



# Yuhua Energy Holdings Limited

## 裕華能源控股有限公司

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



Interim Report 2017

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## Corporate Information

### Board of Directors

#### Executive Directors

Mr. Lin Caihuo (*Chairman of the Board*)

Mr. Wang Enguang

#### Non-Executive Director

Mr. Wang ShouLei

(Appointed on 10 April 2017)

#### Independent Non-Executive Directors

Mr. Liu Yang

Mr. Lum Pak Sum

Ms. Wong Yan Ki, Angel

#### Audit Committee

Mr. Lum Pak Sum

(*Chairman of the Committee*)

Mr. Liu Yang

Ms. Wong Yan Ki, Angel

#### Remuneration Committee

Mr. Liu Yang

(*Chairman of the Committee*)

Mr. Lin Caihuo

Mr. Lum Pak Sum

Ms. Wong Yan Ki, Angel

#### Nomination Committee

Ms. Wong Yan Ki, Angel

(*Chairlady of the Committee*)

Mr. Lin Caihuo

Mr. Liu Yang

Mr. Lum Pak Sum

#### Authorized Representatives

Mr. Lin Caihuo

Mr. Wang Enguang

### Company Secretary

Mr. Lau Wai Piu, Patrick

### Auditor

PricewaterhouseCoopers

### 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

SMP Partners (Cayman) Limited

Royal Bank House – 3rd Floor,

24 Shedden Road, P.O. Box 1586,

Grand Cayman, KY1-1110,

Cayman Islands

### 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



## Corporate Information (Continued)

### Principal Bankers

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

### Legal Adviser

Loong & Yeung

### Stock Code

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

### Website

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



## Management Discussion and Analysis

### Business Review

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

During the Current Period, our activities can be segmented into energy trading, oil tanker transportation and speaker units businesses.

#### Energy trading business

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

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

#### Oil tanker transportation business

As disclosed in the announcement of the Company dated 15 November 2016, the Group acquired a vessel in order to meet the needs of its business growth. The vessel commenced service in the first quarter of 2017. During the Current Period, the Group has made transportation income of approximately HK\$11,537,000, representing approximately 0.22% of the consolidated revenue. As this segment is still in the stage of development, it has an insignificant financial effect on the Group during the Current Period.



## Management Discussion and Analysis (Continued)

### Business Review (Continued)

#### Speaker units business

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

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

During the Current Period, the finance costs were approximately HK\$6,686,000, representing an increase of approximately 58.25% as compared with approximately HK\$4,225,000 for the corresponding period of the previous year. This was mainly due to the accrued interest expenses in connection with the HK\$100 million 6% notes issued by the Company on 28 April 2017. For further details, please refer to the announcement of the Company dated 26 April 2017.

During the Current Period, the Group recorded a net profit of approximately HK\$43,450,000 (2016 interim: approximately HK\$3,807,000). Apart from the aforementioned factors, the net profit recorded was mainly due to the revaluation gain of approximately HK\$26,360,000 from the investment properties in China.



## Management Discussion and Analysis (Continued)

### Financial Review

#### Liquidity and Financial Resources

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

As at 30 June 2017, the Group's net current assets were HK\$244,685,000 (31 December 2016: HK\$247,781,000). The Group's current ratio, being the proportion of total current assets to total current liabilities, was approximately 1.24 as compared to approximately 1.44 as at 31 December 2016. The Group had bank and other borrowings of approximately HK\$320,897,000 (31 December 2016: approximately HK\$200,112,000) which were denominated in Renminbi and Hong Kong dollars. The annual interest rates of the bank and other borrowings for the six months ended 30 June 2017 was ranged from approximately 4.785% to approximately 6% (31 December 2016: ranged from approximately 4.785% to approximately 5.22%) per annum. The above bank and other borrowings was accounted for as current liabilities of the Group and repayable within one year.

The gearing ratio of the Group increased to approximately 77.72% (31 December 2016: approximately 56.33%). The ratio is computed by dividing total borrowings of approximately HK\$320,897,000 (31 December 2016: approximately HK\$200,112,000) by shareholders' equity of approximately HK\$412,907,000 (31 December 2016: approximately HK\$355,248,000).

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

#### Capital Resources and Reorganisation

On 27 April 2017, the Company effected a share subdivision (the "Share Subdivision") in which each existing issued and unissued ordinary shares of the Company of a par value of HK\$0.005 each was divided into two ordinary shares of the Company of a par value of HK\$0.0025 each (the "Shares"). For further details, please refer to the announcements of the Company dated 13 March 2017 and 26 April 2017 and the circular of the Company dated 30 March 2017.



## Management Discussion and Analysis (Continued)

### Financial Review (Continued)

#### Charge on Assets

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

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

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

#### Treasury Policies

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

#### Contingent Liabilities

As at 30 June 2017, the Group has no material contingent liabilities.

