table sets out information about the geographical locations of (i) the Group's revenue from continuing operations from external customers and (ii) the Group's non-current assets.

	Revenue from external customers Year ended		Non-current assets	
	2014	2013	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Japan	2,578	92,481	–	–
United States of America	3,923	80,790	–	–
Belgium	391,230	57,745	–	–
PRC	86,706	48,277	16,613	18,514
Germany	22,491	33,456	–	–
Canada	33,133	–	–	–
Other countries	11,056	120,894	–	–
	551,117	433,643	16,613	18,514

Information about major customer

The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specificed non-current assets is based on the physical location of the asset.

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

	2014	**2013**
	HK$'000	*HK$'000*
Revenue from customer attributable to speaker units		
Company A	458,938	404,356

8. Finance Costs

	2014	**2013**
	HK$'000	*HK$'000*
Continuing operations		
Finance charges on obligations under finance lease	2	–

9. Profit Before Taxation

	2014	2013
	HK$'000	*HK$'000*
Continuing operations		
Profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	385	465
Cost of inventories recognised as an expense including net reversal of write down of inventories of HK$100,000 (2013: HK$1,329,000)	508,003	402,708
Depreciation	4,956	5,159
Net exchange loss (included in other gains and losses)	181	1,537
Staff costs		
Directors' emoluments *(note 12)*	4,040	780
Retirement benefit scheme contributions *(note 27)*	1,604	1,144
Other staff costs	68,802	65,340
Total staff costs	74,446	67,264
Operating lease rentals in respect of rented premises	8,671	8,364
Interest income	(1,603)	(166)

10. Taxation

	2014	2013
	HK$'000	*HK$'000*
Continuing operations		
The charge comprises:		
Current tax for the year		
Hong Kong	546	58
PRC Enterprise Income Tax	1,135	607
	1,681	665
Under (over) provision in prior years		
Hong Kong	–	(223)
PRC Enterprise Income Tax	299	–
	299	(223)
Deferred taxation *(note 24)*		
Current year	146	101
	2,126	543

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

Pursuant to the relevant laws and regulations in the PRC, for the PRC subsidiaries without preferential tax rates, the subsidiary is subject to PRC Enterprise Income Tax at 25%.

Pursuant to the PRC Enterprise Income Tax Law and its detailed implementation rules, distribution of the profits earned by the PRC subsidiaries since 1st January, 2008 shall be subject to PRC withholding tax. Deferred tax liability in respect of the withholding tax on the undistributed earnings of the Group's PRC subsidiary during the year has been provided at the applicable tax rate of 5%.

Taxation for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss as follows:

	2014	2013
	HK$'000	*HK$'000*
Profit before taxation from continuing operations	7,401	1,053
Tax at Hong Kong Profits Tax rate of 16.5%	1,221	174
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	407	151
Tax effect of expenses not deductible for tax purposes	587	44
Tax effect of income not taxable for tax purposes	(290)	(73)
Under (Over) provision in respect of prior years	299	(223)
Tax effect of tax losses not recognised	29	363
Tax effect of deductible temporary differences not recognised	20	108
Effect of concessionary rate and tax exemption granted to a PRC subsidiary	(64)	–
Withholding tax on undistributed earnings of a PRC subsidiary *(note 24)*	146	101
Others	(229)	(102)
Taxation for the year	2,126	543

11. Disposal Of Subsidiaries (Discontinued Operations)

On 18th November, 2013, the Group entered into a disposal agreement (the "Disposal Agreement") with Metro Star Investments Limited ("Metro Star"), which is 100% beneficially owned by Mr. Cheung Wah Keung, who is an ex-substantial shareholder, an ex-Executive Director and the ex-Chairman of the Company, to dispose of 100% equity interest in Tai Sing Industrial Company Limited ("TSI" or the "Disposal Group"), one of the subsidiaries of the Group, which has the headphones and speaker systems businesses for a consideration of HK$122.2 million (the "Disposal"). The Disposal was completed on 28th February, 2014, on which date the Group lost control of the Disposal Group. The Group's headphones and speaker systems manufacturing and trading operations have been treated as discontinued operations accordingly.

The assets and liabilities attributable to the headphones and speaker systems businesses, which are expected to be disposed of within twelve months from 31st December, 2013, have been classified as the disposal group held for sale as at 31st December, 2013.

The (loss) profit from the discontinued operations is analysed as follows:

	2014	**2013**
	HK$'000	*HK$'000*
(Loss) Profit of discontinued operations for the year	(2,970)	5,073
Gain on disposal of TSI Group, net of transaction costs	5,267	–
	2,297	5,073

The results of headphones and speaker systems businesses are as follows:

	2014	**2013**
	HK$'000	*HK$'000*
Revenue	83,320	644,063
Cost of sales	(74,322)	(549,772)
Other income	232	1,375
Selling and distribution costs	(1,408)	(10,378)
Administrative expenses	(7,177)	(54,780)
Research and development expenses	(3,181)	(14,231)
Impairment loss recognised on trade debtors	–	(3,327)
Other gains and losses	(69)	(3,703)
Finance costs	–	(2)
(Loss) Profit before taxation	(2,605)	9,245
Taxation	(365)	(4,172)
(Loss) Profit for the year	(2,970)	5,073

(Loss) Profit for the year from the discontinued operations include the following:

	2014	**2013**
	HK$'000	*HK$'000*
Auditor's remuneration	146	310
Cost of inventories recognised as an expense including net write down of inventories of HK$420,000 (2013: HK$6,106,000)	74,322	549,772
Depreciation	1,868	12,826
Net exchange loss (included in other gains and losses)	69	3,606
Staff costs	17,494	131,307
Directors' emoluments *(note 12)*	566	4,308
Retirement benefit scheme contributions	724	3,811
Other staff costs	17,494	131,283
Total staff costs	18,784	139,402
Operating lease rentals in respect of rented premises	2,020	11,705
Impairment loss recognised on trade debtors	–	3,327
Loss on disposal of property, plant and equipment (included in other gains and losses)	–	100
Interest income	(180)	(505)

The net assets of Disposal Group at the date of disposal were as follows:

	As at 28th February, 2014
	HK$'000
Net assets disposed of	118,373
Reclassification of cumulative translation reserve	(2,273)
	116,100
Transaction costs directly associated with the disposal	833
Gain on disposal, net of transaction costs	5,267
Total consideration	122,200
Satisfied by:	
Cash	122,200
Net cash inflow arising on disposal:	
Total cash consideration received	122,200
Less: transactions costs paid	(833)
Less: bank balance and cash disposed of	(83,372)
	37,995

Cash flows for the year from the discontinued operations were as follows:

	2014	**2013**
	HK$'000	*HK$'000*
Net cash from operating activities	28,990	16,639
Net cash from (used in) investing activities	1,087	(4,261)
Net cash used in financing activities	–	(15,000)
Net cash flows	30,077	(2,622)

The major classes of assets and liabilities of the headphones and speaker systems businesses as at 31st December, 2013, which have been presented separately in the consolidated statement of financial position, are as follows:

	HK$'000
Property, plant and equipment	38,077
Rental deposits	399
Deposits for acquisition of property, plant and equipment	1,873
Inventories	62,466
Trade debtors, deposits and prepayments	210,903
Bank balances and cash	53,295
Total assets classified as held for sale	367,013
Trade creditors and accrued charges	207,827
Tax liabilities	2,262
Total liabilities associated with assets classified as held for sale	210,089

12. Directors' And Chief Executive's And Employees' Emoluments

(a) Directors and Chief Executive

The emoluments paid or payable to each of the 13 (2013: 5) directors and the chief executive were as follows:

	Fees	Other emoluments			Total
		Salaries and other benefits	Retirement benefit scheme contributions	Share-based payment expense	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2014					
Cheung Wah Keung (Resigned on 21st November, 2014)	–	2,260	11	–	2,271
Wong Sau Lik, Weeky Peter *(Note)* (Resigned on 25th April, 2014)	–	418	4	–	422
Goh Gen Cheung (Resigned on 30th November, 2014)	229	145	–	–	374
Lai Ming, Joseph (Retired on 23rd May, 2014)	99	–	–	–	99
Lam King Sun, Frankie (Resigned on 30th November, 2014)	229	145	–	–	374

	Fees	Other emoluments			Total
		Salaries and other benefits	Retirement benefit scheme contributions	Share-based payment expense	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Lin Caihuo (Appointed on 21st November, 2014)	–	133	–	–	133
Kang Guiping (Appointed on 21st November, 2014)	–	55	–	–	55
Wang Enguang (Appointed on 1st December, 2014	–	17	–	–	17
Su Zhiyong (Appointed on 7th April, 2014 and resigned on 21st November, 2014)	75	578	6	–	659
Yip Yat Ming (Appointed on 7th April, 2014)	49	–	–	–	49
Yen Chanan (Appointed on 20th June, 2014 and resigned on 16th March, 2015)	133	–	–	–	133
Lum Pak Sum (Appointed on 1st December, 2014)	10	–	–	–	10
Tsui Man Yin (Appointed on 1st December, 2014)	10	–	–	–	10
	834	3,751	21	–	4,606

	Fees	Other emoluments			Total
		Salaries and other benefits	Retirement benefit scheme contributions	Share-based payment expense	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2013					
Cheung Wah Keung (Resigned on 21st November, 2014)	–	2,195	15	–	2,210
Wong Sau Lik, Weeky Peter *(Note)* (Resigned on 25th April, 2014)	–	1,979	15	104	2,098
Goh Gen Cheung (Resigned on 30th November, 2014)	250	–	–	10	260
Lai Ming, Joseph (Retired on 23rd May, 2014)	250	–	–	10	260
Lam King Sun, Frankie (Resigned on 30th November, 2014)	250	–	–	10	260
	750	4,174	30	134	5,088

Note: Mr. Wong Sau Lik, Weeky Peter, is also the Chief Executive of the Company and his emoluments disclosed above included those for services rendered by him as the Chief Executive.

(b) Employees

Of the five individuals with the highest emoluments in the Group, two (2013: two) were executive directors and the chief executive of the Company whose emoluments are set out above. The emoluments of the remaining three (2013: three) individuals were as follows:

	2014	**2013**
	HK$'000	*HK$'000*
Salaries and other benefits	1,766	2,761
Retirement benefit scheme contributions	46	43
Share-based payment expense	–	(24)
	1,812	2,780

Their emoluments were within the following bands:

	2014	**2013**
	Number of employees	*Number of employees*
HK$500,001 to HK$1,000,000	3	2
HK$1,000,001 to HK$1,500,000	–	1

During both years, no emolument was paid by the Group to any of the directors and the chief executive or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors and chief executive waived any emoluments during both years.

13. Dividends

	2014	**2013**
	HK$'000	*HK$'000*
Dividend recognised as distribution during the year:		
Interim dividend paid in respect of dividend declared for 2014 of HK$nil (2013: HK1.0 cent) per share	–	3,215

The directors do not recommend the payment of a final dividend for the year ended 31st December, 2014 (2013: HK$nil).

14. Earnings Per Share

From continuing and discontinued operations

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

	2014	**2013**
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of basic and diluted earnings per share	7,572	5,583
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	321,797	321,545

From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to owners of the Company is based on the following data:

	2014	**2013**
	HK$'000	*HK$'000*
Figures are calculated as follows:		
Profit for the year attributable to owners of the Company	7,572	5,583
Less: Profit for the year from discontinued operations	2,297	5,073
Profit for the purposes of basic and diluted earnings per share from continuing operations	5,275	510

From discontinuing operations

Basic and diluted earnings per share for the discontinued operations is HK0.71 cents (2013: HK1.58 cents). Based on the profit for the year from the discontinued operations of HK$2,297,000 (2013: HK$5,073,000) and the denominators detailed above for both basic and diluted earnings per share.

The computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise price of those options is higher than the average market price of the Company's share for both 2014 and 2013.

15. Property, Plant And Equipment

	Plant and machinery	Moulds	Furniture, fixtures and office equipment	Leasehold improvements	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST						
At 1st January, 2013	148,883	3,913	39,974	31,676	3,493	227,939
Additions	4,617	375	2,678	698	441	8,809
Disposals	(171)	–	(10)	–	–	(181)
Classified as held for sale *(Note)*	(146,314)	(610)	(31,441)	(21,455)	(3,702)	(203,522)
Exchange adjustments	1,986	97	421	374	15	2,893
At 31st December, 2013	9,001	3,775	11,622	11,293	247	35,938
Additions	285	318	318	167	2,087	3,175
Disposals	–	–	(126)	–	–	(126)
Exchange adjustments	(31)	(11)	(35)	(31)	(1)	(109)
At 31st December, 2014	9,255	4,082	11,779	11,429	2,333	38,878
DEPRECIATION						
At 1st January, 2013	107,699	1,949	32,043	21,007	2,871	165,569
Provided for the year	11,102	588	2,947	3,230	118	17,985
Eliminated on disposals	(53)	–	(5)	–	–	(58)
Eliminated on amount classified as held for sale *(Note)*	(115,820)	(610)	(27,262)	(18,859)	(2,894)	(165,445)
Exchange adjustments	561	44	248	142	5	1,000
At 31st December, 2013	3,489	1,971	7,971	5,520	100	19,051
Provided for the year	754	635	1,080	2,282	205	4,956
Eliminated on disposals	–	–	(104)	–	–	(104)
Exchange adjustments	(9)	(3)	(3)	(2)	–	(17)
At 31st December, 2014	4,234	2,603	8,944	7,800	305	23,886
CARRYING VALUES						
At 31st December, 2014	5,021	1,479	2,835	3,629	2,028	14,992
At 31st December, 2013	5,512	1,804	3,651	5,773	147	16,887

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Plant and machinery	10% – 20%
Moulds	$33^{1}/_{3}$%
Furniture, fixtures and office equipment	20% – 25%
Leasehold improvements	20% or over lease term if shorter
Motor vehicles	20% – 25%

During the year, additions to motor vehicles of the Group financed by new finance lease was HK$533,000 (2013: HK$nil). At the end of the reporting period, the net book value of motor vehicle held under finance lease of the Group was HK$480,000 (2013: HK$nil).

Note: As at 31st December, 2013, all the assets and liabilities from the headphones and speaker systems businesses have been classified as assets/liabilities held for sale in accordance to HKFRS 5 *(note 11).*

16. Intangible Assets

	Club membership *HK$'000* *(Note)*
COST AND CARRYING VALUES	
As at 1st January, 2013, 31st December, 2013 and 31st December, 2014	978

Note: The club membership represents debentures of a golf club held on a long-term basis. It is considered by the management of the Group as having an indefinite useful life. It will not be amortised until the useful life is determined to be finite upon reassessment of the useful life annually by the management.

During the year ended 31st December, 2014, the club membership was tested for impairment by comparing its carrying amount with its recoverable amount, which was determined based on fair value less cost to sell in the market. The management of the Group determined that no impairment loss was necessary for the current year (2013: HK$nil).

17. Inventories

	2014	2013
	HK$'000	*HK$'000*
Raw materials	12,537	17,677
Work in progress	7,740	9,848
Finished goods	18,941	19,339
	39,218	46,864

During the year, there was a significant usage of the obsolete raw materials in the manufacturing process. As a result, a net reversal of write down of raw materials of HK$100,000 (2013: HK$1,329,000) has been recognised and included in cost of sales in the current year.

