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YUHUA ENERGY HOLDINGS LIMITED

裕華能源控股有限公司

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2728)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2015

The board (the “Board”) of directors (the “Directors”) of Yuhua Energy Holdings Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30th June, 2015 together with the comparative figures for the corresponding period in 2014.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th June, 2015

	<i>NOTES</i>	Six months ended 30th June,	
		2015	2014
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Continuing operations			
Revenue	3	1,068,916	250,912
Cost of sales		(1,033,054)	(229,783)
Gross profit		35,862	21,129
Other income		5,018	539
Selling and distribution costs		(2,598)	(1,399)
Administrative expenses		(69,968)	(13,781)
Research and development expenses		(1,471)	(1,479)
Other gains and losses		–	174
Finance costs		(534)	–

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30th June, 2015

	<i>NOTES</i>	Six months ended 30th June, 2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)
(Loss)/profit before tax		(33,691)	5,183
Income tax expenses	4	(3,991)	(1,105)
(Loss)/profit for the period from continuing operations	6	(37,682)	4,078
Discontinued operations			
Profit for the period from discontinued operations	5	–	2,297
(Loss)/profit for the period		(37,682)	6,375
Other comprehensive (expenses)/income:			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		333	(574)
Total comprehensive (expenses)/income for the period		(37,349)	5,801
(Loss)/earnings per share	8		
From continuing and discontinued operations			
Basic (<i>HK cents</i>)		(5.47)	0.99 (Restated)
Diluted (<i>HK cents</i>)		(5.47)	0.99
From continuing operations			
Basic (<i>HK cents</i>)		(5.47)	0.63
Diluted (<i>HK cents</i>)		(5.47)	0.63

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2015

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2015

1. BASIS OF PREPARATION

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

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

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

Amendments to HKFRSs
Amendments to HKFRSs

Annual Improvements to HKFRSs 2010–2012 Cycle
Annual Improvements to HKFRSs 2011–2013 Cycle

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

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

3. REVENUE AND SEGMENT INFORMATION

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

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

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

Continuing operations

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

Discontinued operations

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

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

Segment revenue and results

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

For the six months ended 30th June, 2015

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

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

As at 30th June, 2015

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

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

For the six months ended 30th June, 2014

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

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

As at 31st December, 2014

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

	Speaker units <i>HK\$'000</i>	Energy trading <i>HK\$'000</i>	Total <i>HK\$'000</i>
Audited			
Segment assets	<u>424,039</u>	<u>41,541</u>	<u>465,580</u>
Reconciliation:			
Unallocated assets			<u>978</u>
Total assets			<u><u>466,558</u></u>

	Speaker units <i>HK\$'000</i>	Energy trading <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment liabilities	<u>196,437</u>	<u>873</u>	<u>197,310</u>
Reconciliation:			
Unallocated liabilities			<u>1,811</u>
Total liabilities			<u><u>199,121</u></u>

4. INCOME TAX EXPENSE – CONTINUING OPERATIONS

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

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

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

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

5. DISPOSAL OF SUBSIDIARIES (DISCONTINUED OPERATIONS)

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

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

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

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

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

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

	As at 28th February, 2014 <i>HK\$'000</i>
Net assets disposed of (<i>Note</i>)	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><u>122,200</u></u>
Satisfied by:	
Cash	<u><u>122,200</u></u>

	As at 28th February, 2014 <i>HK\$'000</i>
Net cash inflow arising on disposal:	
Total cash consideration received	122,200
<i>Less:</i> transaction costs paid	(833)
<i>Less:</i> bank balance and cash disposed of	<u>(83,372)</u>
	<u><u>37,995</u></u>

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

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

	Two months ended 28th February, 2014 <i>HK\$'000</i>
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><u>30,077</u></u>

6. (LOSS)/PROFIT FOR THE PERIOD – CONTINUING OPERATIONS

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

7. DIVIDENDS

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

8. (LOSS)/EARNINGS PER SHARE

From continuing and discontinued operations

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

	Six months ended 30th June,	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss)/Earnings		
(Loss)/earnings for the purpose of basic and diluted earnings per share:		
(Loss)/profit for the period attributable to owners of the Company	(37,682)	6,375
	<u> </u>	<u> </u>

	'000	'000 (Restated)
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Number of shares

Weighted average number of ordinary shares for the purpose

of basic and diluted earnings per share

	<u>688,989</u>	<u>643,271</u>
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The computation of diluted earnings per share does not assume the exercise of share options granted under the share option scheme since their exercise would result in an anti-dilutive effect on the loss per share for the six months ended 30th June, 2015 (six months ended 30th June, 2014: increase in earnings per share).

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

From continuing operations

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

	Six months ended 30th June,	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)

(Loss)/earning figures are calculated as follow:

(Loss)/profit for the period attributable to owners of the Company	(37,682)	6,375
<i>Less:</i> Profit for the period from discontinued operations	<u>–</u>	<u>(2,297)</u>

(Loss)/profit for the purposes of basic and diluted earnings per share from continuing operations	<u>(37,682)</u>	<u>4,078</u>
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From discontinued operations

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

9. TRADE DEBTORS, DEPOSITS AND PREPAYMENTS

	30th June, 2015	31st December, 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade debtors (<i>Note i</i>)	130,776	133,096
Other debtors, deposits and prepayments	329,759	49,568
	<u>460,535</u>	<u>182,664</u>

Notes:

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

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

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

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

10. TRADE CREDITORS AND ACCRUED CHARGES

The following is an analysis of the trade creditors by age, presented based on the invoice date:

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the six months ended 30th June, 2015, the consolidated revenue was increased to approximately HK\$1,068.92 million (2014 interim: approximately HK\$250.91 million), an increase of approximately 326.02% from the corresponding period in 2014. The uplift of consolidated revenue was mainly driven by the growth of energy trading. Revenue from energy trading was approximately HK\$822.17 million (2014 interim: nil), representing 77% of the total revenue, while revenue from speaker units reached to approximately HK\$246.75 million (2014 interim: approximately HK\$250.91 million), representing a period-on-period drop of 1.66% and accounted for 23% of the total revenue only.