#### Human Resources

As at 30 June 2017, the Group has employed a total of approximately 1,000 employees (2016 interim: approximately 1,050) in Hong Kong and the PRC. Staff costs (excluding Directors' emoluments) amounted to approximately HK\$34,699,000 (2016 interim: approximately HK\$31,810,000). The Group recruits and selects applicants for employment on the basis of their qualifications and suitability for the position. It is the Group's policy to recruit the most capable person available for each position. The Group continues to offer competitive remuneration packages and bonuses to eligible staff, based on the performance of the Group and the individual employee.



## Management Discussion and Analysis (Continued)

### Financial Review (Continued)

#### Prospects

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

#### Subsequent Event

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

#### Interim Dividend

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

#### Closure of Register of Member

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

By order of the Board

**Lin Caihuo**

*Chairman*

Hong Kong, 25 August 2017



## Corporate Governance and Other Information

### Compliance with the Code on Corporate Governance Practices

The Company devotes to the best practices on corporate governance, and has complied with the code provisions of the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Rules Governing the Listing (the “Listing Rules”) of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) for the Current Period, except for the following deviation:

Pursuant to code provision A.2.1 of the Code, the roles of chairman of the Board (the “Chairman”) and chief executive officer (the “CEO”) should be separated and should not be performed by the same individual. The division of responsibilities between the Chairman and the CEO should be clearly established and set out in writing.

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

Pursuant to code provision A.6.7 of the Code, independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of Shareholders. Our independent non-executive Directors, Mr. Liu Yang and Ms. Wong Yan Ki, Angel were unable to attend the extraordinary general meeting and the annual general meeting of the Company held on 26 April 2017 and 26 May 2017 respectively due to other commitments.

### Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules as its own code of conduct pertaining to securities transactions by the Directors. Having made specific enquiry of all Directors, all the Directors have confirmed that they have fully complied with the required standards set out in the Model Code throughout the Current Period.





## Corporate Governance and Other Information (Continued)

### Audit Committee

The audit committee of the Company (the “Audit Committee”) assists the Board in discharging its responsibilities for corporate governance, financial reporting and corporate control. The primary duties of the Audit Committee are to, among others, review and supervise the financial reporting process and internal control procedures of the Group. The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Liu Yang, Mr. Lum Pak Sum and Ms. Wong Yan Ki, Angel. The chairman of the Audit Committee is Mr. Lum Pak Sum, who holds the appropriate professional accounting qualification and financial management expertise as required under the Listing Rules.

The interim results of the Group for the six months ended 30 June 2017 have not been audited, but have been reviewed by the Company’s external auditor, Pricewaterhouse Coopers. The Audit Committee has also reviewed with senior management of the Group, the unaudited condensed consolidated financial statements and this interim report of the Group for the six months ended 30 June 2017.

### Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the Current Period.



## Corporate Governance and Other Information (Continued)

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

As at 30 June 2017, the interests and short positions of the Directors and the chief executives of the Company in 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, Laws of Hong Kong) ("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<sup>(1)</sup></b>	<b>Approximate percentage of the issued Shares</b>
Lin Caihuo	Beneficial owner	910,526,556	58.85%

*Notes:*

(1) Interests in shares stated above represent long positions.

Save as disclosed above, as at 30 June 2017, none of the Directors and the 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.



## Corporate Governance and Other Information (Continued)

### Share Option Scheme

On 25 June 2005, a share option scheme (the “Share Option Scheme”) was approved and adopted by the Shareholders, under which, options may be granted to any eligible participants (including any executive Directors) to subscribe for shares in the Company subject to the terms and conditions stipulated in the Share Option Scheme. The Share Option Scheme was expired on 25 June 2015.

Details of the movement of the outstanding share options under the Share Option Scheme during the Current Period are as follows:

Name	Date of grant (dd/mm/yyyy)	Exercise price after (before) share subdivision HK\$	Vesting date (dd/mm/yyyy)	Exercisable period (dd/mm/yyyy)	Number of share options					
					As at 01/01/2017	Granted	Exercised	Adjustment on share subdivision	As at 30/06/2017	
Eligible employees <sup>(1)</sup>	19/06/2015	1,2825 (2,565)	19/06/2015	19/06/2015 – 18/06/2025	30,800,000	-	-	30,800,000	-	61,600,000

*Note:*

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

## Corporate Governance and Other Information (Continued)

### Substantial Shareholders' Interests

As at 30 June 2017, 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) 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 <sup>(1)</sup>	Approximate percentage of the issued Shares
Lin Aihua ("Ms. Lin") <sup>(2)</sup>	Interest of spouse	910,526,556	58.85%
Qilu International Funds SPC (acting for and on behalf of Zhongtai Dingfeng Classified Fund SP) ("Qilu") <sup>(3)</sup>	Person having a security interest in shares	910,526,556	58.85%
Zhongtai International Asset Management Limited ("Zhongtai International") <sup>(4)</sup>	Investment manager	910,526,556	58.85%
Zhongtai Securities Company Limited ("Zhongtai Securities") <sup>(5)</sup>	Interest of controlled corporations	910,526,556	58.85%
Zhongtai Financial International Limited <sup>(5)</sup> ("Zhongtai Financial International")	Interest of controlled corporations	910,526,556	58.85%
Zhongtai Financial Investment Limited <sup>(5)</sup> ("Zhongtai Financial Investment")	Person having a security interest in shares	910,526,556	58.85%