An amount of HK$62,466,000 (comprising raw materials of HK$27,466,000, work in progress of HK$15,850,000 and finished goods of HK$19,150,000) at 31st December, 2013 has been classified as held for sale in note 11.

18. Trade Debtors, Deposits And Prepayments

	2014	2013
	HK$'000	*HK$'000*
Trade debtors	133,096	128,520
Less: Allowance for doubtful debts	–	–
	133,096	128,520
Other debtors, deposits and prepayments	49,568	8,833
	182,664	137,353

An amount of HK$210,903,000 at 31st December, 2013 (comprising (i) trade debtors of HK$195,290,000 (net of allowance for doubtful debts of HK$29,473,000); and (ii) other debtors, deposits and prepayments of HK$15,613,000) has been classified as held for sale in note 11.

Included in Group's debtors excluding those classified as held for sale are trade debtors with carrying amounts of HK$133,096,000 in 2014 (2013: HK$128,520,000), which were denominated in United States dollars which is a currency other than the functional currency of the respective group entity.

An amount of HK$40,690,000 at 31st December, 2014 represented prepayements paid for energy trading product.

The Group normally allows a credit period of 30 days to 90 days (2013: 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.

The following is an aged analysis of trade debtors (net of allowance for doubtful debts) presented based on the invoice dates at the end of the respective reporting periods, which approximated the respective revenue recognition dates. As at 31st December, 2013, the analysis does not include the headphones and speaker systems businesses which are classified as held for sale in note 11.

	2014	**2013**
	HK$'000	*HK$'000*
Within 30 days	49,086	54,600
31 to 60 days	33,365	34,381
61 to 90 days	37,215	38,854
91 to 120 days	2,535	419
Over 120 days	10,895	266
	133,096	128,520

Included in the Group's trade debtor balances are debtors with aggregate carrying amount of HK$51,087,000 (2013: HK$40,473,000) which have been past due at the end of reporting period. 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 track 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.

Trade debtors which are neither past due nor impaired are considered recoverable as the balances related to a number of independent customers that have a good track record with the Group.

Ageing of trade debtors which are past due but not impaired

	2014	2013
	HK$'000	*HK$'000*
Overdue by:		
Within 30 days	37,028	39,789
31 days to 90 days	6,522	420
91 days to 365 days	7,535	257
Over 365 days	2	7
Total	51,087	40,473

Movement in the allowance for doubtful debts:

	2014	2013
	HK$'000	*HK$'000*
At 1st January,	–	26,175
Impairment losses recognised on trade debtors	–	3,298
Transfer to assets classified as held for sale	–	(29,473)
At 31st December	–	–

During the year ended 31st December, 2013, the Group recognised impairment losses on amounts due from customers that are engaged in headphones and speaker systems business given that the customers have been in severe financial difficulties. No impairment loss (2013: HK$3,298,000) has been made for the year.

19. Bank Balances And Cash

Bank balances and cash comprise certain short-term bank deposits at prevailing market interest rates ranging from 0.3% to 1.5% (2013: 0.1% to 1.5%) per annum.

Included in the Group's bank balances are bank balances with carrying amounts of HK$20,672,000 (2013: HK$14,192,000) which are denominated in United States dollars that are currencies other than the functional currencies of the respective group entities.

20. Trade Creditors And Accrued Charges

The following is an aged analysis of the trade creditors presented based on the invoice date at the end of the respective reporting periods. As at 31st December, 2013, the analysis does not include the headphones and speaker systems businesses which are classified as held for sale in note 11.

	2014	**2013**
	HK$'000	*HK$'000*
Within 30 days	60,154	37,986
31 to 60 days	40,600	43,476
61 to 90 days	31,306	30,367
91 to 120 days	35,301	22,234
Over 120 days	13,904	2,347
	181,265	136,410
Accrued charges	15,973	11,272
	197,238	147,682

An amount of HK$207,827,000 at 31st December, 2013 (comprising (i) trade creditors of HK$144,432,000; and (ii) accrued charges of HK$63,395,000) has been classified as held for sale in note 11.

The average credit period on purchases of goods is 90 days.

Included in the Group's creditors are trade creditors with carrying amounts of HK$8,571,000 (2013: HK$4,390,000) which are denominated in United States dollars that are currencies other than the functional currencies of the respective group entities.

21. Obligations Under Finance Lease

As at 31st December, 2014, a motor vehicle is under finance lease. The lease term is 2 years (2013:nil). Interest rates underlying all obligations under finance leases are fixed at respective contract dates at 3.48% (2013:nil). The leases have no terms of renewal or purchase options and escalation clauses. No arrangements have been entered into for contingent rental payment.

	Minimum lease payments		**Present value of minimum lease payments**	
	2014	**2013**	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable under finance leases:				
Within one year	52	–	50	–
In more than one year but not more than two years	22	–	22	–
In more than two years but not more than five years	–	–	–	–
	74	–	72	–
Less: future finance charge	(2)	–	–	–
Present value of lease obligations	72	–	72	–
Less: Amount due for settlement within 12 months (shown under current liabilities)			(50)	–
			22	–

22. Share Capital

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.01 each:		
Authorised:		
At 1st January, 2013, 31st December, 2013 and 31st December, 2014	500,000,000	5,000
Issued and fully paid:		
At 1st January, 2013 and 31st December, 2013	321,545,564	3,215
Issue of shares upon exercise of share options	900,000	9
At 31st December, 2014	322,445,564	3,224

23. Share Option Scheme

Equity-settled share option scheme

On 25th June, 2005, a share option scheme (the "Share Option Scheme") was approved and adopted by the shareholders of the Company. The particulars of the Share Option Scheme are as follows:

Purpose

To enable the Company to grant options to selected eligible participants as incentives or rewards for their contributions to the Group.

Eligible Participants

Eligible participants of the Share Option Scheme include:

(i) (a) any executive director or full time or part time employee of or any person who has accepted an employment offer (whether full time or part time) by; or

(b) any non-executive director (including independent non-executive director) or officer of; or

(c) any person who is seconded to work for and has devoted at least 40% of his time to the business of; or

(d) any business partner, agent, consultant or representative of

any member of the Group (the "Eligible Person"); and

(ii) any trust for the benefit of an Eligible Person or his immediate family members and a company controlled by an Eligible Person or his immediate family members.

Total number of ordinary shares available for issue

The total number of ordinary shares available for issue under the Share Option Scheme and any other schemes must not, in aggregate, exceed 32,154,556 ordinary shares, representing approximately 10% of the issued share capital of the Company as at the date of this annual report.

At the date of this annual report, no outstanding ordinary shares available for issue under the Share Option Scheme.

Maximum entitlement of each eligible participant

The maximum number of ordinary shares in respect of which options may be granted to each eligible participant in any 12-month period up to the date of grant is not permitted to exceed 1% of the ordinary shares in issue at the date of grant without prior approval from the Company's shareholders.

Any grant of options to any director, chief executive or substantial shareholder of the Company or their respective associates must be approved by the independent non-executive directors (excluding any independent non-executive director who is the grantee of the options). Where any grant of options to any substantial shareholder of the Company or any independent non-executive director or any of their respective associates would result in the total number of ordinary shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) under the Share Option Scheme or any other schemes in any 12-month period up to and, including the date of grant to such person representing in aggregate over (i) 0.1% of the total ordinary shares then in issue and (ii) having an aggregate value, based on the closing price of the ordinary shares at the date of each offer, in excess of HK$5,000,000, then the proposed grant must be approved in accordance with the Rules Governing the Listing of Securities on SEHK, including by way of ordinary resolution of the shareholders in general meeting, if so required.

Period within which the ordinary shares must be taken up under a share option

Within 10 years from the date of grant of the share option or such shorter period as the board of directors of the Company determines at the time of grant.

Minimum period, if any, for which an option must be held before it can be exercised

At the time of granting a share option, the board of directors of the Company will determine the minimum period(s), if any, for which a share option must be held before it can be exercised.

Amount payable on application or acceptance of the option

The board of directors of the Company may determine the amount, if any, payable on application or acceptance of the option and the period within which payments must or may be made. Upon acceptance of the option within 28 days from the date of the offer (or such other period as the board of directors of the Company may specify in the offer), the grantee shall pay the amount, if any, specified in the offer to the Company as consideration for the grant within such period as the Company shall specify.

Basis of determining the subscription price for the ordinary shares

The subscription price for the ordinary shares under the Share Option Scheme shall be determined by the board of directors of the Company and shall not be less than the highest of:

(i) the closing price of the ordinary shares as stated in SEHK's daily quotations sheet on the date of offer of that grant, which must be a business day;

(ii) the average of the closing prices per ordinary share as stated in SEHK's daily quotations sheet for the five business days immediately preceding the date of offer of that option; and

(iii) the nominal value of the ordinary shares.

Details of the movement of the outstanding share options under the Share Option Scheme during the year ended 31st December, 2014 are as follows:

					Number of share options					
Category of participants	Date of grant	Exercise price HK$	Vesting date	Exercisable period	As at 01/01/2014	Granted	Exercised Note (b)	Cancelled	Lapsed Note (a)	As at 31/12/2014
Directors	28/12/2010	0.93	15/01/2012	15/01/2012 – 27/12/2020	1,353,000	–	297,000	–	1,056,000	–
			15/01/2013	15/01/2013 – 27/12/2020	1,353,000	–	297,000	–	1,056,000	–
			15/01/2014	15/01/2014 – 27/12/2020	1,394,000	–	306,000	–	1,088,000	–
					4,100,000	–	900,000	–	3,200,000	–
Employees	28/12/2010	0.93	15/01/2012	15/01/2012 – 27/12/2020	99,000	–	–	–	99,000	–
			15/01/2013	15/01/2013 – 27/12/2020	99,000	–	–	–	99,000	–
			15/01/2014	15/01/2014 – 27/12/2020	102,000	–	–	–	102,000	–
					300,000	–	–	–	300,000	–
					4,400,000	–	900,000	–	3,500,000	–

(a) The directors' share options lapsed since they resigned from the Company during the year as mentioned in Note 12. The employees' share options also lapsed during the year. They were employees of TSI Group, the Group complete the Disposal of TSI Group on 28th February, 2014, those employees then no longer to the Company's employees and thus their share options lapsed accordingly.

(b) The weighted average share price at the date of exercise for share option exercised during the year was HK$0.99 (2013: not applicable).

Details of the movement of the outstanding share options under the Share Option Scheme during the year ended 31st December, 2013 are as follows:

Category of participants	Date of grant	Exercise price *HK$*	Vesting date	Exercisable period	Number of share options As at 01/01/2013	Granted	Exercised	Cancelled	Lapsed	As at 31/12/2013
Directors	28/12/2010	0.93	15/01/2012	15/01/2012 – 27/12/2020	1,353,000	–	–	–	–	1,353,000
			15/01/2013	15/01/2013 – 27/12/2020	1,353,000	–	–	–	–	1,353,000
			15/01/2014	15/01/2014 – 27/12/2020	1,394,000	–	–	–	–	1,394,000
					4,100,000	–	–	–	–	4,100,000
Employees	28/12/2010	0.93	15/01/2012	15/01/2012 – 27/12/2020	99,000	–	–	–	–	99,000
			15/01/2013	15/01/2013 – 27/12/2020	99,000	–	–	–	–	99,000
			15/01/2014	15/01/2014 – 27/12/2020	102,000	–	–	–	–	102,000
					300,000	–	–	–	–	300,000
					4,400,000	–	–	–	–	4,400,000

The share-based payment expense of HK$nil (2013: HK$111,000) was recognised in profit or loss.

24. Deferred Taxation

The followings are the major deferred tax liabilities recognised and movements thereon during the current and the prior years:

	Undistributed profits of a subsidiary *HK$'000*
At 1st January, 2013	736
Charge to profit or loss	101
At 31st December, 2013	837
Charge to profit or loss	146
At 31st December, 2014	983

As at 31st December, 2014, the Group had unutilised tax losses carried forward to offset future taxable profits of HK$274,000 (2013: HK$14,011,000). The tax losses may be carried forward indefinitely. No deferred tax asset has been recognised in relation to these tax losses as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

The Group has no significant unrecognised temporary differences on undistributed profits of its other subsidiaries except for above at the end of the reporting period.

25. Operating Lease Arrangements

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2014	**2013**
	HK$'000	*HK$'000*
Within one year	7,957	7,658
In the second to fifth years inclusive	–	–
	7,957	7,658

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for lease term for an initial period of one to seven years, with an option to renew the lease when all terms are renegotiated. The rentals are usually increased every three to five years to reflect market rentals. None of the leases includes contingent rentals.

26. Capital Commitments

	2014	**2013**
	HK$'000	*HK$'000*
Capital expenditure in respect of the acquisition of plant and equipment contracted for but not provided in the consolidated financial statements	–	129

27. Employee Retirement Benefits

The Group joined the MPF Scheme for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The obligation of the Group with respect to MPF Scheme is to make the required contributions under the MPF Scheme. No forfeited contribution is available to reduce the contributions payable in future years.

Employees of the subsidiaries in the PRC are members of pension schemes operated by PRC local government. The subsidiaries are required to contribute a certain percentage of the relevant part of the payroll of these employees to the pension schemes to fund the benefits. The only obligation for the Group with respect to the pension schemes is the required contributions under the pension schemes.

The total cost charged to consolidated statement of profit or loss of HK$1,604,000 (2013: HK$1,144,000) represents contributions paid/payable to these schemes by the Group. At the end of the reporting period, there was no forfeited contribution available to reduce future contributions in both years.

28. Related Party Transactions

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2014	**2013**
	HK$'000	*HK$'000*
Fees	75	–
Salaries and other benefits	4,735	10,331
Retirement benefit schemes contributions	48	151
Share-based payment expense	–	(24)
	4,858	10,458

The remuneration of directors and key executives is recommended by the remuneration committee for approval by the board of directors having regard to the performance of individuals and market trends.

Other related party transactions

	2014	2013
	HK$'000	*HK$'000*
TSI Group *(Note)*:		
Technical service income	5,149	–
Reimbursement of administrative supporting service expenses	2,846	–
Sales of goods	26,181	–
	34,176	–

Note: The amounts represent transactions with TSI Group after the Disposal. TSI Group was formerly a subsidiary of the Company and now become a related company of the Group

Technical service income from TSI Group was based on estimated open market. No significant balance was carried forward at the end of the reporting period in respect of the current year and previous year

Sales to TSI Group were conducted in the normal course of business at prices and terms not less than those charged to and contracted with other third party customers. No significant balance was carried forward at the end of the reporting period in respect of the current year and previous year.

The related party transactions in respect of the Company and TSI Group above (excluding reimbursement of administrative supporting service expenses) constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in Reports of the directors.

29. Event After Reporting Period

No significant events occurred after the end of the reporting period and up to the approval date of the financial statements.

