



# Yuhua Energy Holdings Limited 裕華能源控股有限公司

(Incorporated in the Cayman Islands with limited liability) (Stock Code: 2728)



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# Corporate Information

## Board of Directors

### Executive Directors

Mr. Lin Caihuo (*Chairman of the Board*)  
Mr. Wang Enguang  
Ms. Kang Guiping (resigned on 11th September, 2015)

### Non-Executive Director

Mr. Yip Yat Ming (resigned on 15th July, 2015)

### Independent Non-Executive Directors

Mr. Lum Pak Sum  
Mr. Liu Yang (appointed on 16th March, 2015)  
Mr. Zhang Jiping (appointed on 15th July, 2015)  
Mr. Tsui Man Yin (resigned on 15th July, 2015)  
Mr. Yen Chanan (resigned on 16th March, 2015)

## Audit Committee

Mr. Lum Pak Sum (*appointed as the Chairman of the Committee on 16th March, 2015*)  
Mr. Liu Yang (appointed on 16th March, 2015)  
Mr. Zhang Jiping (appointed on 15th July, 2015)  
Mr. Tsui Man Yin (resigned on 15th July, 2015)  
Mr. Yen Chanan (resigned on 16th March, 2015)

## Remuneration Committee

Mr. Liu Yang (*Chairman of the Committee*) (appointed on 16th March, 2015)  
Mr. Lin Caihuo  
Mr. Lum Pak Sum  
Mr. Zhang Jiping (appointed on 15th July, 2015)  
Mr. Tsui Man Yin (resigned on 15th July, 2015)  
Mr. Yen Chanan (resigned on 16th March, 2015)

## Nomination Committee

Mr. Zhang Jiping (*Chairman of the Committee*) (appointed on 15th July, 2015)  
Mr. Lin Caihuo  
Mr. Liu Yang (appointed on 16th March, 2015)  
Mr. Lum Pak Sum  
Mr. Tsui Man Yin (resigned on 15th July, 2015)  
Mr. Yen Chanan (resigned on 16th March, 2015)

# Corporate Information

## Authorized Representatives

Mr. Lin Caihuo

Ms. Kang Guiping (resigned on 11th September, 2015)

Mr. Wang Enguang (appointed on 11th September, 2015)

## Company Secretary

Mr. Lau Wai Piu, Patrick

## Auditor

Cheng & Cheng Limited

## Registered Office

Cricket Square

Hutchins Drive, P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

## Head Office

Room 2207, 22nd Floor, Harbour Centre

25 Harbour Road

Wan Chai

Hong Kong

## Principal Place of Business in Hong Kong

Room 2207, 22nd Floor, Harbour Centre

25 Harbour Road

Wan Chai

Hong Kong

## Principal Share Registrar and Transfer Office

Royal Bank of Canada Trust Company (Cayman) Limited

4th Floor, Royal Bank House

24 Shedden Road, George Town

Grand Cayman KY1-1110

Cayman Islands

# Corporate Information

## Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

## Principal Bankers

Bank of Communication Co., Ltd., Xiamen Branch  
The Bank of East Asia, Limited

## Legal Adviser

As to Hong Kong Law  
Loong & Yeung

As to Cayman Islands Law  
Conyers Dill & Pearman, Cayman

## Stock Code

2728 (listed on the Main Board of The Stock Exchange of Hong Kong Limited)

## Website

[www.yuhuaenergy.com](http://www.yuhuaenergy.com)

# Chairman's Statement

## Dear Shareholders,

On behalf of the board of directors (the "Board") of Yuhua Energy Holdings Limited (the "Company"), I am pleased to present to you the audited annual results for the year ended 31st December, 2015 (the "Reporting Period") of the Company and its subsidiaries (the "Group").

During the year ended 31st December, 2015, the Group recorded a turnover of approximately HK\$4,736 million, representing an increase of approximately 647 % as compared with the one of approximately HK\$634 million from continuing and discontinued operation for the same period in 2014. This significant improvement was mainly attributable to the effort of the Group in broadening and enlarging of its revenue base in energy trading. Revenue from energy trading for the Reporting Period was approximately HK\$4,196 million, representing approximately 88.6% of the total revenue. On the other hand, the segment of speaker units business recorded a slightly growth during the year.

The Group recorded a net loss of approximately HK\$10,172,000 for the year ended 31st December, 2015. After taking out the effect of a one-off non-cash share-based payment expenses related to the grant of share options during the Reporting Period, the Group recorded a net profit during the Reporting Period indeed.

While the Group remains committed to organic business growth, it has also explored other investment opportunity. During the Reporting Period, the acquisition agreements were signed with Xiamen Ocean Star Shipping Company Limited\* (廈門海之星航運有限公司) to acquire the properties located in Xiamen for investment purposes. As recommended by the Independent Board Committee which was formed for accessing and advising on the acquisition, the acquisition would be beneficial to the Group.

On behalf of the Board, I would like to extend my heartfelt gratitude to our shareholders, customers and business partners for their continuing support to the Group. I wish to also express my appreciation to the Group's directors, management and staff for their contributions and commitment to the Group over last year. We will work closely together for ensuring the continuous growth of the Group and remain committed to generating greater returns for our shareholders.

### **Lin Caihuo**

*Chairman of the Board*

30th March, 2016

\* For identification purpose only

# Management Discussion and Analysis

## Business Review

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

### Energy Trading

The energy trading business was the fastest growing segment of the Group. For the year ended 31st December, 2015, its turnover amounted to approximately HK\$4,195,566,000 (2014: approximately HK\$34,002,000), representing a year-on-year growth of approximately 122 times. Since the Group has commenced the energy trading business in December, 2014, the increase in turnover for energy trading business for the Reporting Period was attributable to a full year's operation of the energy trading business as compared with part of the year for the last year as well as a strong inflow of sales orders.

### Speaker Units Business

The speaker units business recorded a slight increase in the Reporting Period. For the year ended 31st December, 2015, its turnover amounted to approximately HK\$539,957,000 (2014: approximately HK\$517,115,000), representing a surge of approximately 4.42%. The improvement was mainly contributed by the additional sales orders from existing customers.

In term of geographical coverage, for the combined turnover of the energy trading and speaker units business, the PRC was the Group's largest market, accounting for approximately 92.17% of the turnover for the year ended 31st December, 2015.

## Financial Review

### Results Performance

For the year ended 31st December, 2015, the Group's turnover increased by 646.41% to approximately HK\$4,735,523,000 (2014: approximately HK\$634,437,000 from continuing and discontinued operations). The increase in turnover was mainly attributable to the increase in sales orders from energy trading business. The gross profit dropped to approximately 2.50% and the Group has reported a net loss for the year ended 31st December, 2015 of approximately HK\$10,172,000 (2014: net profit of approximately HK\$7,572,000). The consolidated net loss of the Group for the year ended 31st December, 2015, as compared with the consolidated net profit for the corresponding period of last year is mainly due to the effect of a one-off non-cash share-based payment expenses related to the grant of share option during the Reporting Period.

For the year ended 31st December, 2015, basic loss per share reached approximately HK1.39 cents (2014: basic profit of approximately HK1.18 cents per share from continuing and discontinued operations, restated). The Board did not recommend the payment of a final dividend for the year ended 31st December, 2015 (2014: nil).

# Management Discussion and Analysis

## Financial Review *(Continued)*

### Liquidity and Financial Resources

As at 31st December, 2015, the Group had cash and cash equivalents of about HK\$30,948,000 (2014: about HK\$228,063,000), including cash denominated in Hong Kong dollars, US dollars and Renminbi which had been converted into Hong Kong dollars and unutilized banking facilities of approximately HK\$979,854,000 (2014: approximately HK\$15,133,000). The Group's current ratio, being the proportion of total current assets against total current liabilities, was approximately 1.6 (2014: approximately 2.3).

As at 31st December, 2015, the Group had bank borrowings of approximately HK\$137,267,000 (2014: nil) which were denominated in Renminbi. The borrowings were current interest bearing and fixed rate borrowings. The gearing ratio of the Group increased to approximately 38.8% (31st December, 2014: nil), which is computed by dividing total borrowings of approximately HK\$137,267,000 by shareholders' equity of approximately HK\$353,756,000 (31st December, 2014: approximately HK\$267,437,000)

### Capital Resources and Reorganisation

On 23rd March, 2015, the Board proposed to increase the authorised share capital of the Company to HK\$20,000,000 divided into 2,000,000,000 shares by the creation of an additional 1,500,000,000 shares which shall rank equally with each other in all respects. The increase of authorised share capital was approved in the annual general meeting held on 29th May, 2015. For details, please refer to the announcements of the Company dated 23rd March, 2015 and 29th May, 2015 and the circular of the Company dated 17th April, 2015.

On 15th April, 2015, the Company entered into a placing agreement with a placing agent whereby the Company agreed to place, through the placing agent, a maximum of 64,369,112 new shares to not less than six places at a price of HK\$0.97 per placing share. The placing was completed on 30th April, 2015 and 64,369,112 new shares were issued to not less than six places in accordance with the terms of the placing agreement. For details, please refer to the announcements of the Company dated 16th April, 2015 and 23rd April, 2015.

On 8th July, 2015, the Company effected a share subdivision in which each existing issued and authorised but unissued shares of the Company of HK\$0.01 each was divided into two shares of the Company of HK\$0.005 each. For details, please refer to the announcements of the Company dated 11th June, 2015 and 7th July, 2015 and the circular of the Company dated 19th June, 2015.

### Capital Expenditure

During the year ended 31st December, 2015, the Group's total capital expenditure amounted to approximately HK\$110,643,000, which was used in the purchase of property, plant and equipment and the deposits paid for acquisition of investment properties.

# Management Discussion and Analysis

## Financial Review *(Continued)*

### Treasury Policies

The Group does not engage in any leveraged or derivative products. Consistent with this prudent approach to financial risk management, the Group has continued to work towards maintaining a healthy gearing position. Since most of the Group's assets and liabilities are denominated in HK dollars, Reminbi and US dollars and the exchange rates of such currencies were relatively stable over the Reporting Period, the Group believes that exposure to fluctuation in above currencies does not have any significant adverse effect to the Group. Nonetheless, the Group will closely monitor the foreign currency exposure and arrange for hedging facilities when necessary.

### Employees

As at 31st December, 2015, the Group's work force amounted to approximately 1,120 staff (2014: approximately 1,400) in Hong Kong and the PRC collectively. Staff costs (excluding directors' emoluments) amounted to approximately HK\$133,991,000 (2014: approximately HK\$88,624,000). The Group ensures that the pay levels of its employees are competitive and in accordance with market trends and its employees are rewarded on a performance basis and within the general framework of the Group's salary and bonus system.

### Contingent Liabilities

As at 31st December, 2015, the Group had no material contingent liabilities.

### Pledge on the Group's Assets

As at 31st December, 2015, no assets had been pledged to secure the Group's banking facilities.

### Significant investment, material acquisitions and disposal of subsidiaries and associated companies

On 7th September, 2015 (after trading hours), Xiamen Yuhua Energy Company Limited\* (裕華能源(廈門)有限公司) ("Xiamen Yuhua Energy") (as purchaser), an indirect wholly owned subsidiary of the Company, entered into the acquisition agreements with Xiamen Ocean Star Shipping Company Limited\* (廈門海之星航運有限公司) ("Xiamen Ocean Star") (as vendor) (as supplemented by two supplemental agreements entered into on the same date) (the "Acquisition Agreements"), pursuant to which Xiamen Ocean Star conditionally agreed to sell and Xiamen Yuhua Energy conditionally agreed to acquire the Properties (as defined in the announcement of the Company dated 7th September, 2015) at a total consideration of RMB88,741,660 (the "Acquisition").

Mr. Lin, an executive Director, is also the director and general manager of Xiamen Ocean Star. In addition, Mr. Lin and his associate(s) wholly-own Fujian Yuhua Group Limited\* (福建裕華集團有限公司), which in turn wholly-owns Xiamen Ocean Star. Therefore, Xiamen Ocean Star is a connected person of the Company and the Acquisition constituted a connected transaction of the Company under Chapter 14A of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). As certain of the applicable percentage ratios (as defined under the Listing Rules) for the Acquisition Agreements and the transactions contemplated thereunder are more than 5% but less than 25%, the Acquisition Agreements and the transactions contemplated thereunder are subject to the reporting, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

\* For identification purpose only

# Management Discussion and Analysis

## Financial Review *(Continued)*

### **Significant investment, material acquisitions and disposal of subsidiaries and associated companies** *(Continued)*

The Acquisition Agreements and the transactions contemplated thereunder were approved by the independent shareholders of the Company at the extraordinary general meeting of the Company held on 20th November, 2015. For details, please refer to the announcements of the Company dated 7th September, 2015 and 20th November, 2015 and the circular of the Company dated 3rd November, 2015.

Save as disclosed above, there were no significant investments held, material acquisitions or disposals of subsidiaries and associated companies during the year ended 31st December, 2015.