## Corporate Governance and Other Information (Continued)

### Substantial Shareholders' Interests (Continued)

Notes:

- (1) Interests in Shares stated above represent long positions.
- (2) Ms. Lin is the spouse of Mr. Lin and therefore by virtue of the SFO, Ms. Lin is deemed or taken to be interest in all the Shares held by Mr. Lin.
- (3) The 455,263,278 Shares (which were beneficially owned by Mr. Lin) were charged to Qilu to secure a loan granted to Mr. Lin for his personal use. As a result of the Share Subdivision, the number of Shares charged to Qilu is 910,526,556 Shares.
- (4) Zhongtai International is the fund management of Qilu and therefore by virtue of the SFO Zhongtai International is deemed or taken to be interested in all the Shares held by Qilu.
- (5) The 910,526,556 Shares (which were beneficially owned by Mr. Lin) were charged in favour of Zhongtai Financial Investment as a second-ranking charge pursuant to the share charge agreement dated 28 April 2017 and entered into between Mr. Lin and Zhongtai Financial Investment. As Zhongtai Financial Investment is held as to 100% by Zhongtai Financial International which is in turn held as to 100% by Zhongtai Securities, Zhongtai Financial International and Zhongtai Securities are deemed or taken to be interested in all the Shares charged to Zhongtai Financial Investment by virtue of the SFO.

Save as disclosed above, as at 30 June 2017, no other person (other than a Director or chief executive of the Company) had registered an interest or short position in the Shares, underlying Shares which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

### Disclosure pursuant to 13.21 of the Listing Rules

On 26 April 2017, the Company and Zhongtai Financial Investment entered into the subscription agreement ("Subscription Agreement"), pursuant to which, the Company conditionally agreed to issue the notes with an aggregate principal amount of HK\$100,000,000 with interest rate of 6% per annum, due in 2018 ("Notes") to Zhongtai Financial Investment and Zhongtai Financial Investment conditionally agreed to subscribe the Notes from the Company.

## Corporate Governance and Other Information (Continued)

### Disclosure pursuant to 13.21 of the Listing Rules (Continued)

In connection with the Subscription Agreement, Mr. Lin, the executive Director, chairman and controlling Shareholder of the Company and Zhongtai Financial Investment entered into the share charge agreement (“Share Charge Agreement”) on 28 April 2017, whereby Mr. Lin agreed to charge 910,526,556 ordinary shares of the Company of HK\$0.0025 each (representing 58.85% of the issued share capital of the Company as at the date of this interim report) in favour of Zhongtai Financial Investment by way of a second-ranking charge.

It is an event of default under the conditions of the Notes if, among others, (i) Mr. Lin owns or beneficially owns less than 58.85% of the voting shares of the Company; (ii) Mr. Lin is no longer in a position to control the composition of a majority of the Board; or (iii) the shares of the Company charged under the Share Charge Agreement constitutes less than 58.85% of the issued shares of the Company.

Upon occurrence of an event of default, the Notes shall become immediately due and repayable in accordance with the conditions of the Notes, and Zhongtai Financial Investment is entitled to redeem all the Notes.

For further details, please refer to the announcement of the Company dated 26 April 2017.

### Update on Directors’ Information Under Rule 13.51B(1) of the Listing Rules

Mr. Lum Pak Sum was appointed as independent non-executive director of Anxian Yuan China Holdings Limited, a company listed on the main board of the Stock Exchange (stock code: 922) and S. Culture International Holdings Limited, a company listed on the main board of the Stock Exchange (stock code: 1255) on 15 May 2017 and 17 June 2017 respectively. He was also appointed as the chief executive officer of Roma Group Limited, a company listed on the growth enterprise market of the Stock Exchange (stock code: 8072) on 5 June 2017.

Ms. Wong Yan Ki, Angel was appointed as independent non-executive director of Miko International Holdings Limited, a company listed on the main board of the Stock Exchange (stock code: 1247) on 15 July 2017.

Save as disclosed in the announcement of the Company dated 10 April 2017 and this interim report, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## Report on Review of Interim Financial Information



羅兵咸永道

### REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF YUHUA ENERGY HOLDINGS LIMITED

*(incorporated in Cayman Islands with limited liability)*

#### Introduction

We have reviewed the interim financial information set out on pages 17 to 49, which comprises the interim condensed consolidated statement of financial position of Yuhua Energy Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2017 and the related interim condensed consolidated statements of profit or loss, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion 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.