30. Summary Financial Information of the Company

	2014	2013
	HK$'000	*HK$'000*
Non-current Assets		
Unlisted investment in subsidiaries	20,587	20,587
Amount due from a subsidiary	91,942	90,134
	112,529	110,721
Current Assets		
Amounts due from subsidiaries	40,782	105,644
Other receivables	69	213
Bank balances and cash	190,001	1,010
	230,852	106,867
Current Liability		
Amounts due to a subsidiary	125,287	–
Other payables	909	131
	126,196	131
Net Assets	217,185	217,457
Capital and Reserves		
Share capital	3,224	3,215
Reserves *(Note)*	213,961	214,242
	217,185	217,457

Note: The Company's reserves movement are as follows:

	Share premium *HK$'000*	Special reserve *HK$'000* *(Note (i))*	Share option reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
THE COMPANY					
At 1st January, 2013	89,714	107,647	1,181	19,191	217,733
Loss for the year	–	–	–	(387)	(387)
Recognition of equity-settled share-based payment	–	–	111	–	111
2013 interim dividend paid	–	–	–	(3,215)	(3,215)
At 31st December, 2013	89,714	107,647	1,292	15,589	214,242
Loss for the year	–	–	–	(1,109)	(1,109)
Exercise of share options	1,093	–	(265)	–	828
Lapse of share options	–	–	(1,027)	1,027	–
At 31st December, 2014	90,807	107,647	–	15,507	213,961

Note (i): Special reserve represents the difference between the consolidated net asset value of Shinhint Industries Limited at the date which the group reorganisation became effective and the aggregate nominal value of the shares issued by the Company pursuant to the group reorganisation in 2005.

31. Particulars of Principal Subsidiaries of the Company

Particulars of the Company's principal subsidiaries at 31st December, 2014 and 2013 are as follows:

Name of subsidiary	Form of business structure	Place of incorporation or establishment	Paid up issued ordinary share capital/ registered capital	Proportion of interest held by the Company *(Note 1)* 2014	2013	Principal activities
Shinhint Industries Limited	Incorporated	Hong Kong	HK$5,000,000	100%	100%	Investment holding and trading of components of electronic appliances
Tai Sing Industrial Company Limited	Incorporated	Hong Kong	HK$5,000,000	–	100%	Investment holding and trading of moulds, headphones and speakers related components
Crown Million Industries (International) Limited	Incorporated	Hong Kong	HK$10,000	100%	100%	Investment holding and trading of home theatre and automobiles speakers system
Fully Sino Industrial Limited	Incorporated	Hong Kong	HK$1	100%	–	Investment holding
Perfect Goal Holdings Limited	Incorporated	Hong Kong	HK$1	100%	100%	Investment holding

Name of subsidiary	Form of business structure	Place of incorporation or establishment	Paid up issued ordinary share capital/ registered capital	Proportion of interest held by the Company (Note 1) 2014	2013	Principal activities
Fortune Winner (Hong Kong) Limited	Incorporated	Hong Kong	HK$1	100%	–	Oil trade center
裕華能源(廈門)有限公司	Wholly foreign-owned enterprise	PRC	HK$1	100%	–	Oil trade centre
Max Achieve Holdings Limited	Incorporated	Hong Kong	HK$1	100%	100%	Trading of home theatre and automobiles speakers systems
Shinhint Industrial Holdings Limited ("Shinhint Industrial")	Incorporated	British Virgin Islands	US$1	100%	100%	Investment holding
Huiyuan Developments Limited	Incorporated	British Virgin Islands	US$1	100%	–	Investment holding
Chuang Hui Group limited	Incorporated	British Virgin Islands	US$1	100%	–	Investment holding
Blessing Garden Limited	Incorporated	British Virgin Islands	US$1	100%	–	Investment holding
Shinhint Technology (Shenzhen) Limited	Wholly foreign-owned enterprise	PRC	HK$4,750,000	100%	100%	Research and development
DongGuan Shinhint Audio Technology Limited	Wholly foreign-owned enterprise	PRC	HK$10,000,000	100%	100%	Manufacturing of home theatre and automobiles speakers system
Dongguan Tai Sing Audio Technology Limited	Wholly foreign-owned enterprise	PRC	US$5,898,400	–	100%	Manufacturing of moulds, headphones and speakers related components
富華(福建)能源有限公司	Wholly foreign-owned enterprise	PRC	HK$40,000,000	100%	–	Oil trade center

Notes:

1. Other than Shinhint Industrial and Huiyuan Development Limited, all other subsidiaries are indirectly held by the Company.

2. None of the subsidiary had any debt securities outstanding at 31st December, 2014 and 2013 or during the years then ended.

(B) UNAUDITED CONSOLIDATED STATEMENTS OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2015

The following is the full text of the unaudited consolidated financial statements of the Company for the six months ended 30 June 2015 as extracted from the interim report of the Company for the six months ended 30 June 2015:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th June, 2015

		Six months ended 30th June,	
		2015	**2014**
		HK$'000	*HK$'000*
	Notes	(Unaudited)	(Unaudited)
Continuing operations			
Revenue	*3*	1,068,916	250,912
Cost of sales		(1,033,054)	(229,783)
Gross profit		35,862	21,129
Other income		5,018	539
Selling and distribution costs		(2,598)	(1,399)
Administrative expenses		(69,968)	(13,781)
Research and development expenses		(1,471)	(1,479)
Other gains and losses		–	174
Finance costs		(534)	–
(Loss)/profit before tax		(33,691)	5,183
Income tax expenses	*4*	(3,991)	(1,105)
(Loss)/profit for the period from continuing operations	*6*	(37,682)	4,078
Discontinued operations			
Profit for the period from discontinued operations	*5*	–	2,297
(Loss)/profit for the period		(37,682)	6,375

	Notes	Six months ended 30th June, 2015 HK$'000 (Unaudited)	2014 HK$'000 (Unaudited)
Other comprehensive (expenses)/income:			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		333	(574)
Total comprehensive (expenses)/income for the period		(37,349)	5,801
(Loss)/earnings per share	*8*		
From continuing and discontinued operations			(Restated)
Basic *(HK cents)*		(5.47)	0.99
Diluted *(HK cents)*		(5.47)	0.99
From continuing operations			
Basic *(HK cents)*		(5.47)	0.63
Diluted *(HK cents)*		(5.47)	0.63

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2015

	Notes	30th June, 2015 HK$'000 (Unaudited)	31st December, 2014 HK$'000 (Audited)
Non-current Assets			
Property, plant and equipment	9	13,736	14,992
Intangible assets		978	978
Rental deposits		647	643
		15,361	16,613
Current Assets			
Inventories		130,190	39,218
Trade debtors, deposits and prepayments	10	460,535	182,664
Bank balances and cash		59,509	228,063
		650,234	449,945
Current Liabilities			
Trade creditors and accrued charges	11	182,318	197,238
Tax liabilities		2,823	828
Obligations under finance lease		47	50
Interest-bearing borrowings	12	138,154	–
		323,342	198,116
Net Current Assets		326,892	251,829
Total Assets less Current Liabilities		342,253	268,442
Non-current Liabilities			
Obligations under finance lease		–	22
Deferred tax liabilities		1,329	983
		1,329	1,005
Net Assets		340,924	267,437
Capital and Reserves			
Share capital	13	3,868	3,224
Reserves		337,056	264,213
Total Equity		340,924	267,437

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2015

	Share capital	Share premium	Special reserve	Statutory reserve	Exchange reserve	Share option reserve	Retained profits	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2014 (audited)	3,215	89,714	4,950	1,737	5,005	1,292	155,032	260,945
Profit for the period	–	–	–	–	–	–	6,375	6,375
Other comprehensive income for the period:								
Exchange differences arising on translation of financial statements of foreign operations	–	–	–	–	(574)	–	–	(574)
Total comprehensive income for the period	–	–	–	–	(574)	–	6,375	5,801
Disposal of subsidiaries	–	–	–	–	(2,273)	–	–	(2,273)
Exercise of share options	3	364	–	–	–	(88)	–	279
Lapse of share options	–	–	–	–	–	(1,027)	1,027	–
At 30th June, 2014 (unaudited)	3,218	90,078	4,950	1,737	2,158	177	162,434	264,752
At 1st January, 2015 (audited)	3,224	90,807	4,950	2,035	3,088	–	163,333	267,437
Loss for the period	–	–	–	–	–	–	(37,682)	(37,682)
Other comprehensive income for the period:								
Exchange differences arising on translation of financial statements of foreign operations	–	–	–	–	333	–	–	333
Total comprehensive expenses for the period	–	–	–	–	333	–	(37,682)	(37,349)
Placing of shares	644	60,849	–	–	–	–	–	61,493
Transfer from retained profits	–	–	–	401	–	–	(401)	–
Recognition of equity-settled share-based payments	–	–	–	–	–	49,343	–	49,343
At 30th June, 2015 (unaudited)	3,868	151,656	4,950	2,436	3,421	49,343	125,250	340,924

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30th June, 2015

	Six months ended 30th June,	
	2015	**2014**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash (outflow)/from operating activities	(366,606)	24,512
Investing activities		
Proceeds on disposal of subsidiaries	–	37,995
Interest received	53	717
Purchase of property, plant and equipment	(1,423)	(2,125)
Net cash (used in)/from investing activities	(1,370)	36,587
Financing activities		
Proceeds from issue of shares	61,493	279
Proceeds from new bank borrowings	138,154	–
Payment of finance lease liabilities	(25)	–
Interest paid	(534)	–
Net cash from financing activities	199,088	279
Net (decrease)/increase in cash and cash equivalents	(168,888)	61,378
Effect of foreign exchange rate changes	334	(489)
Cash and cash equivalents at beginning of the period	228,063	103,702
Cash and cash equivalents at end of the period, represented by bank balances and cash	59,509	164,591

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30th June, 2015

1. Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

During the year ended 31st December, 2014, the group disposed of its interests in the headphones and speaker systems segment *(as defined in Note 3)* and shift its focus on to the speaker units segment *(as defined in Note 3)*. The headphones and speaker systems segment had been discontinued and presented as discontinued operations in the Group's consolidated financial statements for the year ended 31st December, 2014. Accordingly, in preparing the condensed consolidated financial statements for the six month ended 30th June, 2015, the comparative figures of the condensed consolidated statement of profit or loss and other comprehensive income and related disclosure notes have been restated to reflect the presentation of headphones and speaker systems segment as a discontinued operation.

2. Principal accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months period ended 30th June, 2015 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31st December, 2014.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle

The application of the above new interpretations and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

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

3. Revenue and segment information

Revenue represents the net amount received and receivable for goods sold by the Group to outside customers, less returns and allowances, during the period.

The information reported to the Group's chief operating decision maker ("CODM") for the purposes of resource allocation and assessment of performance is focused on the type of products sold. During 2014, the Group commenced the business of energy trading (including but not limited to fuel oil, oil and natural gas). Prior-period figures have been re-presented to conform with current period presentation.

Due to the disposal of Tai Sing Industrial Company Limited ("TSI" or the "Disposal Group") as described in note 5, which has the headphones and speaker systems businesses and the addition of energy trading business, the Group's reportable and operating segments from continuing operations under HKFRS 8 "Operating Segments" are as follows:

Continuing operations

- Speaker units mainly comprise speaker drivers for automotive, flat-panel TV and audio applications.
- Energy trading mainly comprises fuel oil, oil and natural gas.

Discontinued operations

- Headphones mainly comprise wireless and wired headphones.
- Speaker systems mainly comprise portable and stationary speaker systems.

In accordance with HKFRS 5, headphones and speaker systems are regarded as discontinued operations in preceding interim period. The segment information reported below does not include any amounts for these discontinued operations, which are described in more detail in note 5.

Segment revenue and results

Reconciliation of segment results reviewed by CODM which are different from the Group's results are as follows:

For the six months ended 30th June, 2015

The segment results for the six months ended 30th June, 2015 are as follows:

Unaudited	Speaker units *HK$'000*	Energy trading *HK$'000*	Total *HK$'000*
Segment revenue			
Sales to external customers	246,748	822,168	1,068,916
Segment results	8,633	(39,287)	(30,654)
Reconciliation:			
Unallocated expense			(2,508)
Unallocated income			5
Finance costs	(1)	(533)	(534)
Loss before tax from continuing operations			(33,691)
Income tax expenses			(3,991)
Loss for the period from continuing operations			(37,682)

As at 30th June, 2015

The segment assets and liabilities as at 30th June, 2015 are as follows:

Unaudited	**Speaker units** *HK$'000*	**Energy trading** *HK$'000*	**Total** *HK$'000*
Segment assets	196,608	468,009	664,617
Reconciliation:			
Unallocated assets			978
Total assets			665,595
Segment liabilities	147,515	173,004	320,519
Reconciliation:			
Unallocated liabilities			4,152
Total liabilities			324,671

For the six months ended 30th June, 2014

The segment results for the six months ended 30th June, 2014 are as follows:

Unaudited	**Speaker units** *HK$'000*	**Energy trading** *HK$'000*	**Total** *HK$'000*
Segment revenue			
Sales to external customers	250,912	–	250,912
Segment results	6,619	–	6,619
Reconciliation:			
Unallocated expense			(1,436)
Unallocated income			–
Finance costs	–	–	–
Profit before tax from continuing operations			5,183
Income tax expenses			(1,105)
Profit for the period from continuing operations			4,078

As at 31st December, 2014

The segment assets and liabilities as at 31st December, 2014 are as follows:

Audited	Speaker units *HK$'000*	Energy trading *HK$'000*	Total *HK$'000*
Segment assets	424,039	41,541	465,580
Reconciliation:			
Unallocated assets			978
Total assets			466,558
Segment liabilities	196,437	873	197,310
Reconciliation:			
Unallocated liabilities			1,811
Total liabilities			199,121

4. Income tax expenses – continuing operations

	Six months ended 30th June, 2015 *HK$'000* (Unaudited)	2014 *HK$'000* (Unaudited)
Current tax for the period		
Hong Kong	513	695
People's Republic of China (the "PRC")		
Enterprise Income Tax	2,718	410
	3,231	1,105
Under provision in prior years		
PRC Enterprise Income Tax	414	–
Deferred tax for the period	346	–
Income tax expense for the periods	3,991	1,105

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods.

Pursuant to the PRC Enterprise Income Tax Law and its detailed implementation rules, distribution of the profits earned by the PRC subsidiaries since 1st January, 2008 shall be subject to PRC withholding tax. Deferred tax liability in respect of the withholding tax on the undistributed earnings of the Group's PRC subsidiaries during the period has been provided at the applicable tax rate of 5%.

5. Disposal of subsidiaries (discontinued operations)

On 18th November, 2013, the Group entered into a disposal agreement with Metro Star Investments Limited, which is 100% beneficially owned by Mr. Cheung Wah Keung, who is an ex-substantial shareholder, an ex-Executive Director and the ex-Chairman of the Company, to dispose of 100% equity interest in Tai Sing Industrial Company Limited ("TSI Group" or the "Disposal Group"), a subsidiary of the Group, which is engaged in the manufacturing and trading of headphones and speaker systems for an consideration of HK$122.2 million (the "Disposal"). The Disposal was completed on 28th February, 2014, on which date the Group lost control of the Disposal Group. The Group's headphones and speaker systems manufacturing and trading operations have been treated as discontinued operations in the preceding interim period.