### **Subsequent Event**

There are no material events affecting the Group which have occurred since the end of the Reporting Period.

## Prospects

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

On the contrary, the Group intends to expand 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 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 related activities in order to gain publicity awareness, aiming to promote the brand and enhance own brand value.

Looking forward, the Group will continue to focus on the sale and purchase of energy products within the PRC. However, the Group also plans to conduct international trade 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 of the Company.

# Corporate Governance Report

## Compliance With the Corporate Governance Code

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

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

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

The Company has, throughout the year ended 31st December, 2015, applied and complied with the code provisions set out in the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Listing Rules, except for certain deviations disclosed below and in the paragraph headed "Chairman and Chief Executive Officer".

Code provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Yip Yat Ming, the non-executive Director (who resigned from directorship with effect from 15th July, 2015), was unable to attend the annual general meeting and extraordinary general meeting of the Company held on 29th May, 2015 and 7th July, 2015 respectively as he was away from Hong Kong at that time.

## Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. On specific enquiries made by the Company, all Directors have confirmed that they have fully complied with the required standards set out in the Model Code throughout the year ended 31st December, 2015.

# Corporate Governance Report

## Board of Directors

### Composition

The Directors who held office during the year ended 31st December, 2015 and as at the date of this annual report were as follows:–

### Executive Directors

Mr. Lin Caihuo (*Chairman of the Board*)  
Mr. Wang Enguang  
Ms. Kang Guiping (resigned on 11th September, 2015)

### Non-Executive Director

Mr. Yip Yat Ming (resigned on 15th July, 2015)

### Independent Non-Executive Directors

Mr. Lum Pak Sum  
Mr. Liu Yang (with effect from 16th March, 2015)  
Mr. Zhang Jiping (appointed on 15th July, 2015)  
Mr. Tsui Man Yin (resigned on 15th July, 2015)  
Mr. Yen Chanan (resigned on 16th March, 2015)

The biographical details of the Directors are set out in the section headed “Biographical Details of Directors” on pages 22 to 24 of this annual report. There is no relationship (including financial, business, family or other material or relevant relationships) amongst members of the Board.

The composition of the Board is well balanced with each Director having extensive corporate and strategic planning experience, sound industry knowledge and/or professional expertise. All independent non-executive Directors have offered sufficient time and efforts to serve the business affairs of the Company. They also possess appropriate academic and professional qualifications and related management experience and have contributed to the Board with their professional opinion. The Board believes that the ratio between executive Directors and independent non-executive Directors is reasonable and appropriate. The Board also believes that the participation of independent non-executive Directors can provide the Board with their independent judgment on issues relating to strategy, performance, conflict of interest and management process such that the interests of all shareholders and the Group are considered and safeguarded.

### Role and Function

The Board is fully responsible for the formulation of business policies and strategies in relation to the business operation of the Group and to ensure the availability of resources as well as the effectiveness of its system of internal control.

# Corporate Governance Report

## Board of Directors

### Role and Function *(Continued)*

Implementation and execution of the policies and strategies formulated by the Board and the daily operations are delegated by the Board to the management of the Company. In addition, an audit committee (the "Audit Committee"), a remuneration committee (the "Remuneration Committee") and a nomination committee (the "Nomination Committee") were set up to assist the Board in fulfilling certain responsibilities. Further details of these committees are set out in the section headed "Board Committees" of this annual report.

### Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code stipulates that the roles of chairman of the board (the "Chairman") and chief executive officer (the "CEO") should be separated and should not be performed by the same individual. The division of responsibilities between the Chairman and CEO should be clearly established and set out in writing.

The role of Chairman is assumed by Mr. Lin Caihuo. The Chairman formulates the overall strategic direction of the Group. The Company had not appointed any CEO throughout the Reporting Period. The role of the CEO has been performed collectively by all the executive Directors. The Board considers that this arrangement allows contributions from all executive Directors with different expertise and is beneficial to the continuity of the Company's policies and strategies and in the interest of the shareholders of the Company as a whole. The Board shall nevertheless review the structure from time to time and shall consider appropriate adjustment should suitable circumstance arise.

### Independence of Independent Non-Executive Directors

Pursuant to the requirement of Rule 3.10 of the Listing Rules, the Company has appointed three independent non-executive Directors, one of whom has appropriate professional qualification in accounting and financial management expertise. All independent non-executive Directors have confirmed their independence, as set out in Rule 3.13 of the Listing Rules, to the Company. Based on the confirmations received, the Board considers that all independent non-executive Directors are independent as at the date of this report.

### Directors' and Officers' Liabilities Insurance

The Company has arranged appropriate insurance cover for directors' and officers' liabilities in respect of legal actions against directors, officers and senior management arising out of corporate activities.

### Board Meeting

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group, in addition to the meetings for reviewing and approving the Group's annual and interim results. The Directors had participated in the Board meetings as indicated below. For those Directors who could not attend these meetings in person, they participated through electronic media.

# Corporate Governance Report

## Board of Directors *(Continued)*

### Board Meeting *(Continued)*

The company secretary of the Company (the "Company Secretary") assists the Chairman in setting the agenda for Board meetings and all Directors are given opportunities to include any matters for discussion in the agenda for regular Board meetings. Notice of Board meetings were given to all Directors at least 14 days prior to the date of the regular Board meetings.

All Directors are able to seek advice and services from the Company Secretary on the Board procedures and all applicable laws, rules and regulations, and corporate governance matters. Draft minutes of Board meetings and meetings of the Board committees are circulated to all Directors for comment and approval as soon as practicable after the meetings. Minutes of Board meetings and meetings of Board committee are kept by the Company Secretary and all Board members are given a copy of the minutes for their record. Should a matter being considered involve a potential conflict of interest of a Director, the Director involved in the transaction would be requested to leave the boardroom and abstain from voting. The matter would be discussed and resolved by other Directors. Policy is in place that Directors, upon reasonable request, may seek independent professional advice on issues related to the Group's business at the Company's expenses.

During the year ended 31st December, 2015, the number of meetings, including Board meetings, Board committees' meetings, annual general meeting and extraordinary general meetings held and the attendance by each Director is as follows:

	Meetings Attended				Annual General Meeting	Extraordinary general meeting
	Board	Audit Committee	Remuneration Committee	Nomination Committee		
<b>Number of meetings held during the year</b>	<b>7</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>2</b>
<i>Executive Directors</i>						
Mr. Lin Caihuo	7	N/A	1	1	1	2
Ms. Kang Guiping <sup>(1)</sup>	5	N/A	N/A	N/A	1	1
Mr. Wang Enguang	7	N/A	N/A	N/A	1	2
<i>Non-Executive Director</i>						
Mr. Yip Yat Ming <sup>(2)</sup>	2	N/A	N/A	N/A	-	-
<i>Independent Non-Executive Directors</i>						
Mr. Liu Yang <sup>(3)</sup>	7	2	1	1	1	2
Mr. Lum Pak Sum	7	2	1	1	1	2
Mr. Zhang Jiping <sup>(4)</sup>	4	1	-	-	-	1
Mr. Yen Chanan <sup>(5)</sup>	-	-	-	-	-	-
Mr. Tsui Man Yin <sup>(2)</sup>	2	1	1	1	1	1

Note:

- (1) resigned on 11th September, 2015
- (2) resigned on 15th July, 2015
- (3) with effect from 16th March, 2015
- (4) appointed on 15th July, 2015
- (5) resigned on 16th March, 2015

# Corporate Governance Report

## Directors' Terms of Appointment

All Directors are appointed for a term of three years and are subject to the requirement of retirement by rotation and re-election at the annual general meeting at least once every three years in accordance with the Articles of Association of the Company.

## Directors' Training

Code provision A.6.5 of the CG Code provides that Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remain informed and relevant.

All Directors are encouraged to participate in continuous professional development activities by ways of attending training and/or reading materials relevant to the Company's business or to the Directors' duties and responsibilities. A summary of professional training received by Directors for the year ended 31 December, 2015 according to the records provided by the Directors is as follows:

	<b>Attending seminar(s)/ programme(s)/conference(s) and/or reading materials relevant to the business or directors' duties</b>
Mr. Lin Caihuo	✓
Mr. Wang Enguang	✓
Mr. Liu Yang	✓
Mr. Lum Pak Sum	✓
Mr. Zhang Jiping	✓

## Board Diversity Policy

The Board has adopted a board diversity policy setting out the approach to achieve diversity on the Board. The Company considered diversity of board members can be achieved through consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against selection criteria, having regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

# Corporate Governance Report

## Board Committees

The Board has established three committees, namely the Audit Committee, Remuneration Committee and Nomination Committee with specific terms of reference.

### Audit Committee

The Audit Committee assists the Board in discharging its responsibilities for corporate governance, financial reporting and corporate control. The primary duties of the Audit Committee are to, among others, review and supervise the financial reporting process and internal control procedures of the Group. The Audit Committee currently consists of three independent non-executive Directors, namely, Mr. Liu Yang, Mr. Lum Pak Sum and Mr. Zhang Jiping. The chairman of the Audit Committee is Mr. Lum Pak Sum, who possesses the appropriate professional accounting qualification and financial management expertise.

During the year ended 31st December, 2015 and as at the date of this report, the members of the Audit Committee were as follows:–

### *Members of the Audit Committee*

Mr. Lum Pak Sum (*Chairman of the Committee*)  
Mr. Liu Yang (with effect from 16th March, 2015)  
Mr. Zhang Jiping (appointed on 15th July, 2015)  
Mr. Tsui Man Yin (resigned on 15th July, 2015)  
Mr. Yen Chanan (resigned on 16th March, 2015)

The terms of reference of the Audit Committee follow the code provisions set out in the CG Code and are available on the website of the Company and the Stock Exchange.

The Audit Committee held two meetings in 2015. Details of attendance of the meetings of the Audit Committee are set out above. Each meeting received written reports from the external auditor that dealt with matters of significance which arose from the work conducted since the previous meeting. During 2015, the work performed by the Audit Committee included:

- reviewing the Group's consolidated financial statements and the annual results announcement of the Company for the year ended 31st December, 2014;
- reviewing the Group's interim consolidated financial statements and the interim results announcement of the Company for the six months ended 30th June, 2015;
- reviewing the significant audit and accounting issues arising from the external auditor's audit;
- considering the appointment of the external auditor and their audit fees;

# Corporate Governance Report

## Board Committees *(Continued)*

### Audit Committee *(Continued)*

- meeting with the external auditor without the presence of management to discuss issues arising from the audits and any other matters the auditor might wish to raise;
- reviewing the development in accounting standards and the Group's response, including the preparation for adoption of Hong Kong Financial Reporting Standards;
- reviewing the Company's compliance with regulatory and statutory requirements; and
- reviewing the Group's risk management procedures and internal control system.

The annual results of the Group for the year ended 31st December, 2015 had been reviewed by the Audit Committee before submission to the Board for approval.

### Remuneration Committee

The Remuneration Committee currently consists of three independent non-executive Directors, namely Mr. Liu Yang (Chairman), Mr. Lum Pak Sum and Mr. Zhang Jiping and one executive Director, namely Mr. Lin Caihuo.

During the year ended 31st December, 2015 and as at the date of this report, the members of the Remuneration Committee were as follows:–

#### **Members of the Remuneration Committee**

Mr. Liu Yang (*Chairman of the Committee*) (with effect from 16th March, 2015)

Mr. Lin Caihuo

Mr. Lum Pak Sum

Mr. Zhang Jiping (appointed on 15th July, 2015)

Mr. Tsui Man Yin (resigned on 15th July, 2015)

Mr. Yen Chanan (resigned on 16th March, 2015)

The primary duties of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for all remuneration of executive Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration. They have the delegated responsibility to determine the remuneration packages of individual executive directors and senior management. The terms of reference of the Remuneration Committee follow the code provisions set out in the CG Code and are available on the website of the Company and the Stock Exchange.

# Corporate Governance Report

## Board Committees *(Continued)*

### Remuneration Committee *(Continued)*

#### **Members of the Remuneration Committee** *(Continued)*

In order to attract and retain staff of suitable calibre, the Group provides a competitive remuneration package. This comprises salary and provident fund. Although the remuneration of these executives is not entirely linked to the profits of the Company or division in which they are working in, it is considered that, given the volatility of various businesses within the Group, this has contributed considerably to the maintenance of a stable, motivated and high-calibre senior management team in the Company.

During the year ended 31st December, 2015, the Remuneration Committee held one meeting. Details of attendance of the meeting of the Remuneration Committee are set out above. The following matters were dealt with at the said meeting or by way of written resolutions:

- to review and discuss the remuneration packages for the Directors and senior management;
- to consider and approve the remuneration packages for the proposed Directors; and
- to review and approve the employees' salary increments proposal.

No member took part in voting on his own remuneration at the meeting.

### Nomination Committee

The Nomination Committee currently consists of three independent non-executive Directors, namely, Mr. Liu Yang, Mr. Lum Pak Sum and Mr. Zhang Jiping (Chairman) and one executive Director, namely, Mr. Lin Caihuo.