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T: +852 2289 8888, F: +852 2810 9888, [www.pwchk.com](http://www.pwchk.com)



## Report on Review of Interim Financial Information (Continued)

### Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

### **PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 25 August 2017



## Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2017

	Note	Unaudited	
		Six months ended 30 June	
		2017	2016
		HK\$'000	HK\$'000
Revenue	6	5,151,214	1,667,534
Cost of sales		(5,075,821)	(1,624,215)
<b>Gross profit</b>		<b>75,393</b>	43,319
Distribution expenses and Administrative expenses		(31,533)	(34,290)
Other income		494	–
Other gains – net		25,075	1,446
<b>Operating profit</b>	6, 7	<b>69,429</b>	10,475
Finance income		484	18
Finance expenses		(6,686)	(4,225)
<b>Profit before income tax</b>		<b>63,227</b>	6,268
Income tax expense	8	(19,777)	(2,461)
<b>Profit for the period, all attributable to owners of the Company</b>		<b>43,450</b>	3,807
<b>Earnings per share attributable to owners of the Company for the period</b>			
Basic and diluted earnings per share (in cents per share)	9	2.81	0.5

The notes on pages 23 to 49 form an integral part of this interim condensed consolidated financial information.

## Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2017

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

The notes on pages 23 to 49 form an integral part of this interim condensed consolidated financial information.

## Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2017

	Note	Unaudited 30 June 2017 HK\$'000	Audited 31 December 2016 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	50,726	5,972
Investment properties	11	129,131	–
Intangible assets	11	978	978
Prepayment for non-current assets	12	199	103,779
Rental deposits		588	571
Deferred income tax assets	16	259	280
		<b>181,881</b>	111,580
<b>Current assets</b>			
Inventories		31,545	33,855
Trade and other receivables and prepayments	13	1,068,930	677,196
Other current asset		2,998	–
Cash and cash equivalents		113,724	54,668
Restricted cash		38,587	44,717
		<b>1,255,784</b>	810,436
<b>Total assets</b>		<b>1,437,665</b>	922,016
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	14	3,868	3,868
Other reserves		183,123	163,937
Retained profits		225,916	187,443
<b>Total equity</b>		<b>412,907</b>	355,248

## Interim Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2017

	Note	Unaudited 30 June 2017 HK\$'000	Audited 31 December 2016 HK\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities	16	13,659	4,113
		<b>13,659</b>	4,113
<b>Current liabilities</b>			
Trade and other payables	18	682,891	358,514
Current income tax liabilities		7,311	4,029
Borrowings	17	320,897	200,112
		<b>1,011,099</b>	562,655
<b>Total liabilities</b>		<b>1,024,758</b>	566,768
<b>Total equity and liabilities</b>		<b>1,437,665</b>	922,016

The notes on pages 23 to 49 form an integral part of this interim condensed consolidated financial information.

## Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	Note	Unaudited Attributable to owners of the Company			Total equity HK\$'000
		Share capital HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	
<b>Balance at 1 January 2017</b>		3,868	163,937	187,443	355,248
Profit for the period		–	–	43,450	43,450
Currency translation differences		–	14,209	–	14,209
Total comprehensive income for the period ended 30 June 2017		–	14,209	43,450	57,659
Appropriation to statutory reserves		–	4,977	(4,977)	–
<b>Balance at 30 June 2017</b>		3,868	183,123	225,916	412,907
<b>Balance at 1 January 2016</b>		3,868	191,731	158,157	353,756
Profit for the period		–	–	3,807	3,807
Currency translation differences		–	(6,776)	–	(6,776)
Total comprehensive income/(loss) for the period ended 30 June 2016		–	(6,776)	3,807	(2,969)
Appropriation to statutory reserves		–	1,379	(1,379)	–
<b>Balance at 30 June 2016</b>		3,868	186,334	160,585	350,787

The notes on pages 23 to 49 form an integral part of this interim condensed consolidated financial information.

## Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	Note	Unaudited	
		Six months ended 30 June 2017 HK\$'000	2016 HK\$'000
<b>Cash flows from operating activities</b>			
Cash used in operations		(397)	(16,962)
Income tax paid		(7,291)	(3,031)
<b>Net cash used in operating activities</b>		<b>(7,688)</b>	<b>(19,993)</b>
<b>Cash flows from investing activities</b>			
Proceeds from disposal of property, plant and equipment		–	17
Purchases of property, plant and equipment	11	(42,094)	(141)
Prepayment for non-current assets	12	(199)	–
<b>Net cash used in investing activities</b>		<b>(42,293)</b>	<b>(124)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of notes	17	94,653	–
Proceeds from bank borrowings	17	479,318	165,142
Repayments of finance lease liabilities		–	(22)
Repayments of bank borrowings	17	(459,730)	(136,628)
Interest paid		(5,363)	(4,209)
<b>Net cash generated from financing activities</b>		<b>108,878</b>	<b>24,283</b>
<b>Net increase in cash and cash equivalents</b>		<b>58,897</b>	<b>4,166</b>
Cash and cash equivalents at beginning of the period		54,668	30,948
Effect of foreign exchange rate changes		159	(115)
<b>Cash and cash equivalents at end of the period</b>		<b>113,724</b>	<b>34,999</b>

The notes on pages 23 to 49 form an integral part of this interim condensed consolidated financial information.