The profit from the discontinued operations for the preceding interim period is analysed as follows:

	Two months ended 28th February, 2014 *HK$'000* (Unaudited)
Loss of discontinued operations for the period	(2,970)
Gain on disposal of TSI Group, net of transaction costs	5,267
	2,297

The results of headphones and speaker systems businesses for preceding interim period is as follows:

	Two months ended 28th February, 2014
	HK$'000
	(Unaudited)
Revenue	83,320
Cost of sales	(74,322)
Other income	232
Selling and distribution costs	(1,408)
Administrative expenses	(7,177)
Research and development expenses	(3,181)
Other gains and losses	(69)
Loss before tax	(2,605)
Income tax expenses	(365)
Loss for the period	(2,970)

The net assets of Disposal Group at the date of disposal were as follows:

	As at 28th February, 2014
	HK$'000
Net assets disposed of *(Note)*	118,373
Reclassification of cumulative translation reserve	(2,273)
	116,100
Transaction cost directly associated with the disposal	833
Gain on disposal, net of transaction costs	5,267
Total consideration	122,200
Satisfied by:	
Cash	122,200
Net cash inflow arising on disposal:	
Total cash consideration received	122,200
Less: transaction costs paid	(833)
Less: bank balance and cash disposed of	(83,372)
	37,995

Note: Intergroup balance due from TSI Group to the Group amounting to approximately HK$44,390,000 as at 28th February, 2014 was included in the net assets disposed and is repayable by TSI Group within six months from 28th February, 2014.

Cash flows for the period from the discontinued operation were as follows:

	Two months ended 28th February, 2014
	HK$'000
Net cash inflows from operating activities	28,990
Net cash inflows from investing activities	1,087
Net cash outflows used in financing activities	–
Net cash flows	30,077

6. (Loss)/profit for the period – continuing operations

	Six months ended 30th June,	
	2015	**2014**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss)/profit for the period from continuing operations has been arrived at after charging/(crediting) the following items:		
Depreciation	2,671	2,438
Net foreign exchange gain	4,965	194
Provision/(reversal) of write-down of inventories (included in cost of sales)	51	(43)
Share-based payment expense	49,343	–
Interest income	(53)	(536)

7. Dividends

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

8. (Loss)/earnings per share

From continuing and discontinued operations

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

	Six months ended 30th June, 2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss)/Earnings		
(Loss)/earnings for the purpose of basic and diluted earnings per share:		
(Loss)/profit for the period attributable to owners of the Company	(37,682)	6,375
	'000	*'000*
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	688,989	643,271

The computation of diluted earnings per share does not assume the exercise of share options granted under the share option scheme *(Note 14)* since their exercise would result in an anti-dilutive effect on the loss per share for the six months ended 30th June, 2015 (six months ended 30th June, 2014: increase in earnings per share).

The weighted average numbers of ordinary shares for the purpose of calculating basic earnings per share have been retrospectively adjusted to reflect the share subdivision with effect from 8th July, 2015.

From continuing operations

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

	Six months ended 30th June, 2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss)/earning figures are calculated as follow:		
(Loss)/profit for the period attributable to owners of the Company	(37,682)	6,375
Less: Profit for the period from discontinued operations	–	(2,297)
(Loss)/profit for the purposes of basic and diluted earnings per share from continuing operations	(37,682)	4,078

From discontinued operations

Basic and diluted earnings per share from discontinued operations is nil per share (30th June, 2014: HK0.36 cent per share (restated)) based on the profit for the period from discontinued operations of HK$Nil (30th June, 2014: HK$2,297,000) and the denominators detailed above for both basic and diluted earnings per share.

9. Property, plant and equipment

During the current interim period, the Group incurred approximately HK$1,423,000 (six months ended 30th June, 2014: approximately HK$2,125,000) for acquisition of property, plant and equipment.

10. Trade debtors, deposits and prepayments

	30th June, 2015 HK$'000 (Unaudited)	31st December, 2014 HK$'000 (Audited)
Trade debtors *(Note i)*	130,776	133,096
Other receivable and deposits	21,629	8,876
Trade prepayments *(Note ii)*	308,130	40,692
	460,535	182,664

Notes:

(i) The Group normally allows a credit period of 30 to 90 days to its trade customers, and may further extend the credit period to selected customers depending on their trade volume and settlement with the Group.

The following is an analysis of trade debtors by age, presented based on the invoice date, which approximated the revenue recognition date:

	30th June, 2015 HK$'000 (Unaudited)	31st December, 2014 HK$'000 (Audited)
Within 30 days	38,827	49,086
31 to 60 days	39,379	33,365
61 to 90 days	32,496	37,215
91 to 120 days	3,578	2,535
Over 120 days	16,496	10,895
	130,776	133,096

(ii) Trade prepayments mostly consist of advance payments made to suppliers for purchases of finished goods in accordance with the contract terms.

(iii) All of the current trade debtors, deposits and prepayments are expected to be recovered or recognized as expense within one year.

11. Trade creditors and accrued charges

All of the trade creditors and accrued charges are expected to be settled or recognized as income within one year or are repayable on demand. The following is an analysis of the trade creditors by age, presented based on the invoice date:

	30th June, 2015	**31st December, 2014**
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 30 days	26,599	60,154
31 to 60 days	36,129	40,600
61 to 90 days	31,951	31,306
91 to 120 days	22,475	35,301
Over 120 days	3,816	13,904
Total trade creditors	120,970	181,265
Accrued charges	61,348	15,973
Trade creditors and accrued charges	182,318	197,238

12. Interest-bearing borrowings

	30th June, 2015	**31st December, 2014**
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Bank borrowings	138,154	–

As at 30th June, 2015, the Group's bank borrowings of approximately HK$138,154,000 (31st December, 2014: Nil) were secured personal guarantee from a director of the Company and corporate guarantees from two related companies in which a director of the Company has beneficial interests.

The interest rates of the borrowings are 5.61% per annum during the period (the year ended 31st December, 2014: Nil).

Movements in borrowings are analysed as follows:

	Six months ended 30th June,	
	2015	**2014**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Opening amount at 1st January (audited)	–	–
Additions during the period	138,154	–
Closing amount at 30th June (unaudited)	138,154	–

13. **Share capital**

	Number of shares	**Amount**
		HK$'000
Ordinary shares of HK$0.01 each:		
Authorised:		
At 31st December, 2014 and 1st January, 2015	500,000,000	5,000
Increase in authorised share capital	1,500,000,000	15,000
At 30th June, 2015 (Unaudited)	2,000,000,000	20,000
Issued and fully paid:		
At 31st December, 2014 (Audited)	322,445,564	3,224
Issue of ordinary shares	64,369,112	644
At 30th June, 2015 (Unaudited)	386,814,676	3,868

14. Share option scheme

On 25th June, 2005, a share option scheme (the "Share Option Scheme") was approved and adopted by the shareholders of the Company to enable the Company to grant options to selected eligible participants as incentives or rewards for their contributions to the Group.

The total number of ordinary shares available for issue under the Share Option Scheme and any other schemes must not, in aggregate, exceed 30,000,000 ordinary shares, representing approximately 10% of the issued share capital of the Company on 25th June, 2005. The vesting periods and exercisable period of the options granted are determined by the board of directors of the Company at the date of grant and no option may be exercised more than 10 years from the date of grant.

The following table discloses movements of the share options held by directors and employees during the current and prior periods:

For the period from 1st January, 2015 to 30th June, 2015

					Number of share option				
	Grant date	Exercise price *HK$*	Vesting date	Exercisable period	As at 01/01/2015	Granted	Exercised	Forfeited	As at 30/06/2015
Employees	19/06/2015	5.13	19/06/2015	19/06/2015 – 18/06/2025	–	23,100,000	–	–	23,100,000
					–	23,100,000	–	–	23,100,000

For the period from 1st January, 2014 to 30th June, 2014

	Grant date	Exercise price HK$	Vesting date	Exercisable period	Number of share option As at 01/01/2014	Exercised	Forfeited	As at 30/06/2014
Directors	28/12/2010	0.93	15/01/2012	15/01/2012 – 27/12/2020	1,353,000	(99,000)	(1,056,000)	198,000
			15/01/2013	15/01/2013 – 27/12/2020	1,353,000	(99,000)	(1,056,000)	198,000
			15/01/2014	15/01/2014 – 27/12/2020	1,394,000	(102,000)	(1,088,000)	204,000
					4,100,000	(300,000)	(3,200,000)	600,000
Employees	28/12/2010	0.93	15/01/2012	15/01/2012 – 27/12/2020	99,000	–	(99,000)	–
			15/01/2013	15/01/2013 – 27/12/2020	99,000	–	(99,000)	–
			15/01/2014	15/01/2014 – 27/12/2020	102,000	–	(102,000)	–
					300,000	–	(300,000)	–

During the current interim period, no share options (30th June, 2014: 3,500,000) were forfeited after the vesting period due to the resignation of a director and several employees. When the share options are forfeited after the vesting date, the amount previously charged to profit or loss is transferred to retained profits, with a corresponding adjustment to the share option reserve. During the current interim period, HK$Nil was credited to retained profits due to forfeiture of share options (30th June, 2014: HK$1,027,000).

15. Capital commitments

The Group had no commitments for capital expenditure for both periods ended 30th June, 2015 and 31st December, 2014 respectively.

16. Related party transaction

During the period, the Group entered into the following transactions with related parties:

Name of related party	Nature of transaction	Six months ended 30th June, 2015	2014
		HK$'000	*HK$'000*
		(Unaudited)	(Unaudited)
Directors and key management	Salaries and other benefits	1,190	3,054
	Retirement benefit schemes contributions	–	43
		1,190	3,097
TSI Group *(Note)*	Technical service income	3,951	1,967
	Reimbursement of administrative supporting service expenses	420	1,510
	Sales of goods	9,438	9,340
		13,809	12,817
Fujian Yuhua Petrochemical	Crude oil jetty and storage services	1,395	–

Note: The amounts represent transactions with TSI Group after the Disposal. TSI Group was formerly a subsidiary of the Company and now become a related company of the Group.

17. Events after reporting period

Share subdivision

Pursuant to the ordinary resolution passed at the extraordinary general meeting of the Company held on 7th 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 8th July, 2015. After the completion of share subdivision, total number of shares issuable is 46,200,000, with effect from 8th July, 2015, for the share option granted on 19th June, 2015.

Termination of the R&D Service Agreement

On 6th August, 2015, Shinhint Technology (Shenzhen) Limited ("Shinhint Technology") and Tai Sing Audio Technology Limited ("TSAT") mutually agreed and entered into a termination deed to terminate the R&D Service Agreement with effect from 6th August, 2015. The Directors confirm that neither Shinhint Technology nor TSAT has to pay the other party any penalty and/or compensation as a result of the termination.

3. BUSINESS TREND AND FINANCIAL AND TRADING PROSPECT OF THE GROUP

The Group is principally engaged in (i) trading and manufacturing of speaker units and provision of consultancy services in connection with research and development of headphones and speaker products (the "**Speaker Business**"); and (ii) trading of energy products including but not limited to fuel oil, oil, natural gas, biodiesel and chemical products (the "**Energy Trading Business**").

The management expects that the Group's Speaker Business would not have significant growth in 2016. Given the modest development of the Speaker Business, the Group considers that the present available resources is sufficient to maintain the normal operation and meet the demand from customers in 2016. Thus, the Group does not have any intention to allocate further resources to this business segment but will keep to review the operation and consider appropriate adjustment from time to time.

On the contrary, the Group intends to expand the Energy Trading Business by allocating more liquid capital to this segment in 2016. With extra liquid capital on hand, the Group will be able to conduct more trading transactions at the same time. In order to secure a solid and friendly relationship with the customers and suppliers, the Group has entered into two sale and purchase framework agreements for purchase of fuel oil in 2016 and four purchase framework agreements for sale of fuel oil in 2016. To expand the customer base, the Group will (i) attend industry conferences and exhibitions to make new acquaintances with potential customers; (ii) gain access to industry information websites as well as PRC and international business forums to connect to potential customers; (iii) contact potential customers recommended by peers or existing customers; and (iv) sponsor relevant activities in order to gain public awareness, aiming to promote own brand and enhance own brand value.

Looking forward, the Group will continue to focus on the purchase and sale of energy products within the PRC. However, the Group also plans to conduct international trade initially by purchasing from overseas and delivering to customers in the PRC. The Group believes that the Energy Trading Business will contribute a significant return to the Group. At the same time, the Group will also explore other investment opportunities that are beneficial to the Shareholders.

4. INDEBTEDNESS

As at the close of business on 30 November 2015, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had (i) outstanding bank borrowings of RMB100 million (equivalent to approximately HK$121.17 million) which were secured by personal guarantee from a director of the Company and corporate guarantees from related companies in which a director of the Company has beneficial interests; (ii) other borrowings of approximately HK$3.9 million; and (iii) obligations under finance lease of approximately HK$26,000.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have at the close of business on 30 November 2015 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

5. MATERIAL CHANGE

Save and except as disclosed below, there has been no material change in the financial and trading position or outlook of the Group since 31 December 2014, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date:

1) As disclosed in the interim report of the Company for the six months ended 30 June 2015 ("**PE2015**"), there have been certain material changes in the financial or trading position or outlook of the Group since 31 December 2014 and up to 30 June 2015 and, in particular, the Directors note as follows:

   (a) the consolidated revenue of the Group in PE2015 increased to approximately HK$1,068.92 million, representing an increase of approximately 326.02% from approximately HK$250.91 million for the six months ended 30 June 2014 ("**PE2014**"). The uplift of the consolidated revenue was mainly driven by the growth of the Energy Trading Business. Revenue from Energy Trading Business in PE2015 was approximately HK$822.17 million (PE2014: nil), representing approximately 77% of the total revenue of the Group; while revenue from speaker units reached to approximately HK$246.75 million in PE2015 (PE2014: approximately HK$250.91 million), representing a decrease of approximately 1.66% and accounted for approximately 23% of the total revenue of the Group;

   (b) the gross profit of the Group in PE2015 increased to approximately HK$35.86 million, representing an increase of approximately 69.71% from approximately HK$21.13 million in PE2014. The increase in gross profit was mainly attributable to the addition of Energy Trading Business since December 2014;

   (c) the operating expenses of the Group in PE2015 increased to approximately HK$74.04 million, representing an increase of approximately 344.42% from approximately HK$16.66 million in PE2014. The increase was mainly due to the addition of Energy Trading Business since December 2014. In addition, approximately HK$49.34 million of the operating expense in PE2015 was arose from the recognition of one-off non-cash share-based payment expenses relating to the grant of Share Options;

(d) as at 30 June 2015, the inventories of the Group amounted to approximately HK$130.19 million, representing an increase of approximately 231.95% from approximately HK$39.22 million as at 31 December 2014. The increase in inventories was mainly due to the purchase of energy products on hand as at 30 June 2015;

(e) as at 30 June 2015, the trade debtors, deposits and prepayments of the Group amounted to approximately HK$460.54 million, representing an increase of approximately 152.13% from approximately HK$182.66 million as at 31 December 2014. The increase in trade debtors, deposits and prepayments was mainly due to the increase in prepayment made to suppliers for the purchase of energy products; and

(f) as at 30 June 2015, the cash and cash equivalents of the Group amounted to approximately HK$59.51 million, representing a decrease of approximately 73.91% from approximately HK$228.06 million as at 31 December 2014. The decrease in cash and cash equivalents of the Group as at 30 June 2015 was mainly due to the increase in prepayment made to suppliers for the purchase of energy products in the Energy Trading Business.