During the year ended 31st December, 2015 and as at the date of this report, the members of the Nomination Committee were as follows:–

#### **Members of the Nomination Committee**

Mr. Zhang Jiping (*Chairman of the Committee*) (appointed on 15th July, 2015)

Mr. Lin Caihuo

Mr. Liu Yang (with effect from 16th March, 2015)

Mr. Lum Pak Sum

Mr. Tsui Man Yin (resigned on 15th July, 2015)

Mr. Yen Chanan (resigned on 16th March, 2015)

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board, make recommendations to the Board on the appointment or re-appointment of Directors and assess the independence of independent non-executive Directors. The terms of reference of the Nomination Committee follow the code provisions set out in the CG Code and are available on the websites of the Company and the Stock Exchange.

# Corporate Governance Report

## Board Committees *(Continued)*

### Nomination Committee *(Continued)*

#### **Members of the Nomination Committee** *(Continued)*

In considering the new appointment or re-election of Directors, the Nomination Committee will take into consideration the expertise, experience and integrity of that appointee.

During the year ended 31st December, 2015, the Nomination Committee held one meeting. Details of attendance of the meeting of the Nomination Committee are set out above. The following matters were dealt with at the said meeting or by way of written resolutions:

- to consider the proposed appointment of Directors;
- to assess the independence of the independent non-executive Directors;
- to consider the re-election of Directors; and
- to review the composition of the Board.

No member took part in voting on the resolution in relation to his proposed re-election at annual general meeting at the meeting.

### Corporate Governance Functions

The Board is also responsible for performing the corporate governance duties as set out below:

- a. to approve and review the Company's policies and practices on corporate governance;
- b. to review the Company's overall corporate governance arrangements;
- c. to review and monitor the training and continuous professional development of Directors and senior management;
- d. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- e. to review and monitor the code of conduct and compliance (if any) applicable to the Directors and employees; and
- f. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

# Corporate Governance Report

## Audit and Internal Control

The Board acknowledges its responsibility in maintaining a sound and effective internal control system for the Group to safeguard shareholders' investments and assets of the Group at all times.

The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness. The Board requires the management to establish and maintain sound and effective risk management and internal controls. Evaluation of the Group's risk management and internal control system are conducted by the management on an on-going basis.

The Board confirms that it has reviewed the effectiveness of the risk management and internal control system of the Group for the year ended 31st December, 2015 and that they consider the system to be reasonably effective and adequate. The review covered all material controls, including financial, operational and compliance controls and risk management functions.

## Directors' Responsibility for the Consolidated Financial Statements

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Company for the year ended 31st December, 2015 and ensure that they are prepared in accordance with the statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the consolidated financial statements.

The statement of the external auditor of the Company, Cheng & Cheng Limited with regard to their reporting responsibilities on the Company's consolidated financial statements, is set out in the Independent Auditor's Report on pages 38 to 39 of this annual report.

The Directors confirm that, to the best of their knowledge, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern.

# Corporate Governance Report

## Auditor's Remuneration

For the year ended 31st December, 2015, services provided to the Company by its external auditor, Cheng & Cheng Limited, and the respective fees paid were:

	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Audit services	<b>560</b>	320
Non-audit services	<b>7</b>	–
	<b>567</b>	320

## Shareholders' Rights to Convene an Extraordinary Meeting

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

Pursuant to article 58 of the articles of association of the Company, shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by depositing a written requisition to the Board or the Company Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

## Procedures for Directing Shareholders' Enquiries to the Board

Shareholders may at any time put forward their enquiries to the Board in writing through the Company Secretary whose contact details are as follows:

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

Tel No.: (852) 3579 4636  
Fax No.: (852) 3579 4833

# Corporate Governance Report

## Procedures for Putting Forward Proposals at General Meetings by Shareholders

Pursuant to article 88 of the articles of association of the Company, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice signed by a shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the Registration Office provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that (if the notices are submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

## Investor Relations and Communication with Shareholders

The Board adopted a shareholders' communication policy to ensure that shareholders and potential investors are provided with easy, equal and timely access to information of the Company.

The Company has maintained a corporate website at [www.yuhuaenergy.com](http://www.yuhuaenergy.com) through which the Company's updated financial information, business development, announcements, circulars, notices of meetings, press releases and contact details can be accessed by the shareholders and investors.

The annual general meeting also provides an important opportunity for constructive communication between the Board and shareholders. The Chairman, members of the Board and external auditor attended the annual general meeting held on 29th May, 2015 to answer questions raised by the shareholders.

## Significant Changes in Constitutional Documents

During the year ended 31st December, 2015, there had been no significant changes in the constitutional documents of the Company.

# Biographical Details of Directors

## Board of Directors

### Executive Directors

**Mr. Lin Caihuo**, aged 44, has been the Chairman of the Board and an executive director of the Company since November, 2014. He also serves as a member of the remuneration committee and nomination committee of the Board and is an authorized representative of the Company. He has been engaging in the business of trading, warehousing, transporting and distributing oil products since 2003 and has gained extensive experience in the industry. He has also been an executive director and the general manager of Fujian Yuhua Petrochemical Company Limited\* (福建裕華石油化工有限公司) since February, 2003, Xiamen Ocean Shipping Company Limited\* (廈門海之星航運有限公司) since July, 2010, Fujian Yuhua Energy Company Limited\* (福建裕華能源有限公司) since April, 2013, Fujian Yuhua Group Company Limited\* (福建裕華集團有限公司) since April, 2013, Fujian Yuhua Property Management Limited\* (福建裕華物業管理有限公司) since February, 2014 and Fujian Yuhua Shipping Company Limited\* (福建裕華船務有限公司) since March, 2014.

Mr. Lin has been the vice president of Fujian Oil and Gas Association\* (福建省油氣商會副會長) since 2014. In July, 2014, he was elected as the executive vice president of the Chamber of Commerce of Zhangzhou Xiamen\* (廈門市漳州商會常務副會長). Mr. Lin was appointed as a representative of Zhangzhou City at Fifteenth People's Congress\* (漳州市第十五屆人民代表大會代表) and was the honorary president of the Chamber of Zhangzhou oil\* (第三屆漳州市石油商會名譽會長). In addition, Mr. Lin was appointed as the first vice president of the Federation of Enterprises and Entrepreneurs of Dongshan County\* (第一屆東山縣企業與企業家聯合會副會長) and the vice chairman of the Ninth Dongshan County Chamber of Commerce\* (第九屆東山縣工商聯合會(商會)副主席). Since August, 2012, he has been the honorary president of Charity of Dongshan County\* (東山縣慈善總會榮譽會長). He was an executive director of Sino Haijing Holdings Limited (stock code: 1106) from 10 July, 2014 to 2 November, 2014, a company whose shares are listed on the Main Board of the Stock Exchange.

**Mr. Wang Enguang**, aged 65, has been an executive director of the Company since December, 2014. He completed the Basic Courses for Officials of Chinese Government and Communist Party\* (黨政幹部基礎專科) from Liaoning Radio and TV University\* (遼寧廣播電視大學) in 1986. For the period from 1972 to 1999, he worked in Liaoning Petrochemical Fiber Company\* (遼寧石油化纖公司). He was a vice-manager of raw material supply before leaving. Mr. Wang began serving PetroChina Company Limited\* (中國石油天然氣股份有限公司) in 1999 until his retirement in July, 2010. Before his retirement, he was a manager of the sales company in Jiangxi, the PRC. Mr. Wang has decades of rich experience in the areas of sales and management.

\* For identification purpose only

# Biographical Details of Directors

## Board of Directors *(Continued)*

### Independent Non-Executive Directors

**Mr. Liu Yang**, aged 34, has been an independent non-executive director of the Company since March, 2015. He also serves as the chairman of the remuneration committee and a member of the audit committee and the nomination committee of the Board. He graduated from Xian Jiaotong University (西安交通大學) with a bachelor's degree in Bio-Medical Engineering in July, 2004 and graduated from Xiamen University (廈門大學) with a master's degree in Bio-Medical Engineering in June, 2007. He was the project manager and senior manager at GF Securities Company Limited (Guangzhou)\* (廣發證券股份有限公司(廣州)) from July, 2007 to April, 2011. He was also the business director of Industrial Securities Company Limited (Fuzhou)\* (興業證券股份有限公司(福州)) and an independent non-executive director of Sino Haijing Holdings Limited (stock code: 1106) (whose shares are listed on the Main Board of the Stock Exchange) from April, 2011 to May, 2015 and from 12th August, 2014 to 3rd November, 2014 respectively.

Since May, 2015, Mr. Liu has been a general manager of Fujian Funeng Wuyi Equity Investment Management Limited\* (福建省福能武夷股權投資管理有限公司) and an independent director of Xiamen Academy of Building Research Group Co., Ltd (廈門市建築科學研究院集團股份有限公司) (whose shares are listed on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange).

**Mr. Lum Pak Sum**, aged 54, has been an independent non-executive director of the Company since December, 2014. He also serves as the chairman of the audit committee and a member of the remuneration and the nomination committee of the Board. He obtained a master's degree in Business Administration from The University of Warwick in 1994 and a bachelor's degree in Law from University of Wolverhampton in 2002. He is currently a fellow member of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants.

Mr. Lum was an independent non-executive director of Energy International Investments Holdings Limited (stock code: 353), Bestway International Holdings Limited (stock code: 718), Radford Capital Investments Limited (stock code: 901), Pak Tak International Limited (stock code: 2668), Sinogreen Energy International Group Limited (stock code: 1159) and Asia Resources Holdings Limited (stock code: 899), whose shares are listed on the Main Board of the Stock Exchange, for the period from September, 2005 to July, 2011, from March, 2010 to May, 2013, from May, 2010 to November, 2013, from June, 2014 to November, 2014, from April, 2009 to November, 2014 and from November, 2010 to January, 2015, respectively. Mr. Lum was also a non-executive director of Orient Securities International Holdings Limited (stock code: 8001), whose shares are listed on the GEM Board of the Stock Exchange, for the period from January, 2014 to June, 2015 and an independent director of Asia Green Agriculture Corporation, a company trading on the Over-the-Counter Bulletin Board in the United States of America for the period from September, 2011 to February, 2015.

\* For identification purpose only

# Biographical Details of Directors

## Board of Directors *(Continued)*

### Independent Non-Executive Directors *(Continued)*

Since August, 2007, January, 2014 and May, 2015, Mr. Lum has been appointed as an independent non-executive director of Great China Properties Holdings Limited (stock code: 21) and Beautiful China Holdings Company Limited (stock code: 706), whose shares are listed on the Main Board of the Stock Exchange and i-Control Holdings Limited (stock code: 8355), whose shares are listed on the GEM Board of the Stock Exchange, respectively.

**Mr. Zhang Jiping**, aged 45, has been appointed as an independent non-executive director of the Company since 15th July, 2015. He has also served as the chairman of the nomination committee, a member of the audit committee and a member of the remuneration committee of the Company since then.

Mr. Zhang graduated from Xiamen University with a Bachelor of Laws degree in 1992 and a Master of Laws degree in 2002. Mr. Zhang was awarded the qualification as a lawyer in the PRC in 1996 and an intermediate level real estate economist in 1998. Mr. Zhang also passed the uniform examination organized by the Chinese government authorities and obtained the required qualifications for a Registered Tax Agent in 2000, and also passed the National Judicial Examination of the PRC\* (國家司法考試) and obtained a license for practicing as a lawyer in the PRC in 2002. Mr. Zhang is a practicing lawyer, a registered tax advisor and a real estate economist in the PRC. Mr. Zhang currently serves as a partner and director of 福建德和聯盟律師事務所 (Fujian Dehe Union Law Offices\*). He was a Prosecuting Attorney for Xiamen People's Procuratorate between 1992 and 2002, engaged in civil litigations and criminal prosecutions for approximately 10 years, and practiced as a lawyer in the PRC for 13 years since 2002. He has more than 23 years of working experience in practicing civil and commercial laws, as well as in the areas of real estate and taxation in the PRC.

\* For identification purpose only

# Report of the Directors

The Directors are pleased to present to the shareholders their report together with the audited consolidated financial statements of the Group for the year ended 31st December, 2015.

## Principal Activities

The principal activity of the Company is an investment holding. Particulars of the Company's principal subsidiaries are set out in note 32 to the consolidated financial statements.

## Results and Appropriations

The results for the year ended 31st December, 2015 are set out in the consolidated statement of profit or loss on page 40 of this annual report.

The Directors do not recommend the payment of final dividend for the year ended 31st December, 2015.

## Business Review

A fair review of the business of the Company as well as a discussion and analysis of the Group's performance during the year and the material factors underlying its financial performance and financial position as required by Schedule 5 of the Companies Ordinance can be found in the "Management discussion and Analysis" set out on pages 6 to 9 of this annual report, which forms part of this directors' report.

Other than financial performance, the Group believes that a high standard of corporate social responsibility is essential for building up a good corporate and social relationship and motivating staff and creating a sustainable return to the Group. We are committed to contributing to the sustainability of the environment and community in which we conduct business and where our stakeholder live.