# Notes to the Interim Condensed Consolidated Financial Information

*For the six months ended 30 June 2017*

## 1. GENERAL INFORMATION

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

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

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

This condensed consolidated interim financial information is presented in HK dollars (HK\$), unless otherwise stated.

This condensed consolidated interim financial information was approved for issue by the Board of Directors on 25 August 2017.

This condensed consolidated interim financial information has been reviewed, not audited.

## 2. BASIS OF PREPARATION

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

## Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

### 3. ACCOUNTING POLICIES

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

#### (a) New and amended standards adopted by the Group

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

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

Amendments to HKFRS 12, 'Disclosure of interest in other entities'

Amendments to HKAS 12, 'Income taxes'

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

## Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

### 3. ACCOUNTING POLICIES (Continued)

#### (b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017 and have not been applied in preparing this interim condensed consolidated financial information. The new standards and amendments to standards and interpretations are set out below:

Standards and amendments	Effective for annual periods beginning on or after
HKFRS 9 'Financial instruments'	1 January 2018
HKFRS 15 'Revenue from contracts with customers'	1 January 2018
HKFRS 16 'Leases'	1 January 2019
HKFRS 17 'Insurance contracts'	1 January 2021
Amendment to HKFRS 2 'Classification and Measurement of Share-based Payment Transactions'	1 January 2018
Amendment to HKFRS 4 'Insurance contracts'	1 January 2018
Amendment to HKFRS 9 'Financial instruments'	1 January 2018
Amendment to HKFRS 15 'Revenue from contracts with customers'	1 January 2018
Amendment to HKFRS 40 'Investment property'	1 January 2018
Amendments to HKFRS 10 and HKAS 28 'Sale or contribution of assets between an investor and its associate or joint venture'	1 January 2019

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

## Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

### 3. ACCOUNTING POLICIES (Continued)

#### (b) New standards and interpretations not yet adopted (Continued)

##### ***HKFRS 15, 'Revenue from contracts with customers'***

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

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

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

##### ***HKFRS 16, 'Leases'***

The new standard, which will be effective for the financial period beginning on or after 1 January 2019, will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

## Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

### 3. ACCOUNTING POLICIES (Continued)

#### (b) New standards and interpretations not yet adopted (Continued)

##### *HKFRS 16, 'Leases' (Continued)*

The new standard will affect primarily the accounting for the Group's operating leases. As at 30 June 2017, the Group has non-cancellable operating lease commitments of HK\$85,451,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

### 4. ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016.

### 5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

#### 5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016.

There have been no changes in the risk management policies since year end.

## Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

### 5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

(Continued)

#### 5.2 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 30 June 2017, the Group had available unutilised short-term bank loan facilities of HK\$177,439,000 (2016: HK\$224,706,000).

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.

	<b>Less than 1 year</b>
	<b>HK\$'000</b>
<b>Unaudited at 30 June 2017</b>	
Borrowings	320,897
Interest payable	3,152
Trade and other payables	474,882
	<hr/>
	798,931
	<hr/>
	<b>Less than 1 year</b>
	<b>HK\$'000</b>
<b>Audited at 31 December 2016</b>	
Borrowings	200,112
Interest payable	3,282
Trade and other payables	313,654
	<hr/>
	517,048
	<hr/>

## Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

### 5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

(Continued)

#### 5.3 Fair value estimation

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:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of the following financial assets and liabilities approximate their carrying amount as at the balance sheet dates of 30 June 2017 and 31 December 2016 due to their short term maturity:

- Trade and other receivables (excluding prepayments to suppliers)
- Cash and cash equivalents
- Rental deposits
- Trade and other payables (excluding advances from customers, payroll and welfare payable and taxes payable)
- Borrowings

### 6. SEGMENT INFORMATION

The Company's board of directors is the Group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the board of directors for the purposes of allocating resources and assessing performance.

The board of directors considers the business from business lines perspective, and assesses the performance of the Group in three business lines, energy trading which comprises mainly the trading of fuel oil and kerosene, speaker manufacturing and oil tanker transportation business.

## Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

### 6. SEGMENT INFORMATION (Continued)

The board of directors assesses the performance of the operating segments based on a measure of segment profit/(loss) excluding finance income/(costs), fair value gains on investment properties and the Company's incomes and expenses. Finance income/(costs), fair value gains on investment properties and the Company's incomes and expenses are not allocated to segments, as these types of activity are driven by the central function and the related income/(costs) are undividable between the segments.

The Company's assets, deferred income tax assets, intangible assets, prepayment for non-current assets and investment properties are not considered to be segment assets and the Company's liabilities, borrowings, deferred income tax liabilities, and current income tax liabilities are not considered to be segment liabilities for reporting to the board of directors as they are managed on a central basis.