2) On 7 September 2015 (after trading hours), Xiamen Yuhua Energy (as purchaser) has entered into the acquisition agreements with Xiamen Ocean Star (as vendor) (as supplemented by two supplemental agreements entered into on the same date), pursuant to which Xiamen Ocean Star conditionally agreed to sell and Xiamen Yuhua Energy conditionally agreed to acquire the Properties at a consideration of RMB88,741,660 (the "**Acquisition**"). The Group intends to hold the Properties for investment purpose and will, depending on the market circumstances, lease out the Properties for obtaining rental income. It is expected that the Acquisition will broaden the income base of the Group. Details of the Acquisition were disclosed in the announcement of the Company dated 7 September 2015 and the circular of the Company dated 3 November 2015. The aforesaid acquisition agreements and the transactions contemplated thereunder were approved by the then independent Shareholders at the extraordinary general meeting of the Company held on 20 November 2015. The Group settled the consideration of RMB88,741,660 in December 2015. As at the Latest Practicable Date, the Acquisition has not been completed.

3) As disclosed in the profit warning announcement of the Company dated 4 January 2016, based on the preliminary review of the Group's unaudited management accounts for the eleven months ended 30 November 2015 and the information currently available to the Board, the Group is expected to record a net loss for the year ended 31 December 2015 as compared with a net profit of approximately HK$7,572,000 for the year ended 31 December 2014 (i.e. the Profit Warning Statement). The estimated net loss was mainly attributable to the one-off share-based payment expenses in relation to the Share Options granted by the Company on 19 June 2015, details of which were disclosed in the announcement of the Company dated 19 June 2015. Such expenses were of non-cash nature.

The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this circular received from Asset Appraisal Limited, an independent valuer, in connection with its valuation as at 30 November 2015 of the Properties.

Asset Appraisal Limited
中誠達資產評值顧問有限公司

Rm 901, 9/F., On Hong Commercial Building
145 Hennessy Road, Wanchai, Hong Kong
香港灣仔軒尼詩道145號
安康商業大廈9字樓901室
Tel : (852) 2529 9448 Fax : (852) 3521 9591

21 January 2016

The Board of Directors
Yuhua Energy Holdings Limited
Room 2207, 22/F
Harbour Centre
25 Harbour Road
Wan Chai, Hong Kong

Dear Sirs,

Level 2 to 7, Block A,
Ocean Star International Operation Centre,
The east session of Haijing Road
05-13 Free Trade Port Zone
Haicang District, Xiamen City,
Fujian Province, the PRC.

In accordance with the instructions from **Yuhua Energy Holdings Limited** (referred to as the "**Company**") to value the captioned property interests (referred to as the "**Property**") situated in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspections of the Property, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at **30 November 2015** (the "**Valuation Date**").

Basis of Valuation

Our valuation of the Property represents the market value which is defined by the International Valuation Standard and followed by the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

As the property is currently under construction and is to be transacted on pre-sale basis, our valuation has been made on the basis that the seller shall commit to complete all construction works, settle all the development cost incurred and deliver the property on fully completion stage to the buyer to complete the property transaction within the contractual time frame as agreed by both parties.

Valuation Methodology

The Property has been valued by the comparison method where comparison based on prices realised or market prices of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values.

Assumptions

No allowance has been made in our report for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

Our valuation has been made on the assumption that owners sell the Property on the market in fully completion state without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the Property.

For those properties held by the owners by means of long term Land Use Rights granted by the Government, we have assumed that the owner has free and uninterrupted rights to use the properties for the whole of the unexpired term of the respective land use rights. We have also assumed that they can be freely transferred on the market free from any land premium or expenses of substantial amount payable to the Government.

Other special assumptions for our valuation (if any) would be stated out in the footnotes of the valuation certificate attached herewith.

Titleship

We have been provided with copies of legal documents regarding the Property. However, we have not verified ownership of the Property and the existence of any encumbrances that would affect ownership of the Property.

We have also relied upon the legal opinion provided by the PRC legal adviser dated 19 January 2016, namely Beijing Yingke Law Firm Xiamen Office (北京盈科(廈門)律師事務所) to the Company on the relevant laws and regulations in the PRC, on the nature of land use rights and the owner's interests in the Property.

Limiting Conditions

No allowance has been made in our report for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value. Our valuation have been made on the assumption that the seller sells the Property on the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the Property.

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters of the Property.

We have not carried out detailed site measurements to verify the correctness of the site area and floor areas in respect of the Property but have assumed that the floor areas shown on the Government documents handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

The Property was inspected by Zhou Tong on 5 January 2016, a registered PRC Real Estate Appraiser and an employee of us. However, no structural survey has been made for the Property. In the course of our inspection, we did not note any serious defects. We are unable to report whether the buildings and structures of the Property are free of rot, infestation or any other structural defects. No test was carried out on any of the services of the buildings and structures of the Property.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

In valuing the Property, we have complied with all the requirements contained Rule 11 of the Codes on Takeovers and Mergers and Share Repurchases of the Securities and Futures Commission, in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

We have been advised by the Company that the potential tax liabilities include Land Appreciation Tax at progressive tax rates from 30% to 60%, Business Tax at 5% of sales amount, related surcharge at 11% of Business Tax, and Income Tax at 25% on profit before tax. The exact amount of tax payable upon realization of the relevant properties in the PRC will be subject to the formal tax advice issued by the relevant tax authorities at the time of disposal of relevant properties upon presentation of the relevant transaction documents. The amount of the tax liabilities would be quantifiable or crystallized upon completion of disposal of the properties by the Group. The Company has further confirmed that the Company has no intention to dispose of the relevant properties.

As confirmed by the Company, no potential tax liability would arise if the Property is to be sold at a consideration equal to the valuation amount.

As advised by the Company, the potential tax liability arises from obtaining the title certificate of the property is approximately RMB2,760,000, including a deed tax of RMB88,741,660 × 3% (equivalent to RMB2,662,249.8) and other miscellaneous expense of less than RMB100,000.The deed tax would be crystallized and paid by the Group upon the time when the Group applies for the title certificate.

Unless otherwise stated, all monetary sums stated in this report are in Renminbi (RMB).

Our valuation certificate is attached herewith.

Yours faithfully,
for and on behalf of
Asset Appraisal Limited

Sandra Lau
MHKIS AAPI RPS(GP)
Director

Sandra Lau is a member of the Hong Kong Institute of Surveyors, an Associate of the Australian Property Institute and a Registered Professional Surveyor in General Practice. She is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Valuation Forum and has over 10 years' experience in valuation of properties in Hong Kong, in Macau and in the PRC.

VALUATION CERTIFICATE

Property interests to be acquired by the Company

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2015 *RMB*
Level 2 to 7, Block A, Ocean Star International Operation Centre, The east session of Haijing Road 05-13 Free Trade Port Zone Haicang District, Xiamen City, Fujian Province, the PRC. (福建省廈門市海滄區海之星國際營運中心A棟2至7層)	The Property comprises the office spaces on the 2nd to 7th floor of a 17-storey office building with two basement levels, which is proposed to be completed in about 2016. As advised by the Company, the planned gross floor area of the property is summarized as follows: **Floor** — **GFA** *(sq. m.)* 2 — 676.11 3 — 1,130.18 4 — 1,133.10 5 — 1,133.10 6 — 1,133.10 7 — 1,133.10 **Total: 6,338.69** The land use rights in the Property have been granted for a term commencing on 18 March 2013 and expiring on 17 March 2063.	As at the valuation date, the reinforced concrete structure of the Property has been completed. Electrical and mechanical works fixture and interior decoration works are in progress. (Our valuation has been made on the basis that the property will be completed and delivered to the buyer on fully completion stage.)	89,000,000 *(See notes 6 and 7 below)*

Notes:

1. According to a Xiamen Land and Building Ownership Certificate (Ref: Xia Guo Tu Fang Zheng No. Di 00020355, 夏國土房證第地00020355號) dated 8 July 2013, land use rights of the subject development with a total site area of 12,272.67 square metres are held by Xiamen Ocean Star for a term commencing on 18 March 2013 and expiring on 17 March 2063 for office use.

2. Pursuant to a Planning Permit for Construction Land (Ref: Di Zi No.350205201313022, 地字第350205201313022號) dated 28 April 2013 and a Planning Permit for Construction Works (Ref: Jian Zi No.350205201313060, 建字第350205201313060號) dated 26 September 2013, the proposed development scheme of the subject development has been approved.

3. Pursuant to a Construction Works Commencement Permit (Ref No. 350211201401060101) dated 6 January 2014, the construction work for the proposed development has been approved.

4. Pursuant to a Pre-sale Permit (Ref: Yu Shou Xu Ke Zheng No. 20150030, 預售許可證第20150030號) dated 22 July 2015, the pre-sale for the subject development has been approved.

5. Pursuant to the aforesaid Xiamen Land and Building Ownership Certificate, the subject development was subject to a mortgage in favour of Bank of Communications Co,. Ltd. Xiamen Branch (交通銀行股份有限公司廈門分行) registered on 1 August 2014. As advised by the Company, the outstanding amount as at the valuation date is RMB135,000,000.

6. Pursuant to the acquisition agreements dated 7 September 2015 entered into between Xiamen Yuhua Energy (as purchaser) and Xiamen Ocean Star (as vendor) (as supplemented by two supplemental agreements both dated 7 September 2015), the property was acquired by the former at a total consideration of RMB88,741,660 on fully completion basis. As advised by the Company, the consideration has been fully settled.

7. The market value of the property has been determined on the following basis:

   - The vendor has the rights and has obtained all necessary consent and approval to dispose of the property to any third party on pre-sale basis subject to no additional land premium payable to the Government;

   - the vendor shall commit to complete the construction work of the property and deliver the property on fully completion stage to the purchaser on or before the end of this year; and

   - the vendor shall go through all necessary applications and procedures for obtaining title certificate of the property in the name of the purchaser within a reasonable time frame after the completion and handover of the property without undue delay.

   - The consideration for acquisition of the property has been fully settled.

   - As advised by the Company, the title certificate will be obtained about September 2016 with the cost of RMB2,760,000, (including a deed tax of RMB88,741,660 × 3% (equivalent to RMB2,662,249.8) and other miscellaneous expense of less than RMB100,000.)

8. In accordance with the information provided by the Group, the status of title and grant of major approvals and licences are as follows:

State-owned Land Use Rights Certificate	:	Yes
Planning Permit for Construction Land	:	Yes
Planning Permit for Construction Works	:	Yes
Construction Works Commencement Permit	:	Yes
Per-Sale Permit	:	Yes

9. The opinion from the PRC legal adviser of the Company on the Property is as follows:

   i. Pursuant to a Xiamen Grant Contract for State-owned Construction Land Use Rights (廈門市國有建設用地使用權出讓合同, Ref: 35020520130318CG018) entered into among the Xiamen Land and Resources Administrative Bureau Haicang Branch (廈門市國土資源與房產管理局海滄分局, as grantor), Xiamen Ocean Star (as grantee), Xiamen Haicang Land Storage Administration Limited (廈門海滄土地儲備管理有限公司, as the third party) and the Xiamen City Haicang District Municipal Government (廈門市海滄區人民政府, as the fourth party) on 18 March 2013, the grantor has granted the land use rights of the subject development with an area of 12,272.689 square metres to the grantee for commercial use at a land premium of RMB50,000,000.

   ii. As revealed from a Land Premium Settlement Certificate (土地出讓金繳訖證明, Ref: (2013) Cai No.020) and a Xiamen Local Tax Bureau Deed Tax Settlement Certificate (廈門市地方稅務局契稅完稅證明, Ref: (2012) Xia Di No.00302544), the land premium and deed tax have been fully settled.

   iii. As revealed from a Xiamen Land and Building Ownership Certificate (Ref: Xia Guo Tu Fang Zheng No.00020355), the land use rights of the subject development with a site area of 12,272.67 square metres are held by Xiamen Ocean Star for a term commencing on 18 March 2013 and expiring on 17 March 2063 for office use. The transfer, leasing and mortgaging of the subject land parcel are subject to the conditions as mentioned in the aforesaid Xiamen Grant Contract for State-owned Construction Land Use Rights.

   iv. As revealed from a Reply from the Xiamen City Haicang District Development and Reform Bureau regarding the permission of the filing of project proposal of Ocean Star International Business (廈門市海滄區發展和改革局關於同意海之星國際營運中心項目備案的復函), the bureau has permitted the filing of the development scheme of the subject project.

   v. As revealed from a Reply from the Xiamen City Environment Protection Bureau Haicang Branch regarding the acceptance of Environmental Impacts Study Report of Ocean Star International Business Project (廈門市環境保護局海滄分局關於廈門海之星航運有限公司海之星國際營運中心項目環境影響報告表的批復), the bureau has approved the development of the subject project.

   vi. As revealed from a Planning Permit for Construction Land (建設用地規劃許可證, Ref: Di Zi No.350205201313022), a Planning Permit for Construction Works (建設工程規劃許可證, Ref: Jian Zi No.350205201313060) and a Construction Works Commencement Permit (建築工程施工許可證, Ref No. 350211201401060101), the proposed use (office) and proposed scale (gross floor area of 51,966.405 square metres) and the carrying out of construction work of the subject development have been approved.

   vii. As revealed from a Fixed Asset Loan Contract (固定資產貸款合同, Ref: No.201400611025) and a Mortgage Contract (抵押合同, Ref No.201400694003) entered into between Bank of Communications Co,. Ltd. Xiamen Branch and Xiamen Ocean Star on 25 July 2014 and the remarks registered in the aforesaid Xiamen Land and Building Ownership Certificate on 1 August 2014, the property is subject to a mortgage with a principal of RMB135 million over a loan period spanning between 30 July 2014 and 30 July 2019.

   viii. As revealed by a Pre-sale Permit (商品房預售許可證, Ref: Yu Shou Xu Ke Zheng No.20150030), the pre-sale 115 units with a total gross floor area of 16,536.59 square metres of the subject development has been approved.

ix. According to Proviso 4 of the aforesaid Xiamen Grant Contract for State-owned Construction Land Use Rights, the transfer of the subject land parcel is subject to the following alienation conditions:

a) For first launch on the market, at least 25% of development in term of total investment costs has been completed;

b) Not less than 40% of the gross floor area of office portion above ground level of the development shall be retained by Xiamen Ocean Star for a period of not less than 10 years (from the issue of the Building and Land Ownership Certificate) and any transfer or mortgaging of the aforesaid office portion shall be made on en bloc basis but not strata-title basis;

c) Xiamen Ocean Star can only allowed to transfer the whole or any part of the subject development to purchaser(s) engaging in shipping logistic, oil trading or related industries;

d) prior approval from the Xiamen Land Resources and Building Administrative Bureau Haicang Branch and the Xiamen City Haicang District Municipal Government should be obtained.

x. The compliance of the aforesaid alienation conditions for the proposed transfer of the Property by Xiamen Ocean Star are examined as follows:

- According to a Certificate of Construction Project Investment（建設項目投資證明）, the total development cost of the subject development is RMB120,610,00 while the cost already expended is RMB40,000,000, which is over 25% of the total cost;

- The purchaser is engaged in wholesaling of petroleum products and satisfies the restricted trades permitted for the eligible purchaser of the property;

- According to the aforesaid Construction Works Commencement Permit and Pre-sale Permit, the floor area of the subject property to be acquired by the purchaser does not exceed 60% of the total gross floor area of the office portion of the development;

- According to a Application Form of Acquisition Qualification（企業購買資格核定申請表）issued by the Xiamen City Haicang District Economic and Trade Bureau on 1 December 2015, the qualification of the Company to acquire the subject property has been confirmed;

- The transfer of the subject property from Xiamen Ocean Star to the Company is subject to approval from the Xiamen Land Resources and Building Administrative Bureau Haicang Branch.

xi. According to Proviso 6 of the aforesaid Mortgage Contract, the subject land parcel (Lot No. H2013P03) is prohibited from being transferred or otherwise disposed by Xiamen Ocean Star without written consent from Bank of Communications Co,. Ltd. Xiamen Branch. Therefore, Xiamen Ocean Star should obtain prior consent from Bank of Communications Co,. Ltd. Xiamen Branch before transferring the subject property to the purchaser. According to the Approval Letter of Land Mortgage for Commodity House Sale and Purchase Contract Filing（《商品房買賣合同》登記備案土地抵押放行單）issued by Bank of Communications Co,. Ltd. Xiamen Branch on 23 December 2015, the written consent for transferring the subject property has been obtained by Xiamen Ocean Star.

xii. As the subject development was under construction as at the valuation date, any amount due from Xiamen Ocean Star to the contractors for payment of construction costs shall have higher priority of repayment and shall undermine the transfer of the property. According to Proviso 2 of the Reply of the Supreme People's Court on Issues concerning the Priority of Compensation for Construction Payment (最高人民法院關於建設工程價款優先受償權問題的批復), those purchasers who have fully or substantially settled the purchase consideration shall be immune from the higher priority of repayment rights of the construction cost amounts overdue. Therefore, the Company is advised to paid off the purchaser consideration on time so as to get rid of the influence on property transfer from any construction cost overdue.

xiii. According to Proviso 41 of the PRC Urban Property Administration Law, all land grant conditions and restrictions of the subject development are binding to all purchasers of the subject development and their sucessors-in-title. The possibility that additional restrictions would be imposed onto the Company by the Government in granting consent to the Company for future transfer of the property cannot be ruled out.

xiv. In sum, the PRC legal adviser opines that Xiamen Ocean Star's title to the subject development is legal and valid and is not subject to any judiciary seizure and closure order. However, the following prerequisites should be fulfill for the transfer of the Property:

- Xiamen Ocean Star should obtain prior approval from the Xiamen Land and Resources Administrative Bureau Haicang Branch.

xv. As of 31 December 2015, the following conditions have not been fulfilled to obtain the Building Ownership Certificate of the subject property:

1. submission of the singed Sale and Purchase Agreement to Xiamen property and land development administrative Bureaus for filing;

2. complete the Examination Works of Completion and Fire Resistant of the development and obtain the Filing of Certificate for Construction Completion and Quality Examination (Pass)(工程質量竣工驗收(合格)備案證);

3. obtain the Building and Land Ownership Certificate.

xvi. Pursuant the PRC legal opinion, according to the Sale and Purchase Agreements and relevant laws, Xiamen Ocean Star should perform the aforesaid conditions and assist the Company to complete the title registration of the subject property.

The following is the text of a report on the Profit Warning Statement received from Cheng & Cheng Limited, Certified Public Accountants, Hong Kong, for the sole purpose of inclusion in this circular.

CHENG & CHENG LIMITED
CERTIFIED PUBLIC ACCOUNTANTS
鄭鄭會計師事務所有限公司
10/F., Allied Kajima Building,
138 Gloucester Road, Wanchai, Hong Kong

The Board of Directors
Yuhua Energy Holdings Limited
(Formerly known as Shinhint Acoustic Link Holdings Limited)
Room 2207, 22nd floor,
Harbour Centre,
25 Harbour Road,
Wanchai, Hong Kong

Dear Sirs,
Yuhua Energy Holdings Limited ("**the Company**")

Profit Estimate for the year ended 31 December 2015

We refer to the estimate of the consolidated profit attributable to equity holders of the Company for the year ended 31 December 2015 ("**the Profit Estimate**"). The Profit Estimate has been prepared to enable the directors of the Company to issue the following statements set out in the profit warning announcement dated 4 January 2016 (the "**Profit Warning Announcement**").

"The board (the "**Board**") of directors (the "**Directors**") of the Company wishes to inform the shareholders and potential investors of the Company that based on a preliminary review of the Group's unaudited management accounts for the eleven months ended 30 November 2015 and the information currently available to the Board, the Group is expected to record a net loss for the year ended 31 December 2015, as compared with a net profit of approximately HK$7,572,000 for the year ended 31 December 2014 (the "**Profit Warning**"). The estimated net loss was mainly attributable to the one-off share-based payment expenses in relation to the share options granted by the Company on 19 June 2015, details of which were disclosed in the announcement of the Company dated 19 June 2015. The Board wishes to point out that such expenses were of non-cash nature."

DIRECTORS' RESPONSIBILITIES

The Profit Estimate has been prepared by the directors of the Company based on the unaudited consolidated management accounts of the Group for the eleven months ended 30 November 2015 and the results shown in the unaudited management accounts of the Group for one month ended 31 December 2015.

The Company's directors are solely responsible for the Profit Estimate.

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

REPORTING ACCOUNTANTS' RESPONSIBILITIES

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500, *Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness* and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Profit Estimate in accordance with the bases and assumptions adopted by the directors and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

OPINION

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases made by the directors and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the annual report of the Company for the year ended 31 December 2014.

Yours faithfully,

Cheng & Cheng Limited
Certified Public Accountants

Y. Y. Li, Alice
Practising Certificate number P03373

Hong Kong, 21 January 2016

The following is the text of a report on the Profit Warning Statement received from Astrum Capital Management Limited, for the sole purpose of inclusion in this circular.

Astrum Capital Management Limited
阿仕特朗資本管理有限公司

21 January 2016

Yuhua Energy Holdings Limited
Room 2207, 22/F
Harbour Centre
25 Harbour Road
Wanchai, Hong Kong

Attention: the Board of Directors

Dear Sirs,

We refer to the profit warning statement made by Yuhua Energy Holdings Limited (the "**Company**") in its announcement dated 4 January 2016 in respect of the Group's consolidated financial results for the year ended 31 December 2015 (the "**Profit Warning Statement**"). We note that the Profit Warning Statement is regarded as a profit forecast pursuant to Rule 10 of the Takeovers Code. Capitalised terms used herein have the same meanings as defined in the circular of the Company dated 21 January 2016 (the "**Circular**") unless the context requires otherwise.

With reference to the Profit Warning Statement, it states that:

"Based on the preliminary review of the Group's unaudited management accounts for the eleven months ended 30 November 2015 and the information currently available to the Board, the Group is expected to record a net loss for the year ended 31 December 2015, as compared with a net profit of approximately HK$7,572,000 for the year ended 31 December 2014. The estimated net loss was mainly attributable to the one-off share-based payment expenses in relation to the Share Options granted by the Company on 19 June 2015, details of which were disclosed in the announcement of the Company dated 19 June 2015. The Board wishes to point out that such expenses were of non-cash nature."

We have reviewed the Profit Warning Statement and other relevant information and documents which you as the Directors are solely responsible for and discussed with you and the senior management of the Company the key bases upon which the Profit Warning Statement has been made. In addition, we have considered, and relied upon, the report on the Profit Warning Statement from Cheng & Cheng Limited addressed to the Directors dated 21 January 2016 regarding the accounting policies and the arithmetical accuracy of the calculations upon which the Profit Warning Statement has been made.

Based on the above, we are of the opinion that the Profit Warning Statement, for which the Directors are solely responsible, has been made with due care and consideration.

Yours faithfully,
For and on behalf of
Astrum Capital Management Limited
Hidulf Kwan
Managing Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this circular misleading.

This circular includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than information relating to the Subscriber and parties acting in concert with him) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the Subscriber and parties acting in concert with him) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The Subscriber accepts full responsibility for the accuracy of the information contained in this circular (other than information relating to the Group) and confirms, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed in this circular (other than those expressed by the Group) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. MARKET PRICE

The table below sets out the closing prices of the Shares on the Stock Exchange (i) on the last trading day of each of the calendar months during the Relevant Period; (ii) on 26 November 2015 (being the Last Trading Day); and (iii) on the Latest Practicable Date.

Date	Closing price per Share *(HK$)*
30 June 2015	2.80 *(Note 1)*
31 July 2015	2.00
31 August 2015	1.26
30 September 2015	1.45
30 October 2015	1.19
26 November 2015 *(being the Last Trading Day)*	1.00
30 November 2015	Suspended *(Note 2)*
31 December 2015	1.06
19 January 2016 *(being the Latest Practicable Date)*	0.98

Notes:

1. The closing price of the Shares on 30 June 2015 was adjusted in accordance with the share subdivision (the "**Share Subdivision**") as announced by the Company on 11 June 2015 and becoming effective on 8 July 2015, details of which are set out in the announcement of the Company dated 11 June 2015 and the circular of the Company dated 19 June 2015.

2. Trading in the Shares was suspended during the period commencing from 27 November 2015 and up to 4 December 2015 pending the release of the Announcement.

The highest and lowest closing market prices of the Shares recorded on the Stock Exchange during the Relevant Period were HK$3.275 (adjusted in accordance with the Share Subdivision) on 24 June 2015 and HK$0.66 on 8 July 2015, respectively.

3. SHARE CAPITAL

(a) Share capital of the Company

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon Completion are as follows:

(i) Share capital as at the Latest Practicable Date:

	Nominal value per Share *HK$*	**Number of Shares**	**Amount** *HK$*
Authorised:			
As at the Latest Practicable Date	0.005	4,000,000,000	20,000,000.00
Issued and fully paid:			
As at the Latest Practicable Date	0.005	773,629,352	3,868,146.76

(ii) Share capital immediately upon Completion

	Nominal value per Share *HK$*	**Number of Shares**	**Amount** *HK$*
Authorised:			
As at the Latest Practicable Date	0.005	4,000,000,000	20,000,000.00
Issued and fully paid:			
As at the Latest Practicable Date	0.005	773,629,352	3,868,146.76
Subscription Shares to be issued pursuant to the Subscription	0.005	640,000,000	3,200,000.00
Shares in issued upon Completion	0.005	1,413,629,352	7,068,146.76

All issued Shares rank *pari passu* in all respects with each other, including, in particular, as to dividends, voting rights and return of capital.

The Subscription Shares to be allotted and issued will, when issued, rank *pari passu* in all respects with the Shares then in issue. The Subscriber will be entitled to receive all dividends and distributions which may be declared, made or paid on or after the date of issue of Subscription Shares. As at the Latest Practicable Date, there was no arrangement under which future dividends are waived or agreed to be waived.

The issued Shares are listed on the Stock Exchange. None of the securities of the Company is listed or dealt in, and no listing or permission to deal in the securities of the Company is being or is proposed to be sought on any other stock exchange.

Since 31 December 2014, being the date to which the latest published audited consolidated financial statements of the Group were made up, the Company has issued 64,369,112 shares of nominal value of HK$0.01 each at the price of HK$0.97 each, details of which were set out in the paragraph headed "Fund raising activities of the Company in the past 12 months" in the letter from the Board in this circular. Save as disclosed above, there has been no increase in the issued share capital of the Company since 31 December 2014 and up to the Latest Practicable Date.

(b) Share Options

As at the Latest Practicable Date, the Company had the following outstanding Share Options:

Name or category of participant	Date of grant	Exercisable period	Exercise price per Share	Number of Share Options as at the Latest Practicable Date
Employees	19 June 2015	19 June 2015 to 18 June 2025	2.565	38,500,000

As at the Latest Practicable Date, save for the Share Options as disclosed above, the Company did not have any outstanding convertible securities, options or warrants in issue or similar rights which confer any right to subscribe for, convert or exchange into the Shares or any agreement or arrangement to issue Shares.

4. DISCLOSURE OF INTEREST

(a) Directors' interests and short positions in shares and underlying shares of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors or chief executive have taken or deemed to have under such provisions of the SFO); (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules to be notified to the Company and the Stock Exchange are set out below:

Name of Directors	Capacity	Number of Shares (Note 1)	Total number of Shares	Approximate percentage of the issued Shares as at the Latest Practicable Date	Approximate percentage of the enlarged issued Shares upon Completion
Lin Caihuo(2)	Beneficial Owner	848,278,946	848,278,946	109.65%	60.01%

Note:

1. Interests in Shares stated above represent long positions.

2. These 848,278,946 Shares represent the 208,278,946 Shares beneficially owned by Mr. Lin and the 640,000,000 Subscription Shares to be allotted and issued to Mr. Lin upon Completion.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or to be entered in the register maintained by the Company under section 352 of the SFO or to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or proposed Directors was a director or employee of a company which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(b) Substantial Shareholders' interests and short positions in shares and underlying shares of the Company and its associated corporations

As at the Latest Practicable Date, so far as any Directors are aware, substantial shareholders' interests or short positions in the shares, underlying shares or debentures of the Company, other than the Directors, which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO were as follows:

Long positions in Shares and underlying Shares of the Company

Name of Shareholders	Capacity	Number of Shares(1)	Total number of Shares	Approximate percentage of the issued Shares as at the Latest Practicable Date	Approximate percentage of the enlarged issued Shares upon Completion
Lin Aihua(2)	Interest of spouse	848,278,946	848,278,946	109.65%	60.01%
Cheung Chi Mang	Interest of a controlled corporation	43,032,000	43,032,000	5.56%	3.04%
Hong Kong Investments Group Limited(2 and 3)	Beneficial Owner	43,032,000	43,032,000	5.56%	3.04%

Note:

1. Interests in Shares stated above represent long positions.

2. These 848,278,946 Shares represent the 208,278,946 Shares beneficially owned by Mr. Lin and the 640,000,000 Subscription Shares to be allotted and issued to Mr. Lin upon Completion. Ms. Lin is the spouse of Mr. Lin. Under the SFO, Ms. Lin is deemed or taken to be interested in all the Shares in which Mr. Lin is interested.

3. Hong Kong Investments Group Limited is wholly owned by Cheung Chi Mang.

Saved as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or chief executives of the Company) in the Shares, underlying Shares or debentures of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under Section 336 of the SFO.