### Environmental Protection

Adhered to the principle of "Reducing, Recycling and Reusing", the Group encourages green office practices such as double-sided printing and copying, setting up recycling bins, promoting usage of recycled paper and reducing energy consumption by switching off lightings and electrical appliances, and will consider implementing further eco-friendly measures and practices in the operation of the Group's businesses.

# Report of the Directors

## **Compliance with Laws and Regulations**

Strenuous efforts are exerted to ensure compliance with the laws and regulations of the jurisdictions in which the Group operates.

In relation to human resources, the Group provides and maintains statutory benefits for its staff, including but not limited to entitlement to mandatory provident fund, basic medical insurance, work injury insurance, etc. staff is entitled to day-off on public holidays and maternity leave.

On the corporate level, the Group complies with the requirements under the Listing Rules and the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong) for, among other things, the disclosure of information and corporate governance, and the Group has adopted the Model Code set out in Appendix 10 to the Listing Rules.

## **Workplace Quality**

The Group sets out its commitment to providing a working environment free from all forms of discrimination on the basis of ethnicity, gender, creed, religion, age, disability and sexual orientation. We also create a supportive and quality environment to attract and retain the best people. In order to retain quality staff for the continued growth of the Group, we conduct annual reviews, provide competitive rewards to our staff in accordance with their performance and make recognition of staff's contributions.

## **Safety and Health**

Safety and health remain to be our number one priority. A comprehensive medical insurance package which includes out-patient medical claims, and hospitalization plans is provided to our staff.

We advocate work-life balance among our workforce. Various kinds of leaves in addition to annual leave are offered to our staff under different circumstances, such as sickness, pregnancy and paternity.

## **Customers and Suppliers**

Customers and suppliers feedback plays a very important role in the operation of the Group. Various channels are established to maintain interactive communications between the customers and suppliers and the Group.

# Report of the Directors

## Principal Risks and Uncertainty

### Risk associated with financial instruments of the Group

The financial risk management objectives and policies of the Group are set out in note 6 to the consolidated financial statements.

### Key sources of estimation uncertainty

Details of the key sources of estimation uncertainty as at 31st December, 2015 are set out in note 4 to the consolidated financial statements.

## Reserves

Details of movements in the reserves of the Group during the year ended 31st December, 2015 are set out in the consolidated statement of changes in equity on page 43.

## Donations

Charitable and other donations made by the Group during the year ended 31st December, 2015 amounted to approximately HK\$250,000.

## Material Investment, Acquisition and Disposal

Save as disclosed in the sub-section headed "Significant investment, material acquisitions and disposal of subsidiaries and associated companies" under the section of "Management Discussion and Analysis" of this annual report, the Group had no significant investment, acquisition or disposal during the year ended 31st December, 2015.

## Bank Borrowings

Details of the bank borrowings of the Group as at 31st December, 2015 are set out in note 23 to the consolidated financial statements.

## Property, Plant and Equipment

Movements in property, plant and equipment during the year ended 31st December, 2015 and details of the Group's property, plant and equipment are set out in note 15 to the consolidated financial statements.

## Share Capital

Details of movements during the year ended 31st December, 2015 in the share capital of the Company are set out in note 24 to the consolidated financial statements.

# Report of the Directors

## Permitted Indemnity Provision

Pursuant to article 167 of the Company's Articles of Association, every Director shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto.

## Directors

The Directors during the year ended 31st December, 2015 and up to the date of this annual report were:

### **Executive Directors**

Mr. Lin Caihuo (*Chairman*)  
Ms. Kang Guiping (resigned on 11th September, 2015)  
Mr. Wang Enguang

### **Non-Executive Director**

Mr. Yip Yat Ming (resigned on 15th July, 2015)

### **Independent Non-Executive Directors**

Mr. Liu Yang (with effect from 16th March, 2015)  
Mr. Lum Pak Sum  
Mr. Zhang Jiping (appointed on 15th July, 2015)  
Mr. Tsui Man Yin (resigned on 15th July, 2015)  
Mr. Yen Chanan (resigned on 16th March, 2015)

In accordance with article 87 of the Articles of Association of the Company, Mr. Mr. Lin Caihuo and Mr. Wang Enguang will retire from office and, being eligible offer themselves for re-election at the forthcoming annual general meeting.

None of the Directors offering themselves for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

# Report of the Directors

## Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31st December, 2015, the interests and short positions of each Director and chief executive of the Company in the shares (the "Shares"), underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of Shares held/ interested<sup>(1)</sup></b>	<b>Approximate percentage of the total issued Shares</b>
Lin Caihuo ("Mr. Lin")	Beneficial owner	848,278,946 <sup>(2)</sup>	109.65%

Notes:

- (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 Shares which may be allotted and issued to Mr. Lin upon completion of the conditional share subscription agreement dated 26 November 2015 entered into between the Company and Mr. Lin (the "Subscription Agreement"). As disclosed in the announcement of the Company dated 3 February 2016, the Subscription Agreement has lapsed on 29 February 2016 and therefore Mr. Lin ceases to be interested in the said 640,000,000 Shares. As at the date of this annual report, Mr. Lin beneficially owned 208,278,946 Shares, representing approximately 26.92% of the total issued Shares.

Save as disclosed above, as at 31st December, 2015, none of the Directors and chief executives of the Company had any interest or short position 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 are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## Share Option Scheme

A summary of the share option scheme is set out in note 25 to the consolidated financial statements. A total of 23,100,000 share options were granted under the Share Option Scheme during the year ended 31st December, 2015.

# Report of the Directors

## Share Option Scheme (Continued)

Details of the share options granted, exercise, lapsed and outstanding under the Share Option Scheme during the year ended 31st December, 2015 are as follows:

Name	Date of grant (dd/mm/yyyy)	Exercise price HK\$	Exercise price after share- subdivision HK\$	Vesting date (dd/mm/yyyy)	Exercisable period (dd/mm/yyyy)	Number of share options					
						As at 01/01/2015	Granted	Exercised	Adjustment on share subdivision	Lapsed	As at 31/12/2015
Eligible employees <sup>(1)</sup>	19/6/2015	5.13	2.565	19/06/2015	19/06/2015 – 18/06/2025	-	23,100,000	-	23,100,000	(7,700,000)	38,500,000

Note:

- (1) Eligible employees are working under employment contracts that are regarded as “continuous contracts” for the purposes of the Employment Ordinance (Chapter 57 of the Laws of Hong Kong).

## Substantial Shareholders’ Interests

As at 31st December, 2015, according to the register kept by the Company under Section 336 of the SFO, the corporations or persons (other than a Director or chief executive of the Company) which had interests of 5% or more in the Shares or underlying Shares which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO were as follows:

Name	Capacity	Number of Shares held/ interested <sup>(1)</sup>	Approximate percentage of the total issued Shares
Lin Aihua (“Ms. Lin”) <sup>(2)</sup>	Interest of spouse	848,278,946	109.65%
Cheung Chi Mang	Interest of a controlled corporation	43,032,000	5.56%
Hong Kong Investments Group Limited <sup>(3)</sup>	Beneficial owner	43,032,000	5.56%

Notes:

- (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 Caihuo (“Mr. Lin”) and the 640,000,000 Shares which may be allotted and issued to Mr. Lin upon completion of the Subscription Agreement. As disclosed in the announcement of the Company dated 3 February 2016, the Subscription Agreement has lapsed on 29 February 2016 and therefore Mr. Lin ceases to be interested in the said 640,000,000 Shares. As at the date of this annual report, Mr. Lin beneficially owned 208,278,946 Shares, representing approximately 26.92% of the total issued Shares.

Ms. Lin is the spouse of Mr. Lin. For the purpose of 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.

# Report of the Directors

## Substantial Shareholders' Interests *(Continued)*

Save as disclosed above, as at 31st December, 2015 and so far as is known to the Directors, no other person (other than a Director or chief executive of the Company) had registered an interest or short position in the Shares and underlying Shares which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

## Directors' Interests in Contracts of Significance

Save as disclosed in the paragraph headed "Connected Transactions and Continuing Connected Transactions" in this directors' report, there is no contract of significance to which the Company, its holding company, subsidiaries or fellow subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of 31st December, 2015 or at any time during the year ended 31st December, 2015.

## Related Party Transactions

Save as disclosed in the paragraph headed "Connected Transactions and Continuing Connected Transactions" in this directors' report, the significant related party transactions disclosed in note 30 to the consolidated financial statements did not constitute connected transactions of the Company under the Listing Rules..

## Competing Interest

During the year ended 31st December, 2015, Mr. Lin Caihuo ("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	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
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

\* For identification purpose only

# Report of the Directors

## Competing Interest *(Continued)*

Save as disclosed above, none of the Directors or their respective close associates (as defined in the Listing Rules) had an interest in a business, which competes or may compete with the business of the Group.

## Change in Information of Directors pursuant to Rule 13.51B(1) of the Listing Rules

Save as disclosed in the announcement of the Company dated 11th September, 2015, there was no change in information of Directors pursuant to Rule 13.51B(1) of the Listing Rules since the date of the publication of the 2015 Interim Report of the Company.

## Remuneration Policy

The remuneration policy of the Group is established by the Remuneration Committee on the basis of the individuals' merit, qualifications and competence.

The Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics, made recommendations to the Board for all remuneration of the executive Directors and senior management of the Company.

The remunerations of the Directors are determined with reference to the economic situation, the market condition, the responsibilities and duties assumed by each Director as well as their individual performance.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme are set out in note 25 to the consolidated financial statements.

## Purchase, Sale or Redemption of the Company's Securities

None of the Company or any of its subsidiaries had purchased, sold or redeemed any of its listed securities during the year ended 31st December, 2015.

## Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's Articles of Association and there is no restriction against such rights under the laws in the Cayman Islands.

## Management Contracts

No management contracts concerning the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31st December, 2015.

# Report of the Directors

## Directors' Rights to Acquire Shares or Debentures

At no time during the Reporting Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective associates, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

## Connected Transactions and Continuing Connected Transactions

During the year ended 31st December, 2015, the Group had the following connected transactions, details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

### Supply Agreement

On 28th February, 2014, Crown Million Industries (International) Limited ("CMI"), a wholly owned subsidiary of the Company entered into supply agreement (the "Supply Agreement") with Tai Sing Industrial Company Limited ("TSI") for a term of 3 years from 1st January, 2014 to 31st December, 2016. Pursuant to the Supply Agreement, CMI supplies the speaker units to TSI. The annual caps for the transactions contemplated under the Supply Agreement were HK\$36 million, HK\$47 million and HK\$58 million for the years ended 31st December, 2014 and 31st December, 2015, and the year ending 31st December, 2016, respectively.

Since TSI is indirectly and wholly owned by Mr. Cheung Wah Keung who is director of certain subsidiaries of the Company, TSI is a connected person of the Company. Accordingly, the Supply Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

For details, please refer to the announcements of the Company dated 21st November, 2013 and 24th January, 2014 and the circular of the Company dated 8th January, 2014.

For the year ended 31st December, 2015, the supply of speaker units by CMI, its subsidiary and fellow subsidiaries to TSI under the Supply Agreement amounted to about HK\$21,506,000.

### R&D Service Agreement

On 28th February, 2014, Shinhint Technology (Shenzhen) Limited ("Shinhint Technology"), a wholly-owned subsidiary of the Company entered into R&D service agreement (the "Service Agreement") with Dongguan Tai Sing Audio Technology Limited ("TSAT") for a term of 3 years from 1st January, 2014 to 31st December, 2016. Pursuant to the Service Agreement, Shinhint Technology provides the services of research and development to TSAT. Since TSAT is indirectly and wholly owned by Mr. Cheung Wah Keung who is director of certain subsidiaries of the Company, TSAT is a connected person of the Company. Accordingly, the Service Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. On 6th August, 2015, Shinhint Technology and TSAT mutually agreed and entered into a termination deed to terminate the Service Agreement with immediate effect.

# Report of the Directors

## Connected Transactions and Continuing Connected Transactions

*(Continued)*

### **R&D Service Agreement** *(Continued)*

For details, please refer to the announcements of the Company dated 21st November, 2013, 24th January, 2014 and 6th August, 2015 and the circular of the Company dated 8th January, 2014.

For the year ended 31st December, 2015, the provision of R&D service by Shinhint Technology, its subsidiary and fellow subsidiaries to TSAT under the Service Agreement amounted to about HK\$4,616,000.

### **Oil storage tanks and ancillary facilities agreement**

On 8th May, 2015, 富華(福建)能源有限公司 (Fujian Fuhua Energy Company Limited\*) (“Fujian Fuhua”) and 福建裕華石油化工有限公司 (Fujian Yuhua Petrochemical Company Limited\*) (“Fujian Yuhua Petrochemical”) entered into an oil storage tanks and ancillary facilities agreement (“Oil Storage Tanks and Ancillary Facilities Agreement”), pursuant to which, Fujian Yuhua Petrochemical agreed to provide the crude oil jetty and storage services to Fujian Fuhua or any of its subsidiary(ies) or affiliate(s) for a period commencing from 11th May, 2015 and ending on 31st December, 2017.