Segment information is as follows:

	Unaudited	
	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
<b>Revenue from external customers</b>		
Energy trading	4,917,740	1,464,988
Speaker manufacturing	221,937	202,546
Oil tanker transportation	11,537	–
<b>Total</b>	<b>5,151,214</b>	<b>1,667,534</b>
<b>Segment profit</b>		
Energy trading	38,773	7,393
Speaker manufacturing	4,855	7,239
Oil tanker transportation	2,302	–
<b>Total</b>	<b>45,930</b>	<b>14,632</b>

## Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

### 6. SEGMENT INFORMATION (Continued)

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

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

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

## Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

### 6. SEGMENT INFORMATION (Continued)

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

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

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

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

## Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

### 7. OPERATING PROFIT

An analysis of the amounts presented as operating items in the financial information is given below.

	Unaudited	
	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Operating items		
Employee benefit expense	35,633	34,757
Labor service cost	2,824	–
Depreciation of property, plant and equipment (Note 11)	2,021	2,744
Net foreign exchange loss/(gain)	1,263	(1,816)
Loss on disposal of property, plant and equipment	22	637
Fair value gains on investment properties (Note 11)	(26,360)	–
Government grant related to income	(494)	(277)
(Reversal of provision)/provision for inventory write – down	(195)	1,572

### 8. INCOME TAX EXPENSE

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

## Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

### 8. INCOME TAX EXPENSE (Continued)

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

Taxation on PRC income has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the PRC in which the Group operates. The Company's subsidiaries incorporated in the PRC are subject to Corporate Income Tax ("CIT") at the rate of 25% (2016: 25%) except for Dongguan Shinhint Audio Technology Limited which are subject to CIT at the rate of 15% (2016: 15%). Dongguan Shinhint Audio Technology Limited obtained the "Certificate of High and New Technology Enterprises" issued by Guangdong Provincial Department of Science and Technology, Department of Finance, State Administration of Taxation and Local Administration of Taxation. The certificate is valid for 3 years from October 2015 to October 2018.

Pursuant to the PRC Enterprise Income Tax Law and its detailed implementation rules, the profits of the PRC subsidiaries of the Group derived since 1 January 2008 will be subject to withholding tax upon the distribution of such profits to foreign investors. Deferred income tax liabilities have been provided for at the applicable tax rate of 10% in this regard based on the expected dividends to be distributed from the Group's PRC subsidiaries in the foreseeable future in respect of the profits generated since 1 January 2008 (*Note 16*).

## Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

### 9. EARNINGS PER SHARE

#### (a) Basic earnings per share

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

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

The weighted average numbers of ordinary shares for the purpose of calculating basic earnings per share for the six months ended 30 June 2016 had been retrospectively adjusted to reflect the share subdivision with effect from 26 April 2017 (*Note 14*).

## Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

### 9. EARNINGS PER SHARE (Continued)

#### (b) Diluted earnings per share

For the six months ended 30 June 2017, the Company's share options have no dilutive effect on the earnings per share. Calculations are done to determine the number of shares that could have been acquired at fair value (determined by using average market share price of the Company's shares for the six months ended 30 June 2017) based on the monetary value of the subscription rights attached to outstanding share options. Diluted earnings per share is therefore equal to basic earnings per share.

### 10. DIVIDENDS

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

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

## Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

### 11. PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS

	Property, plant and equipment HK\$'000	Investment properties HK\$'000	Intangible assets HK\$'000
<b>Six months ended</b>			
<b>30 June 2017 – Unaudited</b>			
<b>Net book value</b>			
<b>Opening amount as at</b>			
<b>1 January 2017</b>	5,972	–	978
Additions	42,094	90	–
Transfer from prepayment for non-current assets ( <i>Note 12</i> )	4,571	99,208	–
Fair value gains	–	26,360	–
Disposals	(22)	–	–
Depreciation and amortisation	(2,021)	–	–
Currency translation differences	132	3,473	–
<b>Closing amount as at</b>			
<b>30 June 2017</b>	50,726	129,131	978
<b>Six months ended</b>			
<b>30 June 2016 – Unaudited</b>			
<b>Net book value</b>			
<b>Opening amount</b>			
<b>1 January 2016</b>	13,255	–	978
Additions	141	–	–
Disposals	(654)	–	–
Depreciation and amortisation	(2,744)	–	–
Currency translation differences	(164)	–	–
<b>Closing amount 30 June 2016</b>	9,834	–	978

## Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

### 11. PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS (Continued)

The valuations of the investment properties at 30 June 2017 was carried out by an independent valuer, Xiamen Shing Tak Hong Assets and Property Valuation Limited (廈門誠德行資產與房地產土地評估有限公司).

The fair value measurement information for these investment properties in accordance with HKFRS 13 are given below.

Fair value measurements at 30 June 2017			
Quoted prices in active markets for identical assets (Level 1) HK\$'000	Significant other observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Recurring fair value measurements			
<b>Investment properties</b>	–	–	129,131

There were no transfers among Level 1, Level 2 and 3 during the period.