The gross profit also increased by 69.71% to approximately HK\$35.86 million for the period under review (2014 interim: approximately HK\$21.13 million). The increase in gross profit was mainly attributable to the business of energy trading.

Operating expenses for the six months ended 30th June, 2015 were approximately HK\$74.04 million (2014 interim: approximately HK\$16.66 million), representing an increase of approximately 344.42% as compared with the corresponding period in 2014. This increase is mainly due to the new business segment of energy trading which was commenced in December 2014.

In addition, approximately HK\$49.34 million of the operating expense is arose from the recognition of one off non-cash share-based payment expenses related to the grant of share options during the reporting period. Excluding the financial effect from the share-based payment expenses, the Group recorded an unaudited consolidated operating profit of approximately HK\$11.66 million attributable to shareholders for the six months ended 30th June, 2015.

Financial Review

Liquidity and Financial Resources

As at 30th June, 2015, the Group has cash and cash equivalents of about HK\$59,509,000 (31st December, 2014: approximately HK\$228,063,000).

As at 30th June, 2015, the Group's net current assets were approximately HK\$326,892,000 (31st December, 2014: approximately HK\$251,829,000). The Group's current ratio, being the proportion of total current assets against total current liabilities, was 2.0 as compared to 2.3 at last year end. The Group had bank borrowings of approximately HK\$138,154,000 (31st December, 2014: HK\$Nil).

The gearing ratio of the Group increased to 40.52% (31st December, 2014: nil). The ratio is computed by dividing total borrowings of approximately HK\$138,154,000 (31st December, 2014: HK\$nil) by shareholders' equity of approximately HK\$340,924,000 (31st December, 2014: approximately HK\$267,437,000).

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.

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 comfortable 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 period under review, the Group believes that such 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 30th June, 2015, the Group had no material contingent liabilities.

Human Resources

As at 30th June, 2015, the Group employed a total of approximately 980 employees (30th June, 2014: approximately 1,380) in Hong Kong and the PRC collectively. Staff costs (excluding directors' emoluments) amounted to approximately HK\$39,706,000 (30th June, 2014: approximately HK\$52,230,000). 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 package and bonuses to eligible staff, based on the performance of the Group and the individual employee.

Prospects

Considering the development of speaker driver business, the Group considers that the present business scale is sufficient in meeting its future order demand. Thus it will slow down the expansion. Nonetheless, the Group will review the operation and consider the appropriate adjustment from time to time.

On the other hand, with the positive result of the business of energy trading during the reporting period, the Group will put more resources in expanding this business segment. Looking forward, the Group believes that, through continuous development, energy trading should contribute a significant return to the Group. At the same time, the Group will also explore other investment opportunities that are beneficial to our shareholders.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30th June, 2015. (2014: Nil).

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with the Code on Corporate Governance Practices and Listing Rules

The Company devotes to best practice 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 Listing Rules and the Listing Rules for the six months ended 30th June, 2015, except for the following deviation:

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

The role of Chairman is assumed by Mr. Lin Caihuo. The Chairman formulates the overall strategic direction of the Group. Following the resignation of Mr. Su Zhiyong on 21st November, 2014, the Company did not have any officer with the CEO title. The role of the CEO has been performed collectively by all the executive Directors of the Company thereafter. 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 is 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 the appropriate adjustment should suitable circumstance arise.

Pursuant to Code 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. 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 of the Company held on 29th May, 2015 as he was away from Hong Kong at that time.

Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. On specific enquiry made, all the Directors of the Company have confirmed that they have fully complied with the required standards set out in the Model Code throughout the six months ended 30th June, 2015.

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. As at 30th June, 2015, the Audit Committee consists of three independent non-executive Directors, namely Mr. Liu Yang, Mr. Lum Pak Sum and Mr. Tsui Man Yin (who resigned from directorship with effect from 15th July, 2015). It is chaired by Mr. Lum Pak Sum, who has the appropriate professional accounting qualification and financial management expertise.

The interim results of the Group for the six months ended 30th June, 2015 have not been audited, but have been reviewed by the Company's external auditor, Cheng & Cheng Limited. The Audit Committee has also reviewed with senior management of the Group, the unaudited condensed consolidated financial statements of the Group for the six months ended 30th June, 2015.

Purchase, Sale or Redemption of Shares

There was no purchase, sale or redemption of shares of the Company by the Company or any of its subsidiaries during the period.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to extend my sincere gratitude to our business partners and shareholders for their continued support. The management team and all staff members shall also be lauded for their unwavering efforts and dedication to the Group.

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

Hong Kong, 21st August, 2015

As at the date of this announcement, the Company has three executive Directors, namely Mr. Lin Caihuo (Chairman), Ms. Kang Guiping and Mr. Wang Enguang, and three independent non-executive Directors, namely Mr. Liu Yang, Mr. Lum Pak Sum and Mr. Zhang Jiping.