The annual caps for the transactions contemplated under the Oil Storage Tanks and Ancillary Facilities Agreement for the three financial years ending 31st December, 2015, 2016 and 2017 are RMB10,000,000, RMB10,000,000 and RMB10,000,000 respectively.

Mr. Lin Caihuo, an executive Director, is the director and general manager of Fujian Yuhua Petrochemical and together with his spouse, are the ultimate beneficial owners of Fujian Yuhua Petrochemical. Therefore Fujian Yuhua Petrochemical is a connected person of the Company under Chapter 14A of the Listing Rules. For details of the Oil Storage Tanks and Ancillary Facilities Agreement, please refer to the announcement of the Company dated 8th May, 2015.

For the year ended 31st December, 2015, the crude oil jetty and storage services provided by Fujian Yuhua Petrochemical to Fujian Fuhua or any of its subsidiary(ies) or affiliate(s) amounted to approximately RMB5,063,000.

### **Sale and Purchase Framework Agreement**

On 7th September, 2015, Yuhua Energy (China) Limited (formerly known as Fortune Winner (Hong Kong) Limited) (“Yuhua Energy (China)”) and Fujian Yuhua Petrochemical and 福建裕華能源有限公司 (Fujian Yuhua Energy Company Limited\*) (“Fujian Yuhua Energy”) entered into the sale and purchase framework agreement (“Sale and Purchase Framework Agreement”), pursuant to which Yuhua Energy (China) conditionally agreed to supply the chemical products to Fujian Yuhua Petrochemical and Fujian Yuhua Energy (or any one or more of their subsidiaries) for the three years ending 31st December, 2015, 2016 and 2017.

\* For identification purpose only

# Report of the Directors

## Connected Transactions and Continuing Connected Transactions

*(Continued)*

### **Sale and Purchase Framework Agreement** *(Continued)*

The Sale and Purchase Framework Agreement and the transactions contemplated thereunder and the related annual caps for the amount of RMB100,000,000, RMB300,000,000 and RMB300,000,000 for the three years ending 31st December, 2015, 2016 and 2017 respectively had been approved by the independent shareholders of the Company (namely, shareholders of the Company other than Mr. Lin Caihuo) at an extraordinary general meeting of the Company held on 20th November, 2015.

Mr. Lin Caihuo, an executive Director, is also the director and general manager of each of Fujian Yuhua Petrochemical and Fujian Yuhua Energy. In addition, Mr. Lin and his associate(s) wholly-own 福建裕華集團有限公司 (Fujian Yuhua Group Limited\*), which in turn wholly-owns Fujian Yuhua Petrochemical and Fujian Yuhua Energy. Therefore, each of Fujian Yuhua Petrochemical and Fujian Yuhua Energy is a connected person of the Company under Chapter 14A of the Listing Rules. For details of the Sale and Purchase Framework Agreement, please refer to the announcements of the Company dated 7th September, 2015 and 20th November, 2015 and the circular of the Company dated 3rd November, 2015.

For the year ended 31st December, 2015, there was no transaction conducted under the Sale and Purchase Framework Agreement.

### **Acquisition Agreements**

Details are disclosed in the sub-section headed "Significant investment, material acquisitions and disposal of subsidiaries and associated companies" under the section headed "Management Discussion and Analysis" of this annual report.

Pursuant to Rule 14A.56 of the Listing Rules, the Board engaged the auditor of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of the Group. The auditor has reported the factual findings on these procedures to the Board.

The independent non-executive Directors had reviewed the above continuing connected transactions and confirmed that the transactions had been entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms or better; and
- (iii) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

\* For identification purpose only

# Report of the Directors

## Placing of New Shares

- On 15th April, 2015, the Company entered into a placing agreement with Astrum Capital Management Limited (the "Placing Agent"), pursuant to which the Company conditionally agreed to place through the Placing Agent, up to a maximum of 64,369,112 new ordinary shares of HK\$0.01 each in the capital of the Company (the "Placing Share(s)"), on a best-effort basis to not fewer than six independent places at a price of HK\$0.97 per Placing Share ("Placing").

The Directors consider that the Placing represents an opportunity to provide additional working capital for the Group while broadening its shareholder and capital base thereby increasing the liquidity of the Shares. The Directors also consider that the terms of the Placing, including the placing price and the placing commission, are fair and reasonable based on current market conditions. Accordingly, the Board considers that the Placing is in the interests of the Company and the shareholders of the Company as a whole.

The closing price per ordinary share of the Company as quoted on the Stock Exchange on 15th April, 2015, being the date of the placing agreement was HK\$1.19. The net price of each Placing Share was approximately HK\$0.95.

The Placing was completed on 30th April, 2015. An aggregate of 64,369,112 Placing Shares had been successfully placed to not less than six places at a price of HK\$0.97 per Placing Share, raising gross proceeds of HK\$62,438,038. The net proceeds from the Placing amounted to approximately HK\$61.3 million which would be used for the energy trading business of the Company and forms part of the usage for general working capital of the Group as the purchase of fuel oil, oil and natural gas was required for its ordinary course of business.

Details of the Placing were disclosed in the Company's announcements dated 16th April, 2015 and 23rd April, 2015.

The equity fund raising activities conducted by the Company for the year ended 31st December, 2015 are set out below:

<b>Date of announcements</b>	<b>Event</b>	<b>Net proceeds (approximately)</b>	<b>Intended use of proceeds as announced</b>	<b>Actual use of proceeds</b>
16th April, 2015 and 23rd April, 2015	Placing of 64,369,112 new Shares under the General Mandate	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

# Report of the Directors

## Major Customers and Suppliers

Sales to the Group's five largest customers accounted for approximately 55% of the Group's sales for the year ended 31st December, 2015 and sales to the Group's largest customer included therein accounted for approximately 16%.

Purchase from the Group's five largest suppliers accounted for approximately 79% of the Group's total purchases for the year ended 31st December, 2015 and purchase from the Group's largest customer included therein accounted for approximately 32%.

None of the Directors, their close associate (as defined in the Listing Rules) or any shareholder (which to the knowledge of the Directors own more than 5% of the Company's share capital) had an interest in the major customers or suppliers noted above.

## Subsequent Event

There were no important events affecting the Group after the end of 31st December, 2015.

## Public Float

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

## Auditor

The consolidated financial statements have been audited by Messrs. Cheng & Cheng Limited ("Cheng & Cheng").

Cheng & Cheng will retire upon expiration of its current term of office with effect from the conclusion of the 2016 Annual General Meeting ("AGM"). An ordinary resolution will be proposed at the AGM for appointing Messrs. PricewaterhouseCoopers as the new auditor of the Company to replace Cheng & Cheng.

Following the resignation of Messrs. Deloitte Touche Tohmatsu ("Deloitte") as auditor of the Company on 21st November, 2014, Cheng & Cheng was appointed as the new auditor of the Company on 21st November, 2014 to fill the vacancy following the resignation of Deloitte.

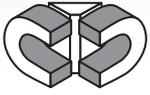
On behalf of the Board

**Lin Caihuo**

*Chairman*

Hong Kong, 30th March, 2016

# Independent Auditor's Report



## 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

### TO THE MEMBERS OF YUHUA ENERGY HOLDINGS LIMITED (FORMERLY KNOWN AS SHINHINT ACOUSTIC LINK HOLDINGS LIMITED)

裕華能源控股有限公司 (前名為成謙聲匯控股有限公司)  
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Yuhua Energy Holdings Limited (Formerly known as Shinhint Acoustic Link Holdings Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 40 to 103, which comprise the consolidated statement of financial position as at 31st December, 2015, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

# Independent Auditor's Report

## Auditor's Responsibility *(Continued)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31st December, 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **Cheng & Cheng Limited**

*Certified Public Accountants*

Hong Kong, 30th March, 2016

Y. Y. Li, Alice

Practising Certificate number P03373

# Consolidated Statement of Profit or Loss

For the year ended 31st December, 2015

	NOTES	2015 HK\$'000	2014 HK\$'000
<b>Continuing operations</b>			
Revenue	7	4,735,523	551,117
Cost of sales		(4,617,341)	(508,003)
Gross profit		118,182	43,114
Other income		656	1,591
Selling and distribution costs		(9,075)	(2,653)
Administrative expenses		(100,017)	(31,860)
Research and development expenses		(2,864)	(2,586)
Other gains and losses		3,507	(203)
Finance costs	8	(4,513)	(2)
Profit before taxation	9	5,876	7,401
Taxation	10	(16,048)	(2,126)
(Loss)/profit for the year from continuing operations		(10,172)	5,275
<b>Discontinued operations</b>			
Profit for the year from discontinued operations	11	–	2,297
(Loss)/profit for the year		(10,172)	7,572
(Loss)/profit attributable to owners of the Company			
– from continuing operations		(10,172)	5,275
– from discontinued operations		–	2,297
(Loss)/profit for the year attributable to owners of the Company		(10,172)	7,572
(Loss)/earnings per share	14		
<b>From continuing and discontinued operations</b>			
Basic (HK cents)		(1.39)	(Restated) 1.18
Diluted (HK cents)		(1.39)	1.18
<b>From continuing operations</b>			
Basic (HK cents)		(1.39)	0.82
Diluted (HK cents)		(1.39)	0.82

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st December, 2015

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
(Loss)/profit for the year	<u>(10,172)</u>	<u>7,572</u>
<b>Other comprehensive (loss)/income</b>		
<b>Item that may be subsequently reclassified to profit or loss:</b>		
Exchange differences arising on translation of foreign operations	<u>(14,345)</u>	<u>356</u>
Other comprehensive (loss)/income for the year	<u>(14,345)</u>	<u>356</u>
Total comprehensive (loss)/income for the year	<u><b>(24,517)</b></u>	<u>7,928</u>

# Consolidated Statement of Financial Position

At 31st December, 2015

	NOTES	2015 HK\$'000	2014 HK\$'000
<b>Non-current Assets</b>			
Property, plant and equipment	15	13,255	14,992
Intangible assets	16	978	978
Deposit paid to acquire investment properties	17	105,925	–
Rental deposits		609	643
		<b>120,767</b>	16,613
<b>Current Assets</b>			
Inventories	18	35,230	39,218
Trade debtors, deposits and prepayments	19	546,298	182,664
Bank balances and cash	20	30,948	228,063
		<b>612,476</b>	449,945
<b>Current Liabilities</b>			
Trade and other payables	21	232,326	197,238
Tax liabilities		7,366	828
Obligations under finance lease	22	22	50
Interest-bearing borrowings	23	137,267	–
		<b>376,981</b>	198,116
<b>Net Current Assets</b>			
		<b>235,495</b>	251,829
<b>Total Assets less Current Liabilities</b>			
		<b>356,262</b>	268,442
<b>Non-current Liabilities</b>			
Obligations under finance lease	22	–	22
Deferred tax liability	26	2,506	983
		<b>2,506</b>	1,005
<b>Net Assets</b>			
		<b>353,756</b>	267,437
<b>Capital and Reserves</b>			
Share capital	24	3,868	3,224
Reserves		349,888	264,213
<b>Total Equity</b>			
		<b>353,756</b>	267,437

The consolidated financial statements on pages 40 to 103 were approved and authorised for issue by the Board of Directors on 30th March, 2016 and are signed on its behalf by:

**Lin Caihuo**  
DIRECTOR

**Wang Enguang**  
DIRECTOR

# Consolidated Statement of Changes in Equity

For the year ended 31st December, 2015

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000 (Note a)	Statutory reserve HK\$'000 (Note b)	Exchange reserve HK\$'000	Share option reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
At 1st January, 2014	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
Loss for the year	-	-	-	-	-	-	(10,172)	(10,172)
Other comprehensive loss for the year								
Exchange differences arising on translation of foreign operations	-	-	-	-	(14,345)	-	-	(14,345)
Total comprehensive loss for the year	-	-	-	-	(14,345)	-	(10,172)	(24,517)
Placing of shares	644	60,849	-	-	-	-	-	61,493
Recognition of equity-settled share-based payments	-	-	-	-	-	49,343	-	49,343
Lapse of share options	-	-	-	-	-	(8,224)	8,224	-
Transfer from retained profits	-	-	-	3,228	-	-	(3,228)	-
At 31st December, 2015	3,868	151,656	4,950	5,263	(11,257)	41,119	158,157	353,756

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 the Group's subsidiaries in the PRC. The subsidiaries are 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, 2015