### 12. PREPAYMENT FOR NON-CURRENT ASSETS

The prepayment for non-current assets represented payment for acquisition of office properties in Xiamen city, the PRC, amounting to RMB88,741,000, equivalent to approximately HK\$99,208,000 as at 31 December 2016. The acquisition was completed in June 2017 and the prepayment of HK\$99,208,000 was reclassified to investment properties.

In addition, the Group also had prepayment of US\$589,000, equivalent to HK\$4,571,000, for the purchase of an oil tanker named MT ZHU MIN VICTORIA at a consideration of US\$5,800,000, equivalent to approximately HK\$44,980,000 as at 31 December 2016. The acquisition was completed in February 2017 and prepayment of HK\$4,571,000 as at 31 December 2016 was reclassified to property, plant and equipment.

## Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

### 13. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

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

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

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

## Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

### 14. SHARE CAPITAL

Ordinary shares, issued and fully paid:

	Number of shares	Share capital HK\$'000
<b>Unaudited</b>		
<b>Opening balance 1 January 2017</b>	773,629,352	3,868
Share subdivision	773,629,352	–
<hr/>		
At 30 June 2017	1,547,258,704	3,868
<hr/>		
<b>Unaudited</b>		
<b>Opening balance 1 January 2016 till 30 June 2016</b>	773,629,352	3,868

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

### 15. SHARE OPTIONS SCHEME

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

The total number of ordinary shares available for issue under the Share Option Scheme and any other schemes must not exceed 10% of the shares of the Company in issue at the date of shareholders' approval of the Share Option Scheme. The Share Option Scheme was valid from 25 June 2005 to 25 June 2015. The vesting periods and exercisable period of the options granted are determined by the board of directors of the Company at the date of grant and no option may be exercised more than 10 years from the date of grant.

## Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

### 15. SHARE OPTIONS SCHEME (Continued)

On 19 June 2015, 23,100,000 share options (“Options”) were granted to employees under the Share Option Scheme.

Pursuant to the subdivision of ordinary shares of the Company effective 8 July 2015, the number of shares and the exercise price related to the share options granted on 19 June 2015 were adjusted accordingly to 46,200,000 shares and HK\$2.565 respectively.

The employees’ share options are lapsed when they resign from the Group. Options to acquire 7,700,000 shares and 7,700,000 shares were lapsed in the second half year of 2015 and second half year of 2016 respectively due to resignation of employees.

Pursuant to the subdivision of ordinary shares of the Company effective 27 April 2017 as mentioned in Note 14, the number of shares and the exercise price related to the share options granted on 19 June 2015 were adjusted accordingly to 61,600,000 shares and HK\$1.2825 respectively.

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

For the period from 1 January 2017 to 30 June 2017

	Grant date	Exercise price HK\$	Vesting date	Exercisable period	Number of share option				
					As at 01/01/2017	Granted	Adjustment on share	Exercised	As at 30/06/2017
Employees	19/06/2015	1.2825 (2.565)	19/06/2015	19/06/2015 – 18/06/2025	30,800,000	-	30,800,000	-	61,600,000

For the period from 1 January 2016 to 30 June 2016

	Grant date	Exercise price HK\$	Vesting date	Exercisable period	Number of share option			As at 30/06/2016
					As at 01/01/2016	Granted	Exercised	
Employees	19/06/2015	2.565	19/06/2015	19/06/2015 – 18/06/2025	38,500,000	-	-	38,500,000

## Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

### 15. SHARE OPTIONS SCHEME (Continued)

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.

The following assumptions were used to calculate the fair value of the Options:

	19 June 2015
Grant day share price (Before share subdivision: HK\$5.13)	HK\$1.28
Exercise price (Before share subdivision: HK\$5.13)	HK\$1.28
Expected volatility	59.31%
Option life	10 years
Expected dividends	–
Risk-free interest rate	1.7751%

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.

### 16. DEFERRED INCOME TAX

#### Deferred income tax assets

	Unaudited	
	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Opening balance at 1 January	280	–
Statement of profit or loss (charge)/credit	(21)	445
Closing balance at 30 June	259	445

## Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

### 16. DEFERRED INCOME TAX (Continued)

#### Deferred income tax liabilities

	Unaudited	
	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Opening balance at 1 January	4,113	2,506
Statement of profit or loss charge	9,546	597
Closing balance at 30 June	13,659	3,103

The analysis of deferred income tax assets and liabilities is as follows:

	Unaudited	
	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Deferred income tax assets:		
– Deferred income tax asset to be recovered after more than 12 months	205	208
– Deferred income tax asset to be recovered within 12 months	54	237
	259	445
Deferred income tax liabilities:		
– Deferred income tax liabilities to be recovered after more than 12 months	6,961	3,103
– Deferred income tax liabilities to be recovered within 12 months	6,698	–
	13,659	3,103

## Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

### 16. DEFERRED INCOME TAX (Continued)

#### Deferred income tax liabilities (Continued)

The movement in deferred income tax assets and liabilities during the period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets	Unaudited			Total HK\$'000
	Provision for inventory write-down HK\$'000	Provision for long-term services HK\$'000	Tax loss HK\$'000	
Opening balance at 1 January 2017	81	199	–	280
Statement of profit or loss (charge)/credit	(27)	6	4,147	4,126
Closing balance at 30 June 2017	54	205	4,147	4,406
Opening balance at 1 January 2016	–	–	–	–
Statement of profit or loss credit	237	208	–	445
Closing balance at 30 June 2016	237	208	–	445

Deferred income tax liabilities	Unaudited			Total HK\$'000
	Changes in fair value of investment property HK\$'000	Withholding tax HK\$'000	Acceleration depreciation difference HK\$'000	
Opening balance at 1 January 2017	–	4,113	–	4,113
Statement of profit or loss charge	6,698	2,468	4,527	13,693
Closing balance at 30 June 2017	6,698	6,581	4,527	17,806
Opening balance at 1 January 2016	–	2,506	–	2,506
Statement of profit or loss charge	–	597	–	597
Closing balance at 30 June 2016	–	3,103	–	3,103

## Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

### 17. BORROWINGS

	Unaudited 30 June 2017 HK\$'000	Audited 31 December 2016 HK\$'000
<b>Current</b>		
– Bank borrowings (i)	225,832	200,112
– Notes payable (ii)	95,065	–
	<b>320,897</b>	200,112

Movements in borrowings is analysed as follows:

	HK\$'000
<b>Six months ended 30 June 2017</b>	
Opening amount as at 1 January 2017	200,112
Proceeds of new borrowings	479,318
Repayments of borrowings	(459,730)
Proceeds of issue of notes payable	94,653
Amortization of notes payable	412
Currency translation differences	6,132
Closing amount as at 30 June 2017	320,897
<b>Six months ended 30 June 2016</b>	
Opening amount as at 1 January 2016	137,267
Proceeds of new borrowings	165,142
Repayments of borrowings	(136,628)
Currency translation differences	(3,151)
Closing amount as at 30 June 2016	162,630

## Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

### 17. BORROWINGS (Continued)

- (i) As at 30 June 2017, the bank borrowings were guaranteed by Mr. Lin Caihuo (“Mr. Lin”), the chairman of the board and his spouse, the Company and two related companies beneficially owned by Mr. Lin.
- (ii) On 26 April 2017, the Company and Zhongtai Financial Investment Limited (“Zhongtai”) entered into a subscription agreement, pursuant to which, the Company issued the notes with an aggregate principal amount of HK\$100,000,000 with interest rate of 6% per annum, due on 28 April 2018 to Zhongtai. In connection with the subscription agreement, Mr. Lin provided a personal guarantee and pledged 910,526,556 ordinary shares of the Company (representing 58.85% of the issued share capital of the Company as at the date of this interim report) in favour of Zhongtai.

The amortized cost of the note payable was HK\$95,065,000 as at 30 June 2017.

### 18. TRADE AND OTHER PAYABLES

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

## Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

### 18. TRADE AND OTHER PAYABLES (Continued)

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

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

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

### 19. CONTINGENT LIABILITIES

As at 30 June 2017, the Group had no significant contingent liability (31 December 2016: Nil).

## Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

### 20. CAPITAL COMMITMENTS

The Group had capital commitments for system software update amounted HK\$484,000 as at 30 June 2017 (31 December 2016: Purchase of an oil tanker: HK\$40,669,000).

### 21. RELATED-PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

Except for disclosed elsewhere in this condensed consolidated interim financial information, during the period the Group had the following significant related party transactions:

#### (a) Compensation of key management personnel

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

	Unaudited	
	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Salaries and other short-term benefits	934	880

## Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

### 21. RELATED-PARTY TRANSACTIONS (Continued)

#### (b) Related party transactions

Name of related parties	Nature of transaction	Unaudited	
		Six months ended 30 June	
		2017	2016
		HK\$'000	HK\$'000
Tai Sing Industrial Company Limited (泰升實業有限公司) (i)	Sales of goods	3,328	3,495
	Technical service expense	840	–
	Operating lease payments	720	–
Fujian Yuhua Petrochemical Company Limited (福建裕華石油化工有限公司) (ii)	Oil storage tanks and ancillary facilities related expenses	–	3,923
Xiamen Sea Star Shipping Co., Ltd. (廈門海之星航運有限公司) (iii)	Area discrepancy	90	–
	compensation for acquisition of investment properties		
	Transportation services expenses	–	309
	Sales of goods	–	111

- (i) A related company beneficially owned by a director of certain subsidiaries of the Company. Sales of goods to Tai Sing Industrial Company Limited 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. The services expense and operating lease payments were conducted on mutually agreed terms.
- (ii) A related company beneficially owned by Mr. Lin. Oil storage tanks and ancillary facilities related expenses paid was based on estimated open market.
- (iii) A related company beneficially owned by Mr. Lin. The acquisition price of the properties and transportation services expenses paid was based on estimated market price.