5. SHAREHOLDINGS OF AND DEALINGS IN THE SECURITIES OF THE COMPANY AND THE SUBSCRIBER AND PARTIES ACTING IN CONCERT WITH HIM AND OTHER ARRANGEMENT

As at the Latest Practicable Date:

(a) the Company did not hold, control or have direction over any shares and any options, warrants, derivatives or convertible securities in respect of securities ("**Relevant Securities**") in any member of the Subscriber and parties acting in concert with him and it had not dealt for value in any such securities of any member of the Subscriber and parties acting in concert with him during the Relevant Period;

(b) save as disclosed under the paragraph headed "Directors' interests and short positions in shares and underlying shares of the Company and its associated corporations" in this appendix, none of the Directors or chief executive of the Company held, controlled or had direction over any Relevant Securities in any member of the Subscriber and parties acting in concert with him or any Relevant Securities in the Company and none of them had dealt for value in any such securities of any member of the Subscriber and parties acting in concert with him or any such securities of the Company during the Relevant Period;

(c) none of the advisers to the Company as specified in class (2) of the definition of "associates" under the Takeovers Code held, controlled or had direction over any Relevant Securities in the Company and none of them has dealt for value in any such securities of the Company during the Relevant Period;

(d) save for the Subscription Agreement and the transactions contemplated thereunder, no other arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between any person and the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of an associate under the Takeovers Code during the Relevant Period;

(e) none of the subsidiaries of the Company and none of the pension funds of the Company and/or its subsidiaries, nor any fund managed on a discretionary basis by any fund manager connected with the Company owned or controlled any Relevant Securities in the Company or had dealt for value in any such securities of the Company during the Relevant Period;

(f) save as disclosed under the paragraph headed "Directors' interests and short positions in shares and underlying shares of the Company and its associated corporations" in this appendix, none of the Directors and their respective associates owned or controlled any Relevant Securities in the Company, and none of them has dealt for value in any such securities of the Company during the Relevant Period;

(g) in accordance with the Listing Rules and the Takeovers Code, the Subscriber, being an executive Director, will abstain from voting on the resolutions to approve the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver at the EGM. Save for the Subscriber, no other Directors (namely, Mr. Wang Enguang, Mr. Liu Yang, Mr. Lum Pak Sum and Mr. Zhang Jiping) held any Shares as at the Latest Practicable Date;

(h) no person had irrevocably committed themselves to vote in favour of or against the resolutions approving the Subscription Agreement and the transactions contemplated thereunder, the Specific Mandate, the Whitewash Waiver at the EGM;

(i) neither the Company nor any of the Directors has borrowed or lent any Shares and any Relevant Securities in the Company;

(j) no benefit will be given to any Director as compensation for loss of office in any members of the Group or otherwise in connection with the Subscription Agreement, the Specific Mandate, the Whitewash Waiver and the transactions contemplated thereunder at the EGM;

(k) there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Subscription Agreement, the Specific Mandate, the Whitewash Waiver and the transactions contemplated thereunder or otherwise connected with the Subscription Agreement, the Specific Mandate, the Whitewash Waiver and the transactions contemplated thereunder;

(l) save for the Subscription Agreement and the transactions contemplated thereunder, there was no material contract entered into by the Subscriber in which any Director had a material personal interest; and

(m) there were no agreement, arrangement or understanding (including any compensation arrangement) between the Subscriber or any parties acting in concert with him on one hand and any Directors, recent Directors, Shareholders or recent Shareholders on the other hand, having any connection with or was dependent upon the Subscription or the Whitewash Waiver.

As at the Latest Practicable Date, save as disclosed under the paragraph headed "Changes in the shareholding structure of the Company" in the letter from the Board in this circular and the paragraphs headed "Share capital" and "Disclosure of interest" in this appendix:

(a) Save for the Subscriber and Ms. Lin Aihua (being the spouse of the Subscriber), none of the parties acting in concert with the Subscriber owned or controlled any Relevant Securities in the Company as at the Latest Practicable Date;

(b) the Subscriber or parties acting in concert with him did not borrow or lend any Shares during the Relevant Period;

(c) no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between any person and the Subscriber and parties acting in concert with him during the Relevant Period;

(d) none of the Subscriber and parties acting in concert with him has received any irrevocable commitment to vote for or against the Subscription or the Whitewash Waiver during the Relevant Period; and

(e) none of the Subscriber and parties acting in concert with him has dealt for value in any Relevant Securities in the Company during the Relevant Period.

As at the Latest Practicable Date, no Shares to be acquired by the Subscriber and parties acting in concert with him pursuant to the Subscription Agreement will be transferred, charged or pledged to any other person. As at the Latest Practicable Date, there was no agreement, arrangement or understanding and any related charges or pledges which may result in the transfer of voting rights in such Shares.

6. SERVICE AGREEMENTS

As at the Latest Practicable Date, the Company had entered into the following service contracts and letters of appointment with the Directors:

(a) the service agreement dated 21 November 2014 entered into between the Company and Mr. Lin, pursuant to which Mr. Lin was appointed as an executive Director for a period of three years commencing from 21 November 2014 and entitled to receive a salary of HK$1,200,000 per annum *(Notes 1 and 2)*;

(b) the service agreement dated 1 December 2014 entered into between the Company and Mr. Wang Enguang, pursuant to which Mr. Wang was appointed as an executive Director for a period of three years commencing from 1 December 2014 and entitled to receive a salary of HK$200,000 per annum *(Notes 1 and 3)*;

(c) the letter of appointment dated 13 March 2015 entered into between the Company and Mr. Liu Yang, pursuant to which Mr. Liu was appointed as an independent non-executive Director for a period of three years commencing from 16 March 2015 and entitled to receive a director's fee of HK$120,000 per annum *(Notes 1 and 4)*;

(d) the letter of appointment dated 1 December 2014 entered into between the Company and Mr. Lum Pak Sum, pursuant to which Mr. Lum was appointed as an independent non-executive Director for a period of three years commencing from 1 December 2014 and entitled to receive a director's fee of HK$120,000 per annum *(Notes 1 and 5)*; and

(e) the letter of appointment dated 15 July 2015 entered into between the Company and Mr. Zhang Jiping, pursuant to which Mr. Zhang was appointed as an independent non-executive Director for a period of three years commencing from 15 July 2015 and entitled to receive a director's fee of HK$120,000 per annum *(Notes 1 and 6)*.

Notes:

1. None of Mr. Lin, Mr. Wang Enguang, Mr. Liu Yang, Mr. Lum Pak Sum and Mr. Zhang Jiping were entitled to any variable remuneration payable under their respective service agreement or letter of appointment (as the case may be).

2. Mr. Lin was appointed as an executive Director on 21 November 2014 and did not have any previous service agreement with the Group as a Director prior to his existing service agreement as disclosed in this circular.

3. Mr. Wang Enguang was appointed as an executive Director on 1 December 2014 and did not have any previous service agreement with the Group as a Director prior to his existing service agreement as disclosed in this circular.

4. Mr. Liu Yang was appointed as an independent non-executive Director with effect from 16 March 2015 and did not have any previous letter of appointment with the Group as a Director prior to his existing letter of appointment as disclosed in this circular.

5. Mr. Lum Pak Sum was appointed as an independent non-executive Director on 1 December 2014 and did not have any previous letter of appointment with the Group as a Director prior to his existing letter of appointment as disclosed in this circular.

6. Mr. Zhang Jiping was appointed as an independent non-executive Director on 15 July 2015 and did not have any previous letter of appointment with the Group as a Director prior to his existing letter of appointment as disclosed in this circular.

Save as disclosed above, none of the Directors had entered into any service contracts with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed-term contracts) have been entered into or amended within the Relevant Period; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed-term contracts with more than 12 months to run irrespective of the notice period.

7. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration or claims which would materially and adversely affect the operations of the Company and no litigation, arbitration or claims which would materially and adversely affect the operations of the Company was known to the Directors to be pending or threatened by or against any members of the Group.

8. EXPERTS AND CONSENTS

The qualifications of the experts who have given opinions and advice in this circular are as follows:

Name	Qualification
Asset Appraisal Limited	Independent property valuer
Astrum Capital Management Limited	a corporation licensed to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance), and type 9 (asset management) regulated activities under the SFO
Cheng & Cheng Limited	Certified public accountants
Goldin Financial Limited	A corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under the SFO

Each of the experts named above has given, and has not withdrawn, its written consent to the issue of this circular with the inclusion herein of its letter, report and/or advice and the references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the experts named above did not have any direct or indirect shareholding in any member of the Group, or any right to subscribe for or to nominate persons to subscribe for securities in any member of the Group, or any interests, directly or indirectly, in any asset which had been acquired, disposed of by or leased to any member of the Group, or was proposed to be acquired, disposed of by or leased to any member of the Group, since 31 December 2014, being the date to which the latest published audited financial statements of the Company were made up.

9. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) were entered into by the members of the Group within two years immediately preceding the date of the Announcement and up to the Latest Practicable Date which are or may be material:

(i) the Subscription Agreement;

(ii) the acquisition agreement dated 7 September 2015 (as supplemented by two supplemental agreements entered into on the same date) entered into between Xiamen Yuhua Energy (as purchaser) and Xiamen Ocean Star (as vendor) in relation to the transfer of Unit 201, Level 2 of the Properties at a consideration of RMB2,917,880;

(iii) the acquisition agreement dated 7 September 2015 (as supplemented by two supplemental agreements entered into on the same date) entered into between Xiamen Yuhua Energy (as purchaser) and Xiamen Ocean Star (as vendor) in relation to the transfer of Unit 202, Level 2 of the Properties at a consideration of RMB1,197,560;

(iv) the acquisition agreement dated 7 September 2015 (as supplemented by two supplemental agreements entered into on the same date) entered into between Xiamen Yuhua Energy (as purchaser) and Xiamen Ocean Star (as vendor) in relation to the transfer of Unit 203, Level 2 of the Properties at a consideration of RMB3,847,060;

(v) the acquisition agreement dated 7 September 2015 (as supplemented by two supplemental agreements entered into on the same date) entered into between Xiamen Yuhua Energy (as purchaser) and Xiamen Ocean Star (as vendor) in relation to the transfer of Unit 204, Level 2 of the Properties at a consideration of RMB1,503,040;

(vi) the acquisition agreement dated 7 September 2015 (as supplemented by two supplemental agreements entered into on the same date) entered into between Xiamen Yuhua Energy (as purchaser) and Xiamen Ocean Star (as vendor) in relation to the transfer of Unit 301, Level 3 of the Properties at a consideration of RMB2,961,840;

(vii) the acquisition agreement dated 7 September 2015 (as supplemented by two supplemental agreements entered into on the same date) entered into between Xiamen Yuhua Energy (as purchaser) and Xiamen Ocean Star (as vendor) in relation to the transfer of Unit 302, Level 3 of the Properties at a consideration of RMB1,215,480;

(viii) the acquisition agreement dated 7 September 2015 (as supplemented by two supplemental agreements entered into on the same date) entered into between Xiamen Yuhua Energy (as purchaser) and Xiamen Ocean Star (as vendor) in relation to the transfer of Unit 303, Level 3 of the Properties at a consideration of RMB2,971,080;

(ix) the acquisition agreement dated 7 September 2015 (as supplemented by two supplemental agreements entered into on the same date) entered into between Xiamen Yuhua Energy (as purchaser) and Xiamen Ocean Star (as vendor) in relation to the transfer of Unit 304, Level 3 of the Properties at a consideration of RMB2,971,220;

(x) the acquisition agreement dated 7 September 2015 (as supplemented by two supplemental agreements entered into on the same date) entered into between Xiamen Yuhua Energy (as purchaser) and Xiamen Ocean Star (as vendor) in relation to the transfer of Unit 305, Level 3 of the Properties at a consideration of RMB1,215,480;

(xi) the acquisition agreement dated 7 September 2015 (as supplemented by two supplemental agreements entered into on the same date) entered into between Xiamen Yuhua Energy (as purchaser) and Xiamen Ocean Star (as vendor) in relation to the transfer of Unit 306, Level 3 of the Properties at a consideration of RMB2,961,840;

(xii) the acquisition agreement dated 7 September 2015 (as supplemented by two supplemental agreements entered into on the same date) entered into between Xiamen Yuhua Energy (as purchaser) and Xiamen Ocean Star (as vendor) in relation to the transfer of Unit 307, Level 3 of the Properties at a consideration of RMB1,525,580;

(xiii) the acquisition agreement dated 7 September 2015 (as supplemented by two supplemental agreements entered into on the same date) entered into between Xiamen Yuhua Energy (as purchaser) and Xiamen Ocean Star (as vendor) in relation to the transfer of Unit 401, Level 4 of the Properties at a consideration of RMB2,750,720;

(xiv) the acquisition agreement dated 7 September 2015 (as supplemented by two supplemental agreements entered into on the same date) entered into between Xiamen Yuhua Energy (as purchaser) and Xiamen Ocean Star (as vendor) in relation to the transfer of Unit 402, Level 4 of the Properties at a consideration of RMB1,128,960;

(xv) the acquisition agreement dated 7 September 2015 (as supplemented by two supplemental agreements entered into on the same date) entered into between Xiamen Yuhua Energy (as purchaser) and Xiamen Ocean Star (as vendor) in relation to the transfer of Unit 403, Level 4 of the Properties at a consideration of RMB2,759,400;

(xvi) the acquisition agreement dated 7 September 2015 (as supplemented by two supplemental agreements entered into on the same date) entered into between Xiamen Yuhua Energy (as purchaser) and Xiamen Ocean Star (as vendor) in relation to the transfer of Unit 404, Level 4 of the Properties at a consideration of RMB1,161,160;

(xvii) the acquisition agreement dated 7 September 2015 (as supplemented by two supplemental agreements entered into on the same date) entered into between Xiamen Yuhua Energy (as purchaser) and Xiamen Ocean Star (as vendor) in relation to the transfer of Unit 405, Level 4 of the Properties at a consideration of RMB2,759,400;

(xviii) the acquisition agreement dated 7 September 2015 (as supplemented by two supplemental agreements entered into on the same date) entered into between Xiamen Yuhua Energy (as purchaser) and Xiamen Ocean Star (as vendor) in relation to the transfer of Unit 406, Level 4 of the Properties at a consideration of RMB1,128,960;

(xix) the acquisition agreement dated 7 September 2015 (as supplemented by two supplemental agreements entered into on the same date) entered into between Xiamen Yuhua Energy (as purchaser) and Xiamen Ocean Star (as vendor) in relation to the transfer of Unit 407, Level 4 of the Properties at a consideration of RMB2,750,860;

(xx) the acquisition agreement dated 7 September 2015 (as supplemented by two supplemental agreements entered into on the same date) entered into between Xiamen Yuhua Energy (as purchaser) and Xiamen Ocean Star (as vendor) in relation to the transfer of Unit 408, Level 4 of the Properties at a consideration of RMB1,423,940;

(xxi) the acquisition agreement dated 7 September 2015 (as supplemented by two supplemental agreements entered into on the same date) entered into between Xiamen Yuhua Energy (as purchaser) and Xiamen Ocean Star (as vendor) in relation to the transfer of Unit 501, Level 5 of the Properties at a consideration of RMB2,750,720;

(xxii) the acquisition agreement dated 7 September 2015 (as supplemented by two supplemental agreements entered into on the same date) entered into between Xiamen Yuhua Energy (as purchaser) and Xiamen Ocean Star (as vendor) in relation to the transfer of Unit 502, Level 5 of the Properties at a consideration of RMB1,128,960;