	2015 HK\$'000	2014 HK\$'000
Operating activities		
(Loss)/profit for the year	<b>(10,172)</b>	7,572
Adjustments for:		
Taxation	<b>16,048</b>	2,491
Finance costs	<b>4,513</b>	2
Depreciation	<b>5,552</b>	4,956
Share-based payment expense	<b>49,343</b>	–
Gain on disposal of subsidiaries	–	(5,267)
Write down of inventories	<b>347</b>	320
Interest income	<b>(92)</b>	(1,783)
Loss on written-off/disposal of property, plant and equipment	<b>193</b>	22
	<hr/>	<hr/>
Operating cash flows before movements in working capital	<b>65,732</b>	8,313
Decrease in inventories	<b>1,405</b>	20,785
(Increase)/decrease in trade debtors, deposits and prepayments	<b>(378,396)</b>	18,632
Increase in trade and other payables	<b>41,830</b>	41,218
Decrease on deposit paid for rental deposits	–	6
	<hr/>	<hr/>
Cash (used in)/generated from operations	<b>(269,429)</b>	88,954
Income tax paid	<b>(7,853)</b>	(2,550)
	<hr/>	<hr/>
Net cash (used in)/generated from operating activities	<b>(277,282)</b>	86,404
	<hr/>	<hr/>
Investing activities		
Proceeds on disposal of subsidiaries	–	37,995
Purchase of property, plant and equipment	<b>(4,718)</b>	(3,103)
Deposits paid for acquisition of investment properties	<b>(105,925)</b>	–
Interest received	<b>92</b>	1,783
	<hr/>	<hr/>
Net cash (used in)/generated from investing activities	<b>(110,551)</b>	36,675
	<hr/>	<hr/>

# Consolidated Statement of Cash Flows

For the year ended 31st December, 2015

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
Financing activities		
Proceeds from issue of shares	<b>61,493</b>	837
New bank loans raised	<b>396,954</b>	–
Repayment of bank borrowings	<b>(259,687)</b>	–
Repayment of obligations under finance lease	<b>(50)</b>	–
Interest paid	<b>(4,513)</b>	(2)
	<hr/>	<hr/>
Net cash generated from financing activities	<b>194,197</b>	835
Net (decrease)/increase in cash and cash equivalents	<b>(193,636)</b>	123,914
Effect of foreign exchange rate changes	<b>(3,479)</b>	447
Cash and cash equivalents at beginning of the year	<b>228,063</b>	103,702
	<hr/>	<hr/>
Cash and cash equivalents at end of the year, represented by bank balances and cash	<b>30,948</b>	228,063
	<hr/>	<hr/>

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 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, 2015, 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 32.

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

### Application of new and revised HKFRSs

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

Amendments to HKAS 19	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 amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### 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 <sup>2</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>3</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>1</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>1</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>1</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exemption <sup>1</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2016.

<sup>2</sup> Effective for annual periods beginning on or after 1st January, 2018.

<sup>3</sup> Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1st January, 2016 and therefore is not applicable to the Group.

<sup>4</sup> No mandatory effective date yet determined but is available for adoption.

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 financial statements. The Group is not yet in a position to ascertain their impact on its results of operations and financial position.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 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.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **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.

### **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.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Revenue recognition

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.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **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.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **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).

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Financial instruments** *(Continued)*

#### **Financial assets** *(Continued)*

##### *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.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Financial instruments** *(Continued)*

#### **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, accrued charges and bank borrowings 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.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **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 of disposal 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.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 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.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 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.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **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 capital and 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.

### **Related parties**

- (a) A person, or a close member of that person's family, is related to the group if that person:
  - (i) has control or joint control over the group;
  - (ii) has significant influence over the group; or
  - (iii) is a member of the key management personnel of the group or the group's parent.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Related parties *(Continued)*

- (b) An entity is related to the group if any of the following conditions applies:
- (i) The entity and the group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the group or an entity related to the group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 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, 2015, the carrying amount of inventories was HK\$35,230,000 (2014: HK\$39,218,000) (net of allowance for inventories of HK\$397,000 (2014: HK\$92,000)).

## 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.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 6. FINANCIAL INSTRUMENTS

### a. Categories of financial instruments

	2015 HK\$'000	2014 HK\$'000
<i>Financial assets</i>		
Loans and receivables (including cash and cash equivalents)	<b>236,894</b>	361,160
<i>Financial liabilities</i>		
At amortised cost	<b>369,494</b>	197,272

### b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other debtors, bank balances, trade and other payables and interest-bearing borrowings. 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 fair value interest rate risk in relation to fixed rate obligations under finance lease (note 22) and fixed rate interest-bearing borrowings (note 23). The Group keeps its borrowings at fixed rate of interests so as to minimise the cash flow 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.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 6. FINANCIAL INSTRUMENTS *(Continued)*

### b. Financial risk management objectives and policies *(Continued)*

#### **Market risk** *(Continued)*

##### *(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	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
United States dollars ("USD")	<b>133,667</b>	145,761	<b>8,636</b>	13,973

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.

#### Sensitivity analysis

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.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 6. FINANCIAL INSTRUMENTS *(Continued)*

### b. Financial risk management objectives and policies *(Continued)*

#### **Market risk** *(Continued)*

#### *(ii) Currency risk (Continued)*

#### Sensitivity analysis *(Continued)*

The following table details the Group's sensitivity to a 6% (2014: 6%) increase and decrease in Renminbi against Hong Kong dollars. The sensitivity rate of 6% (2014: 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% (2014: 6%) change in foreign currency rate. A positive number of the net impact indicates a decrease/an increase in post-tax loss/profit for the year where Renminbi strengthen against Hong Kong dollars. For a 6% (2014: 6%) weakening of Renminbi against Hong Kong dollars, there would be an equal and opposite impact on the loss (2014: profit) for the year.

		<b>Impact</b>	
		<b>2015</b>	2014
		<b>HK\$'000</b>	HK\$'000
Decrease/increase in loss/profit	(i)	<b>1</b>	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.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 6. FINANCIAL INSTRUMENTS *(Continued)*

### b. Financial risk management objectives and policies *(Continued)*

#### **Credit risk**

As at 31st December, 2015, 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% (2014: 99%) of the Group's trade debtors as at 31st December, 2015, with an aggregate carrying amount of HK\$86,241,000 (2014: HK\$48,698,000) which are past due but not impaired at the end of reporting period. These customers are large multi-national companies in energy trading, acoustic accessories and peripherals business. The assessment on impairment on debtors is set out in note 19.

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 19.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 6. FINANCIAL INSTRUMENTS *(Continued)*

### b. Financial risk management objectives and policies *(Continued)*

#### **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, 2015, the Group had available unutilised overdraft and short-term bank loan facilities of HK\$979,854,000 (2014: HK\$15,133,000).

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.

	Weighted average effective interest rate %	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31st December, 2015 HK\$'000
<b>2015</b>					
<b>Non-interest bearing</b>	-	<u>232,326</u>	<u>-</u>	<u>232,326</u>	<u>232,326</u>
<b>Fixed interest rate instrument</b>	<b>3.48%–5.61%</b>	<u>137,289</u>	<u>-</u>	<u>137,289</u>	<u>137,289</u>

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

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 6. FINANCIAL INSTRUMENTS *(Continued)*

### 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.

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, 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 2014. The segment information reported below does not include any amounts for these discontinued operations, which are described in more detail in note 11.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 7. REVENUE AND SEGMENT INFORMATION *(Continued)*

### 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, 2015

	Speaker units HK\$'000	Energy trading HK\$'000	Total HK\$'000
<b>Segment revenue</b>			
Sales to external customers	539,957	4,195,566	4,735,523
<b>Segment results</b>	31,869	33,107	64,976
Reconciliation:			
Unallocated expense			(5,249)
Unallocated income			5
Share-based payment expense	–	(49,343)	(49,343)
Finance costs	(2)	(4,511)	(4,513)
Profit before tax from continuing operations			5,876
Income tax expenses			(16,048)
Loss for the year from continuing operations			(10,172)
<b>Segment assets</b>	238,300	388,040	626,340
Reconciliation:			
Unallocated assets			106,903
Total assets			733,243
<b>Segment liabilities</b>	152,070	217,545	369,615
Reconciliation:			
Unallocated liabilities			9,872
Total liabilities			379,487
<b>Other segment information</b>			
Capital expenditure on property, plant and equipment	1,742	2,976	4,718
Depreciation	5,027	525	5,552
Research and development expenses	2,864	–	2,864

## Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

**7. REVENUE AND SEGMENT INFORMATION** (Continued)**Segment revenue and results** (Continued)

Year ended 31st December, 2014	Speaker units HK\$'000	Energy trading HK\$'000	Total HK\$'000
<b>Segment revenue</b>			
Sales to external customers	517,115	34,002	551,117
<b>Segment results</b>	7,948	(73)	7,875
<b>Reconciliation:</b>			
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
<b>Segment assets</b>	424,039	41,541	465,580
Reconciliation:			
Unallocated assets			978
Total assets			466,558
<b>Segment liabilities</b>	196,437	873	197,310
Reconciliation:			
Unallocated liabilities			1,811
Total liabilities			199,121
<b>Other segment information</b>			
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

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 7. REVENUE AND SEGMENT INFORMATION *(Continued)*

### 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 specified non-current assets.

	Revenue from external customers		Specified non-current assets	
	Year ended			
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Japan	12,152	2,578	–	–
United States of America	47,535	3,923	–	–
Belgium	145,209	391,230	–	–
PRC	4,364,730	86,706	120,767	16,613
Germany	62,778	22,491	–	–
Canada	30,437	33,133	–	–
Other countries	72,682	11,056	–	–
	<b>4,735,523</b>	<b>551,117</b>	<b>120,767</b>	<b>16,613</b>

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 7. REVENUE AND SEGMENT INFORMATION *(Continued)*

### Information about major customers

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 specified non-current assets is based on the physical location of the asset, and the location of the operation to which they are allocated in the case of intangible assets.

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

	2015 HK\$'000	2014 HK\$'000
<b>Revenue from customer attributable to speaker units</b>		
Company A	<u>368,934</u>	<u>458,938</u>
<b>Revenue from customers attributable to energy trading</b>		
Company B	762,791	–
Company C	<u>678,621</u>	<u>–</u>

## 8. FINANCE COSTS

	2015 HK\$'000	2014 HK\$'000
<b>Continuing operations</b>		
Finance charges on obligations under finance lease	2	2
Interest on bank loans	<u>4,511</u>	<u>–</u>
	<u>4,513</u>	<u>2</u>

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 9. PROFIT BEFORE TAXATION

	2015 HK\$'000	2014 HK\$'000
<b>Continuing operations</b>		
Profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	1,611	385
Cost of inventories recognised as an expense including net provision of inventories HK\$347,000 (2014: reversal of write down of inventories HK\$100,000)	4,617,341	508,003
Depreciation	5,552	4,956
Net exchange (gain)/loss (included in other gains and losses)	(3,700)	181
Staff costs		
Directors' emoluments (note 12)	2,172	4,040
Retirement benefit scheme contributions (note 29)	1,813	1,604
Share-based payment expense (note 25)	49,343	–
Other staff costs	82,835	68,802
Total staff costs	136,163	74,446
Operating lease rentals in respect of rented premises	16,562	8,671
Interest income	(92)	(1,603)

## Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

**10. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

Taxation in the consolidated statement of profit or loss represents:

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
<b>Continuing operations</b>		
The charge comprises:		
Current tax for the year		
Hong Kong	<b>3,318</b>	546
PRC Enterprise Income Tax	<b>10,799</b>	1,135
	<b>14,117</b>	1,681
Under/(over) provision in prior years		
Hong Kong	<b>(2)</b>	–
PRC Enterprise Income Tax	<b>410</b>	299
	<b>408</b>	299
Deferred taxation (note 26)		
Current year	<b>1,523</b>	146
	<b>16,048</b>	2,126

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 subsidiaries during the year has been provided at the applicable tax rate of 5%.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 10. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(Continued)*

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

	2015 HK\$'000	2014 HK\$'000
Profit before taxation from continuing operations	<u>5,876</u>	<u>7,401</u>
Tax at Hong Kong Profits Tax rate of 16.5%	970	1,221
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	(421)	407
Tax effect of expenses not deductible for tax purposes	13,357	587
Tax effect of income not taxable for tax purposes	(594)	(290)
Under provision in respect of prior years	408	299
Tax effect of tax losses not recognised	878	29
Tax effect of deductible temporary differences not recognised	(19)	20
Effect of concessionary rate and tax exemption granted to a PRC subsidiary	–	(64)
Withholding tax on undistributed earnings of PRC subsidiaries (note 26)	1,523	146
Others	<u>(54)</u>	<u>(229)</u>
Taxation for the year	<u><b>16,048</b></u>	<u><b>2,126</b></u>

## 11. 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 business 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.

## Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

**11. DISPOSAL OF SUBSIDIARIES (DISCONTINUED OPERATIONS)***(Continued)*

The profit from the discontinued operations is analysed as follows:

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

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

	Two months ended 28th February, 2014 HK\$'000
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	<u>(69)</u>
Loss before tax	(2,605)
Income tax expense	<u>(365)</u>
Loss for the period	<u>(2,970)</u>

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 11. DISPOSAL OF SUBSIDIARIES (DISCONTINUED OPERATIONS)

*(Continued)*

Loss for the period from the discontinued operations includes the following:

	Two months ended 28th February, 2014 HK\$'000
Loss before taxation has been arrived at after charging (crediting):	
Auditor's remuneration	146
Cost of inventories recognised as an expense including net write down of inventories HK\$420,000	74,322
Depreciation	1,868
Net exchange loss (included in other gains and losses)	69
Staff costs	
Directors' emoluments (note 12)	566
Retirement benefit scheme contributions (note 29)	724
Other staff costs	<u>17,494</u>
Total staff costs	18,784
Operating lease rentals in respect of rented premises	2,020
Interest income	<u>(180)</u>

## Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

**11. DISPOSAL OF SUBSIDIARIES (DISCONTINUED OPERATIONS)***(Continued)*

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	<u>(2,273)</u>
	116,100
Transaction cost directly associated with the disposal	833
Gain on disposal, net of transaction costs	<u>5,267</u>
Total consideration	<u>122,200</u>
Satisfied by:	
Cash	<u>122,200</u>
Net cash inflow arising on disposal:	
Total cash consideration received	122,200
Less: transaction costs paid	(833)
Less: bank balance and cash disposed of	<u>(83,372)</u>
	<u>37,995</u>

Note: Intergroup balance due from TSI Group to the Group amounting to 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	<u>—</u>
Net cash flows	<u>30,077</u>

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 12. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

### (a) Directors and chief executive

The emoluments paid or payable to each of the 9 (2014: 13) directors and the chief executive were as follows:

	Fees HK\$'000	Other emoluments			Total HK\$'000
		Salaries and other benefits HK\$'000	Retirement benefit scheme contributions HK\$'000	Share-based payment expense HK\$'000	
<b>2015</b>					
Lin Caihuo	-	1,200	-	-	1,200
Kang Guiping (Resigned on 11th September, 2015)	-	347	-	-	347
Wang Enguang	-	200	-	-	200
Yip Yat Ming (Resigned on 15th July, 2015)	65	-	-	-	65
Yen Chanan (Resigned on 16th March, 2015)	25	-	-	-	25
Lum Pak Sum	120	-	-	-	120
Tsui Man Yin (Resigned on 15th July, 2015)	65	-	-	-	65
Liu Yang (Appointed on 16th March, 2015)	95	-	-	-	95
Zhang Jiping (Appointed on 15th July, 2015)	55	-	-	-	55
	<b>425</b>	<b>1,747</b>	<b>-</b>	<b>-</b>	<b>2,172</b>

## Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

**12. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS** (Continued)**(a) Directors and chief executive** (Continued)

	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
<b>2014</b>					
Cheung Wah Keung (Resigned on 21st November, 2014)	–	2,260	11	–	2,271
Wong Sau Lik, Weekly 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
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 (Note) (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
	<b>834</b>	<b>3,751</b>	<b>21</b>	<b>–</b>	<b>4,606</b>

Note: Mr. Su Zhiyong and Mr. Wong Sau Lik, Weekly Peter, are also the Chief Executive of the Company and their emoluments disclosed above included those for services rendered by them as the Chief Executive.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 12. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

### (b) Employees

During the year ended 31st December, 2015, the five individuals with the highest emoluments in the Group were employees. During the year ended 31st December, 2014, the five individuals with the highest emoluments in the Group, two were executive directors and the chief executive of the Company whose emoluments are set out above while the remaining three individuals were employees. The aggregate of the emoluments were as follows:

	2015 HK\$'000	2014 HK\$'000
Salaries and other benefits	256	1,766
Retirement benefit scheme contributions	15	46
Share-based payment expense	41,119	–
	<b>41,390</b>	<b>1,812</b>

Their emoluments were within the following bands:

	2015 Number of employees	2014 Number of employees
HK\$500,001 to HK\$1,000,000	–	3
HK\$1,000,001 to HK\$1,500,000	–	–
Over HK\$1,500,000	5	–

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

No dividend was paid or proposed for ordinary shareholders of the Company during 2015, nor has any dividend been proposed since the end of the reporting period (2014: nil).

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 14. (LOSS)/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:

	2015 HK\$'000	2014 HK\$'000
<b>(Loss)/earnings</b>		
(Loss)/earnings for the purpose of basic and diluted earnings per share	<u>(10,172)</u>	<u>7,572</u>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	<u>731,657</u>	643,594 (Restated)

The computation of diluted (loss)/earnings per share does not assume the exercise of share options granted under the share option scheme (Note 25) since their exercise would result in an anti-dilutive effect on the loss per share for the year ended 31st December, 2015 (2014: the exercise price of those options is higher than the average market price of the Company's 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.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 14. (LOSS)/EARNINGS PER SHARE *(Continued)*

### From continuing operations

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

	2015 HK\$'000	2014 HK\$'000
Figures are calculated as follows:		
(Loss)/profit for the year attributable to owners of the Company	(10,172)	7,572
Less: Profit for the year from discontinued operations	—	2,297
	<hr/>	<hr/>
(Loss)/profit for the purposes of basic and diluted earnings per share from continuing operations	<b>(10,172)</b>	<b>5,275</b>

### From discontinued operations

Basic and diluted earnings per share for the discontinued operations is nil (2014: HK\$0.36 cents, restated). Based on the profit for the year from the discontinued operations of nil (2014: HK\$2,297,000) and the denominators detailed above for both basic and diluted earnings per share.

## Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 15. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery HK\$'000	Moulds HK\$'000	Furniture, fixtures and office equipment HK\$'000	Leasehold improvements HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>COST</b>						
At 1st January, 2014	9,001	3,775	11,622	11,293	247	35,938
Additions	285	318	318	167	2,087	3,175
Disposal	–	–	(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
Additions	329	261	1,497	1,733	898	4,718
Written-off	–	(105)	(400)	(66)	–	(571)
Exchange adjustments	(558)	(231)	(734)	(673)	(65)	(2,261)
At 31st December, 2015	9,026	4,007	12,142	12,423	3,166	40,764
<b>DEPRECIATION</b>						
At 1st January, 2014	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 disposal	–	–	(104)	–	–	(104)
Exchange adjustments	(9)	(3)	(3)	(2)	–	(17)
At 31st December, 2014	4,234	2,603	8,944	7,800	305	23,886
Provided for the year	775	496	1,150	2,600	531	5,552
Eliminated on written-off	–	(38)	(260)	(80)	–	(378)
Exchange adjustments	(281)	(156)	(546)	(555)	(13)	(1,551)
At 31st December, 2015	4,728	2,905	9,288	9,765	823	27,509
<b>CARRYING VALUES</b>						
At 31st December, 2015	4,298	1,102	2,854	2,658	2,343	13,255
At 31st December, 2014	5,021	1,479	2,835	3,629	2,028	14,992

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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 <sup>1</sup> / <sub>3</sub> %
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 nil (2014: HK\$533,000). At the end of the reporting period, the net book value of motor vehicle held under finance lease of the Group was HK\$373,000 (2014: HK\$480,000).

## 16. INTANGIBLE ASSETS

**Club  
membership**  
HK\$'000  
(Note)

### COST AND CARRYING VALUES

As at 1st January, 2014, 31st December, 2014 and 31st December, 2015 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, 2015, the club membership was tested for impairment by comparing its carrying amount with its recoverable amount, which was determined based on fair value less costs of disposal in the market. The management of the Group determined that no impairment loss was necessary for the current year (2014: nil).

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 17. DEPOSIT PAID TO ACQUIRE INVESTMENT PROPERTIES

On 7th September, 2015, a wholly-owned subsidiary of the Company, 裕華能源(廈門)有限公司 ("Xiamen Yuhua Energy"), entered into the acquisition agreements with 廈門海之星航運有限公司 ("Xiamen Ocean Star") (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 certain properties located at Fujian Province, the PRC, at a consideration of RMB88,741,660 (equivalent to approximately HK\$105,925,000). 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 7th September, 2015 and the circular of the Company dated 3rd 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 20th November, 2015. The Group settled the consideration of RMB88,741,660 in December, 2015. As at the date of this report, the acquisition has not been completed.

## 18. INVENTORIES

	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Raw materials	<b>12,338</b>	12,537
Work in progress	<b>4,230</b>	7,740
Finished goods	<b>18,662</b>	18,941
	<b>35,230</b>	39,218

During the year ended 31st December, 2014, 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 has been recognised and included in cost of sales.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 19. TRADE DEBTORS, DEPOSITS AND PREPAYMENTS

	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Trade debtors	<b>205,946</b>	133,096
Less: Allowance for doubtful debts	<u>—</u>	<u>—</u>
	<b>205,946</b>	133,096
Advance to suppliers	<b>335,078</b>	40,691
Other debtors, deposits and prepayments	<b>5,274</b>	<u>8,877</u>
	<b>546,298</b>	<u>182,664</u>

Included in Group's trade debtors with carrying amounts of HK\$116,531,000 in 2015 (2014: HK\$133,096,000), which were denominated in United States dollars which is a currency other than the functional currency of the respective group entity.

The Group normally allows a credit period of 30 days to 90 days (2014: 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.

	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Within 30 days	<b>108,326</b>	49,086
31 to 60 days	<b>36,689</b>	33,365
61 to 90 days	<b>42,396</b>	37,215
91 to 120 days	<b>16,370</b>	2,535
Over 120 days	<b>2,165</b>	<u>10,895</u>
	<b>205,946</b>	<u>133,096</u>

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 19. TRADE DEBTORS, DEPOSITS AND PREPAYMENTS (Continued)

Included in the Group's trade debtor balances are debtors with aggregate carrying amount of HK\$86,584,000 (2014: HK\$51,087,000) 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

	2015 HK\$'000	2014 HK\$'000
Overdue by:		
Within 30 days	80,699	37,028
31 days to 90 days	4,025	6,522
91 days to 365 days	1,860	7,535
Over 365 days	–	2
	<hr/>	<hr/>
Total	<b>86,584</b>	51,087
	<hr/>	<hr/>

No impairment loss has been made for both years.

## 20. BANK BALANCES AND CASH

As at 31st December, 2015, bank balances and cash comprise no short-term bank deposits (2014: bank balances and cash comprise certain short-term bank deposits at prevailing market interest rates ranging from 0.3% to 1.5% per annum).

Included in the Group's bank balances are bank balances with carrying amounts of HK\$17,136,000 (2014: HK\$20,672,000) which are denominated in United States dollars that are currencies other than the functional currencies of the respective group entities.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 21. TRADE AND OTHER PAYABLES

The following is an aged analysis of the trade creditors presented based on the invoice date at the end of the respective reporting periods.

	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Within 30 days	<b>98,741</b>	60,154
31 to 60 days	<b>37,035</b>	40,600
61 to 90 days	<b>32,045</b>	31,306
91 to 120 days	<b>20,347</b>	35,301
Over 120 days	<b>3,578</b>	13,904
	<b>191,746</b>	181,265
Accrued charges	<b>35,499</b>	15,225
Amount due to a director (note 30)	<b>5,081</b>	748
	<b>232,326</b>	197,238

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\$8,636,000 (2014: HK\$8,571,000) which are denominated in United States dollars that are currencies other than the functional currencies of the respective group entities.

## Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

**22. OBLIGATIONS UNDER FINANCE LEASE**

As at 31st December, 2015, a motor vehicle is under finance lease. The lease term is 2 years (2014: 2 years). Interest rates underlying all obligations under finance leases are fixed at respective contract dates at 3.48% (2014: 3.48%). 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	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Amounts payable under finance leases:				
Within one year	22	52	22	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	–	–	–	–
	<u>22</u>	<u>74</u>	<u>22</u>	<u>72</u>
Less: future finance charge	–	(2)	–	–
Present value of lease obligations	<u>22</u>	<u>72</u>	<u>22</u>	<u>72</u>
Less: amount due for settlement within 12 months (shown under current liabilities)			<u>(22)</u>	<u>(50)</u>
Amount due for settlement after 12 months			<u>–</u>	<u>22</u>

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 23. INTEREST-BEARING BORROWINGS

At 31st December, 2015, the interest-bearing borrowings were repayable as follows:

	2015 HK\$'000	2014 HK\$'000
Within 1 year or on demand	<b>137,267</b>	–

At 31st December, 2015, the banking facilities of the Group were secured by 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. Such banking facilities amounted to HK\$1,117,121,000 (2014: HK\$15,133,000, which was secured by guarantee by the Company). The facilities were utilized to the extent HK\$137,267,000 (2014: nil).

## Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 24. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.005 (2014: HK\$0.01) each:		
Authorised:		
At 1st January, 2014 and 31st December, 2014	500,000,000	5,000
Increase on 29th May, 2015 (Note a)	1,500,000,000	15,000
Share subdivision on 8th July, 2015 (Note b)	<u>2,000,000,000</u>	<u>–</u>
At 31st December, 2015	<u>4,000,000,000</u>	<u>20,000</u>
Issued and fully paid:		
At 1st January, 2014	321,545,564	3,215
Issue of shares upon exercise of share options	<u>900,000</u>	<u>9</u>
At 31st December, 2014 and 1st January, 2015	322,445,564	3,224
Issue of new shares on 30th April, 2015 (Note c)	64,369,112	644
Share subdivision on 8th July, 2015 (Note b)	<u>386,814,676</u>	<u>–</u>
At 31st December, 2015	<u>773,629,352</u>	<u>3,868</u>

## Notes:

- (a) At the annual general meeting of the Company held on 29th May, 2015, the increase of 1,500,000,000 shares in authorised share capital of the Company was approved.
- (b) 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.
- (c) On 15th April, 2015, the Company entered into a placing agreement with a placing agent whereby the Company agreed to place, through the placing agent, a maximum of 64,369,112 new shares to not less than six placees at a price of HK\$0.97 per placing share. The placing was completed on 30th April, 2015 and 64,369,112 new shares were issued to not less than six placees in accordance with the terms of the placing agreement.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 25. 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 shares in respect of which options may be granted under the Scheme and any other schemes is not permitted to exceed 10% of the shares of the Company in issue at the date of shareholders' approval of the Share Option Scheme.

At the date of this annual report, total 38,500,000 outstanding ordinary shares are available for issue under the Share Option Scheme.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 25. SHARE OPTION SCHEME *(Continued)*

### **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.

### **Life of the Share Option Scheme**

The life of the Share Option Scheme is a period of 10 years commencing from 14 July 2005, being the date on which the shares of the Company are listed on the Stock Exchange. Upon termination, no further share options may be granted under the Share Option Scheme.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 25. SHARE OPTION SCHEME (Continued)

### 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, 2015 are as follows:

Category of participants	Date of grant	Exercise price after (before) share subdivision HK\$	Vesting date	Exercisable period	Number of share options						
					As at 01/01/2015	Granted	Exercised	Cancelled	Adjustment on share subdivision	Lapsed Note(a)	As at 31/12/2015
Employees	19/06/2015	2.565 (5.13)	19/06/2015	19/06/2015 – 18/06/2025	-	23,100,000	-	-	23,100,000	7,700,000	38,500,000
					-	23,100,000	-	-	23,100,000	7,700,000	38,500,000

Notes:

- (a) The employees' share options lapsed since they resigned from the Company during the year.
- (b) The share-based payment expense of HK\$49,343,000 (2014: nil) was recognised in profit or loss.
- (c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 25. SHARE OPTION SCHEME (Continued)

### Fair value of share options and assumptions

	2015
Fair value at measurement date	
Share price (Before share subdivision: HK\$5.13)	<b>HK\$2.57</b>
Exercise price (Before share subdivision: HK\$5.13)	<b>HK\$2.57</b>
Expected volatility	<b>59.31%</b>
Option life	<b>10 years</b>
Expected dividends	–
Risk-free interest rate	<b>1.7751%</b>

Volatility is referring to Bloomberg from the average of the historical volatility of daily return of stock of the Company. Changes in the subjective input assumptions could materially affect the fair value estimate.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 25. SHARE OPTION SCHEME (Continued)

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

Category of participants	Date of grant	Exercise price HK\$	Vesting date	Exercisable period	Number of share options					
					As at 01/01/2014	Granted	Exercised Note(e)	Cancelled	Lapsed Note(d)	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	-
					<u>4,100,000</u>	<u>-</u>	<u>900,000</u>	<u>-</u>	<u>3,200,000</u>	<u>-</u>
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	-
					<u>300,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>300,000</u>	<u>-</u>
					<u>4,400,000</u>	<u>-</u>	<u>900,000</u>	<u>-</u>	<u>3,500,000</u>	<u>-</u>

- (d) 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 completed the Disposal of TSI Group on 28th February, 2014, those employees were no longer the Company's employees and thus their share options lapsed accordingly.
- (e) The weighted average share price at the date of exercise for share option exercised during the year was HK\$0.99.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 26. DEFERRED TAXATION

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

	<b>Undistributed profits of subsidiaries</b> HK\$'000
At 1st January, 2014	837
Charged to profit or loss	<u>146</u>
At 31st December, 2014	983
Charged to profit or loss	<u>1,523</u>
At 31st December, 2015	<u><u>2,506</u></u>

As at 31st December, 2015, the Group had unutilised tax losses carried forward to offset future taxable profits of HK\$1,148,000 (2014: HK\$274,000). 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 subsidiaries at the end of the reporting period.

## 27. 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:

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
Within one year	<b>10,468</b>	7,957
In the second to fifth years inclusive	<u><b>1,758</b></u>	<u>–</u>
	<u><b>12,226</b></u>	<u>7,957</u>

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 27. OPERATING LEASE ARRANGEMENTS *(Continued)*

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.

The Group also entered into an oil storage tanks and ancillary facilities agreement under cancellable operating lease agreement. The Group is required to give a 30 days' notice for the termination of the agreement. The lease expenditure charged to the income statement during the year is disclosed in Note 9.

## 28. CAPITAL COMMITMENTS

The Group had no capital commitments as at 31st December, 2015 (2014: nil).

## 29. 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\$1,813,000 (2014: HK\$1,604,000) 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.

## Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

**30. RELATED PARTY TRANSACTIONS****Compensation of key management personnel**

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

	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Fees	<b>425</b>	75
Salaries and other benefits	<b>1,747</b>	4,735
Retirement benefit schemes contributions	–	48
	<b>2,172</b>	4,858

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**

	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
TSI Group (Note 1):		
Technical service income	<b>4,616</b>	5,149
Reimbursement of administrative supporting service expenses	<b>924</b>	2,846
Sales of goods	<b>21,506</b>	26,181
Oil storage tanks and ancillary facilities related expenses (Note 2)	<b>6,285</b>	–
	<b>33,331</b>	34,176

Note 1: The amounts represent transactions with TSI Group after the Disposal. TSI Group was formerly a subsidiary of the Company and now becomes 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.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 30. RELATED PARTY TRANSACTIONS (Continued)

### Other related party transactions (Continued)

Note 2: Oil storage tanks and ancillary facilities related expenses paid 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.

Note 3: The related party transactions as mentioned above (excluding reimbursement of administrative supporting service expenses) constitute 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 Report of the directors.

### Financing arrangements

	2015 HK\$'000	2014 HK\$'000
Amount due to a director	<b>5,081</b>	748

The outstanding balance with the director is unsecured, interest free and has no fixed repayment terms. The amount due to a director is included in "Trade and other payables" (note 21).

### Deposit paid to a related party

	2015 HK\$'000	2014 HK\$'000
Deposit paid to acquire investment properties (note 17)	<b>105,925</b>	–

As at 31st December, 2015, deposit paid to a related party is included in deposit paid to acquire investment properties. Mr. Lin Caihuo ("Mr. Lin"), the substantial shareholder and the director of the Company, at the same time was the director of Xiamen Ocean Star. In addition, Mr. Lin and his spouse wholly owned Fujian Yuhua Group Limited, which in turn wholly owned Xiamen Ocean Star. The amount of HK\$105,925,000 which has been arrived at after arm's length negotiations between Xiamen Yuhua Energy and Xiamen Ocean Star and was determined with reference to the valuation of the investment properties of RMB89,000,000 valued by an independent professional valuer, represents a discount of approximately 0.3% to the valuation of the investment properties. The amount does not cover the fees to be paid to the government departments and other institutions. The amount also does not cover the costs to be paid by Xiamen Yuhua Energy at the time when the investment properties are delivered to Xiamen Yuhua Energy, which includes (but not limited to) special maintenance fund and electricity fee deposit.

## Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 31. SUMMARY FINANCIAL INFORMATION OF THE COMPANY

	2015 HK\$'000	2014 HK\$'000
<b>Non-current Assets</b>		
Unlisted investment in subsidiaries	20,587	20,587
Amount due from a subsidiary	93,780	91,942
	<u>114,367</u>	<u>112,529</u>
<b>Current Assets</b>		
Amounts due from subsidiaries	336,474	40,782
Other receivables	474	69
Bank balances and cash	794	190,001
	<u>337,742</u>	<u>230,852</u>
<b>Current Liabilities</b>		
Amount due to a subsidiary	125,167	125,287
Other payables	2,446	909
	<u>127,613</u>	<u>126,196</u>
<b>Net Assets</b>	<u>324,496</u>	<u>217,185</u>
<b>Capital and Reserves</b>		
Share capital	3,868	3,224
Reserves (Note)	320,628	213,961
	<u>324,496</u>	<u>217,185</u>

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 31. SUMMARY FINANCIAL INFORMATION OF THE COMPANY

(Continued)

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

	<b>Share premium</b> HK\$'000	<b>Special reserve</b> HK\$'000 (Note (i))	<b>Share option reserve</b> HK\$'000	<b>Retained profits</b> HK\$'000 (Note(ii))	<b>Total</b> HK\$'000
THE COMPANY					
At 1st January, 2014	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
Loss for the year	–	–	–	(3,525)	(3,525)
Placing of shares	60,849	–	–	–	60,849
Recognition of equity- settled share-based payments	–	–	49,343	–	49,343
Lapse of share options	–	–	(8,224)	8,224	–
At 31st December, 2015	<u>151,656</u>	<u>107,647</u>	<u>41,119</u>	<u>20,206</u>	<u>320,628</u>

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.

Note (ii):

At 31 December, 2015, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK\$20,206,000 (2014: HK\$15,507,000).

## Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

**32. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY**

Particulars of the Company's principal subsidiaries at 31st December, 2015 and 2014 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)		Principal activities
				2015	2014	
Shinhint Industries Limited	Incorporated	Hong Kong	HK\$5,000,000	100%	100%	Investment holding and trading of components of electronic appliances
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%	100%	Investment holding
Perfect Goal Holdings Limited	Incorporated	Hong Kong	HK\$1	100%	100%	Investment holding
Yuhua Energy (China) Limited (Formerly known as Fortune Winner (Hong Kong) Limited)	Incorporated	Hong Kong	HK\$1	100%	100%	Oil trade center
裕華能源(廈門)有限公司	Wholly foreign-owned enterprise	PRC	HK\$1	100%	100%	Oil trade center
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%	100%	Investment holding
Chuang Hui Group limited	Incorporated	British Virgin Islands	US\$1	100%	100%	Investment holding
Blessing Garden Limited	Incorporated	British Virgin Islands	US\$1	100%	100%	Investment holding

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 32. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(Continued)

Particulars of the Company's principal subsidiaries at 31st December, 2015 and 2014 are as follows:

(Continued)

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)		Principal activities
				2015	2014	
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
富華(福建)能源有限公司	Wholly foreign-owned enterprise	PRC	HK\$40,000,000	100%	100%	Oil trade center
前海裕華能源(深圳)有限公司	Incorporated	PRC	RMB200,000,000	100%	-	Trading of energy product
裕華東山能源有限公司	Incorporated	PRC	RMB20,000,000	100%	-	Trading of energy product

Notes:

- Other than Shinhint Industrial and Huiyuan Developments Limited, all other subsidiaries are indirectly held by the Company.
- None of the subsidiary had any debt securities outstanding at 31st December, 2015 and 2014 or during the years then ended.
- The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

## 33. 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.

## 34. COMPARATIVES

Certain comparative figures have been reclassified in order to conform to the current year's presentation.

## Financial Summary

	Year ended 31st December,				2015 HK\$'000
	2011 HK\$'000 (Note)	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	
<b>RESULTS</b>					
Continuing operations:					
Revenue	1,150,524	398,451	433,643	551,117	<b>4,735,523</b>
(Loss)/profit for the year from continuing operations	(35,990)	2,555	510	5,275	<b>(10,172)</b>
Discontinued operations:					
Profit/loss for the year	–	(35,953)	5,073	2,297	–
(Loss)/profit for the year	<b>(35,990)</b>	<b>(33,398)</b>	<b>5,583</b>	<b>7,572</b>	<b>(10,172)</b>
Attributable to:					
Owners of the Company	(35,990)	(33,398)	5,583	7,572	<b>(10,172)</b>
Non-controlling interests	–	–	–	–	–
	<b>(35,990)</b>	<b>(33,398)</b>	<b>5,583</b>	<b>7,572</b>	<b>(10,172)</b>
<b>At 31st December,</b>					
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
<b>ASSETS AND LIABILITIES</b>					
Total assets	704,923	612,513	620,151	466,558	<b>733,243</b>
Total liabilities	(415,988)	(356,939)	(359,206)	(199,121)	<b>(379,487)</b>
Shareholders' funds	<b>288,935</b>	<b>255,574</b>	<b>260,946</b>	<b>267,437</b>	<b>353,756</b>
Equity attributable to owners					
of the Company	288,935	255,574	260,946	267,437	<b>353,756</b>
Non-controlling interests	–	–	–	–	–
	<b>288,935</b>	<b>255,574</b>	<b>260,946</b>	<b>267,437</b>	<b>353,756</b>

Note: The comparative figures for the year ended 31st December, 2011 are not restated as it is not practicable to split into continuing operations and discontinued operations for this year.