(xxiii) the acquisition agreement dated 7 September 2015 (as supplemented by two supplemental agreements entered into on the same date) entered into between Xiamen Yuhua Energy (as purchaser) and Xiamen Ocean Star (as vendor) in relation to the transfer of Unit 503, Level 5 of the Properties at a consideration of RMB2,759,400;

(xxiv) the acquisition agreement dated 7 September 2015 (as supplemented by two supplemental agreements entered into on the same date) entered into between Xiamen Yuhua Energy (as purchaser) and Xiamen Ocean Star (as vendor) in relation to the transfer of Unit 504, Level 5 of the Properties at a consideration of RMB1,161,160;

(xxv) the acquisition agreement dated 7 September 2015 (as supplemented by two supplemental agreements entered into on the same date) entered into between Xiamen Yuhua Energy (as purchaser) and Xiamen Ocean Star (as vendor) in relation to the transfer of Unit 505, Level 5 of the Properties at a consideration of RMB2,759,400;

(xxvi) the acquisition agreement dated 7 September 2015 (as supplemented by two supplemental agreements entered into on the same date) entered into between Xiamen Yuhua Energy (as purchaser) and Xiamen Ocean Star (as vendor) in relation to the transfer of Unit 506, Level 5 of the Properties at a consideration of RMB1,128,960;

(xxvii) the acquisition agreement dated 7 September 2015 (as supplemented by two supplemental agreements entered into on the same date) entered into between Xiamen Yuhua Energy (as purchaser) and Xiamen Ocean Star (as vendor) in relation to the transfer of Unit 507, Level 5 of the Properties at a consideration of RMB2,750,860;

(xxviii) the acquisition agreement dated 7 September 2015 (as supplemented by two supplemental agreements entered into on the same date) entered into between Xiamen Yuhua Energy (as purchaser) and Xiamen Ocean Star (as vendor) in relation to the transfer of Unit 508, Level 5 of the Properties at a consideration of RMB1,423,940;

(xxix) the acquisition agreement dated 7 September 2015 (as supplemented by two supplemental agreements entered into on the same date) entered into between Xiamen Yuhua Energy (as purchaser) and Xiamen Ocean Star (as vendor) in relation to the transfer of Unit 601, Level 6 of the Properties at a consideration of RMB2,750,720;

(xxx) the acquisition agreement dated 7 September 2015 (as supplemented by two supplemental agreements entered into on the same date) entered into between Xiamen Yuhua Energy (as purchaser) and Xiamen Ocean Star (as vendor) in relation to the transfer of Unit 602, Level 6 of the Properties at a consideration of RMB1,128,960;

(xxxi) the acquisition agreement dated 7 September 2015 (as supplemented by two supplemental agreements entered into on the same date) entered into between Xiamen Yuhua Energy (as purchaser) and Xiamen Ocean Star (as vendor) in relation to the transfer of Unit 603, Level 6 of the Properties at a consideration of RMB2,759,400;

(xxxii) the acquisition agreement dated 7 September 2015 (as supplemented by two supplemental agreements entered into on the same date) entered into between Xiamen Yuhua Energy (as purchaser) and Xiamen Ocean Star (as vendor) in relation to the transfer of Unit 604, Level 6 of the Properties at a consideration of RMB1,161,160;

(xxxiii) the acquisition agreement dated 7 September 2015 (as supplemented by two supplemental agreements entered into on the same date) entered into between Xiamen Yuhua Energy (as purchaser) and Xiamen Ocean Star (as vendor) in relation to the transfer of Unit 605, Level 6 of the Properties at a consideration of RMB2,759,400;

(xxxiv) the acquisition agreement dated 7 September 2015 (as supplemented by two supplemental agreements entered into on the same date) entered into between Xiamen Yuhua Energy (as purchaser) and Xiamen Ocean Star (as vendor) in relation to the transfer of Unit 606, Level 6 of the Properties at a consideration of RMB1,128,960;

(xxxv) the acquisition agreement dated 7 September 2015 (as supplemented by two supplemental agreements entered into on the same date) entered into between Xiamen Yuhua Energy (as purchaser) and Xiamen Ocean Star (as vendor) in relation to the transfer of Unit 607, Level 6 of the Properties at a consideration of RMB2,750,860;

(xxxvi) the acquisition agreement dated 7 September 2015 (as supplemented by two supplemental agreements entered into on the same date) entered into between Xiamen Yuhua Energy (as purchaser) and Xiamen Ocean Star (as vendor) in relation to the transfer of Unit 608, Level 6 of the Properties at a consideration of RMB1,423,940;

(xxxvii) the acquisition agreement dated 7 September 2015 (as supplemented by two supplemental agreements entered into on the same date) entered into between Xiamen Yuhua Energy (as purchaser) and Xiamen Ocean Star (as vendor) in relation to the transfer of Unit 701, Level 7 of the Properties at a consideration of RMB2,750,720;

(xxxviii) the acquisition agreement dated 7 September 2015 (as supplemented by two supplemental agreements entered into on the same date) entered into between Xiamen Yuhua Energy (as purchaser) and Xiamen Ocean Star (as vendor) in relation to the transfer of Unit 702, Level 7 of the Properties at a consideration of RMB1,128,960;

(xxxix) the acquisition agreement dated 7 September 2015 (as supplemented by two supplemental agreements entered into on the same date) entered into between Xiamen Yuhua Energy (as purchaser) and Xiamen Ocean Star (as vendor) in relation to the transfer of Unit 703, Level 7 of the Properties at a consideration of RMB2,759,400;

(xl) the acquisition agreement dated 7 September 2015 (as supplemented by two supplemental agreements entered into on the same date) entered into between Xiamen Yuhua Energy (as purchaser) and Xiamen Ocean Star (as vendor) in relation to the transfer of Unit 704, Level 7 of the Properties at a consideration of RMB1,161,160;

(xli) the acquisition agreement dated 7 September 2015 (as supplemented by two supplemental agreements entered into on the same date) entered into between Xiamen Yuhua Energy (as purchaser) and Xiamen Ocean Star (as vendor) in relation to the transfer of Unit 705, Level 7 of the Properties at a consideration of RMB2,759,400;

(xlii) the acquisition agreement dated 7 September 2015 (as supplemented by two supplemental agreements entered into on the same date) entered into between Xiamen Yuhua Energy (as purchaser) and Xiamen Ocean Star (as vendor) in relation to the transfer of Unit 706, Level 7 of the Properties at a consideration of RMB1,128,960;

(xliii) the acquisition agreement dated 7 September 2015 (as supplemented by two supplemental agreements entered into on the same date) entered into between Xiamen Yuhua Energy (as purchaser) and Xiamen Ocean Star (as vendor) in relation to the transfer of Unit 707, Level 7 of the Properties at a consideration of RMB2,750,860;

(xliv) the acquisition agreement dated 7 September 2015 (as supplemented by two supplemental agreements entered into on the same date) entered into between Xiamen Yuhua Energy (as purchaser) and Xiamen Ocean Star (as vendor) in relation to the transfer of Unit 708, Level 7 of the Properties at a consideration of RMB1,423,940; and

(xlv) the placing agreement dated 15 April 2015 entered into between the Company and a placing agent, pursuant to which the Company agreed to place, through the placing agent, on a best effort basis, a maximum of 64,369,112 new shares of the Company of nominal value of HK$0.01 each to not less than six placees at a price of HK$0.97 per share during the period from 15 April 2015 to 29 April 2015.

10. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENT SIGNIFICANT TO THE GROUP

Save as disclosed in the announcements of the Company dated (i) 8 May 2015 in relation to the entering into of an oil storage tanks and ancillary facilities agreement; and (ii) 7 September 2015 in relation to the acquisition of the Properties, none of the Directors had any direct or indirect interest in any assets which have, since 31 December 2014 (being the date to which the latest audited financial statements of the Group were made up) and up to the Latest Practicable Date, been acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to any member of the Group.

Save for the Subscription Agreement and save as the announcements of the Company dated (i) 8 May 2015 in relation to the entering into of an oil storage tanks and ancillary facilities agreement; and (ii) 7 September 2015 in relation to the entering into of the sale and purchase framework agreement, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group and subsisting which was significant in relation to the business of the Group.

11. COMPETING INTERESTS

As at the Latest Practicable Date, Mr. Lin and his spouse had interests in the following business conducted through the companies named below:

Name of company	Nature of interest	Description of business of the company
Fujian Yuhua Petrochemical Company Limited* 福建裕華石油化工有限公司	Mr. Lin is the executive director and the general manager	Engage in petroleum product trade, storage, transportation and distribution business
Fujian Yuhua Energy Company Limited* 福建裕華能源有限公司	Mr. Lin is the executive director and the general manager	Wholesale and retail of dangerous chemicals, petroleum products, chemical products and machinery equipment leasing

Name of company	Nature of interest	Description of business of the company
Fujian Yuhua Group Limited* 福建裕華集團有限公司	Mr. Lin is the executive director and the general manager Mr. Lin and his spouse respectively hold 90% and 10% of the equity interest	Wholesale and retail of petroleum products, management of real estate investment, development, sales, rental, property management and equity investment, business consulting, and enterprise financial management consulting

Save as disclosed above, none of the Directors or their respective associate(s) had any interests in a business which competed or might compete with the business of the Group and had any other conflicts of interests with the Group.

12. MISCELLANEOUS

(a) The principal place of business of the Company in Hong Kong is situated at Room 2207, 22nd Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong. The registered office of the Company in the Cayman Islands is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands;

(b) The branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited and situated at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong;

(c) The secretary of the Company is Mr. Lau Wai Piu Patrick, a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants;

(d) The address of the Subscriber is 20 Seaside Donggu Village, Xipu Town, Dongshan Country, Fujian Province, China.

(e) The Independent Financial Adviser is Goldin Financial Limited and its registered office is situated at 22/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong; and

(f) The translation into Chinese language of this circular is for reference only. In the event of any inconsistency, the English text of this circular shall prevail over the Chinese language text.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (i.e. from 9:00 a.m. to 1:00 p.m. and from 2:00 p.m. to 5:00 p.m.) at the principal place of business of the Company in Hong Kong situated at Room 2207, 22nd Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong on any Business Days from the date of this circular up to and including the date of the EGM and will also be available for inspection on the website of the SFC at www.sfc.hk and the website of the Company at www.yuhuaenergy.com from the date of this circular up to and including the date of the EGM:

(i) the memorandum and articles of association of the Company;

(ii) the annual reports of the Company for the last two financial years ended 31 December 2013 and 2014;

(iii) the interim report of the Company for the six months ended 30 June 2015;

(iv) the letter from the Board, the text of which is set out on pages 6 to 21 of this circular;

(v) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 22 to 23 of this circular;

(vi) the letter from Goldin to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 24 to 49 of this circular;

(vii) the property valuation report as set out in Appendix II to this circular;

(viii) the report from Cheng & Cheng Limited on the Profit Warning Statement, the text of which is set out in Appendix IIIA to this circular;

(ix) the report from Astrum Capital Management Limited on the Profit Warning Statement, the text of which is set out in Appendix IIIB to this circular;

(x) the service contracts and letters of appointment referred to in the paragraph headed "Service Agreements" in this appendix;

(xi) the written consents referred to in the paragraph headed "Experts and Consents" in this appendix;

(xii) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;

(xiii) the Subscription Agreement; and

(xiv) this circular.

* *For identification purpose only*

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

(formerly known as Shinhint Acoustic Link Holdings Limited 成謙聲匯控股有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2728)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of Yuhua Energy Holdings Limited (the "**Company**") will be held at Room 2207, 22nd Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong on Friday, 5 February 2016 at 10:30 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**:

   (a) the Subscription Agreement (as defined in the circular of the Company dated 21 January 2016) (the "**Circular**"), a copy of which has been produced to this meeting marked "A" and signed by the chairman of this meeting for the purpose of identification) dated 26 November 2015 entered into by the Company (as issuer) and Mr. Lin Caihuo (being the subscriber referred to in the Circular) (the "**Subscriber**") in respect of the subscription of 640,000,000 new ordinary shares (the "**Subscription Shares**") of HK$0.005 each in the Company by the Subscriber at the subscription price of HK$1.00 per Subscription Share (the "**Subscription**") and the grant of the Specific Mandate (as defined in the Circular) be and are hereby approved, confirmed and ratified, and any one director of the Company be and is hereby authorised to do all such things and take all such actions (including but not limited to the allotment and issue of the Subscription Shares under the Specific Mandate) and execute all documents (including the affixation of the common seal of the Company where execution under seal is required) as he/she may consider to be necessary or desirable to implement any of the matters relating to or incidental to the Subscription Agreement and the Specific Mandate, and further to approve any changes and amendments thereto as he/she may consider necessary, desirable or appropriate; and

(b) any one director of the Company be and is hereby authorised to do all such acts and things and execute such documents (including the affixation of the common seal of the Company where execution under seal is required) and take all steps which, in his/her opinion deemed necessary, desirable or expedient to implement and/or effect the transactions contemplated under the Subscription Agreement and the Specific Mandate for and on behalf of the Company."

2. "**THAT** subject to the Executive (as defined in the Circular) granting the Whitewash Waiver (as defined in the Circular) to the Subscriber and the satisfaction of any conditions attached to the Whitewash Waiver granted, the waiver pursuant to Note 1 on Dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**") waiving any obligation on the part of the Subscriber and the parties acting in concert with him to make a mandatory general offer to the holders of securities of the Company to acquire securities of the Company other than those already owned or agreed to be purchased by the Subscriber and parties acting in concert with him which would otherwise arise under Rule 26.1 of the Takeovers Code as a result of the completion of the Subscription, be and is hereby approved and **THAT** any one director of the Company be and is hereby authorised to do all acts and things and execute such documents (including the affixation of the common seal of the Company where execution under seal is required) and take all steps which, in his/her opinion deem necessary, desirable or expedient to carry out or to give effect to any matters relating to or in connection with the Whitewash Waiver."

By order of the Board
Yuhua Energy Holdings Limited
Lin Caihuo
Chairman

Hong Kong, 21 January 2016

Registered Office:
Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business in Hong Kong:
Room 2207, 22/F,
Harbour Centre
25 Harbour Road
Wanchai, Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the EGM is entitled to appoint one or, if he is the holder of two or more shares, more proxies to attend and vote instead of him. A proxy need not be a member of the Company.

2. In the case of joint holders of shares in the Company, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s), seniority being determined by the order in which names stand in the register of members.

3. In order to be valid, the form of proxy must be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal, or under the hand of an officer or attorney or other person duly authorized, and must be deposited with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, (together with the power of attorney or other authority, if any, under which it is signed or a certified copy thereof) not less than 48 hours before the time fixed for holding of the EGM.

4. Completion and return of the form of proxy will not preclude members from attending and voting at the EGM and in such event, the instrument appointing a proxy shall be deemed to be revoked.

5. In compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, all resolutions to be proposed at the EGM convened by this notice will be voted on by way of poll.

6. If a "black" rainstorm warning signal or a tropical cyclone warning signal number 8 or above is in force in Hong Kong at any time after 5:00 a.m. on 5 February 2016, it will be postponed that the EGM will not be held on that day. An announcement will be made in such event.

As at the date of this notice, 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 Mr. Zhang Jiping.