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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2728)

FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2015

The board (the “**Board**”) of directors (the “**Directors**”) of Yuhua Energy Holdings Limited (the “**Company**”) announces the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31st December, 2015 (the “**Reporting Period**”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31st December, 2015

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

	<i>NOTES</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
(Loss)/profit attributable to owners of the Company			
– from continuing operations		(10,172)	5,275
– from discontinued operations		–	2,297
		<u> </u>	<u> </u>
(Loss)/profit for the year attributable to owners of the Company		<u>(10,172)</u>	<u>7,572</u>
(Loss)/earnings per share	8		
			(Restated)
From continuing and discontinued operations			
Basic (<i>HK cents</i>)		<u>(1.39)</u>	<u>1.18</u>
Diluted (<i>HK cents</i>)		<u>(1.39)</u>	<u>1.18</u>
From continuing operations			
Basic (<i>HK cents</i>)		<u>(1.39)</u>	<u>0.82</u>
Diluted (<i>HK cents</i>)		<u>(1.39)</u>	<u>0.82</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st December, 2015

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2015

	<i>NOTES</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Non-current Assets			
Property, plant and equipment		13,255	14,992
Intangible assets		978	978
Deposit paid to acquire investment properties		105,925	–
Rental deposits		609	643
		120,767	16,613
Current Assets			
Inventories		35,230	39,218
Trade debtors, deposits and prepayments	9	546,298	182,664
Bank balances and cash		30,948	228,063
		612,476	449,945
Current Liabilities			
Trade and other payables	10	232,326	197,238
Tax liabilities		7,366	828
Obligations under finance lease		22	50
Interest-bearing borrowings		137,267	–
		376,981	198,116
Net Current Assets		235,495	251,829
Total Assets less Current Liabilities		356,262	268,442
Non-current Liabilities			
Obligations under finance lease		–	22
Deferred tax liability		2,506	983
		2,506	1,005
Net Assets		353,756	267,437
Capital and Reserves			
Share capital	11	3,868	3,224
Reserves		349,888	264,213
Total Equity		353,756	267,437

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2015

1. GENERAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (“SEHK”). As at 31st December, 2015, the Company did not have any immediate and ultimate holding company. The addresses of the registered office and the principal place of business of the Company are disclosed in the Corporate Information in the annual report.

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

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

Application of new and revised HKFRSs

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

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

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

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

¹ Effective for annual periods beginning on or after 1st January, 2016.

² Effective for annual periods beginning on or after 1st January, 2018.

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

⁴ No mandatory effective date yet determined but is available for adoption.

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

3. REVENUE AND SEGMENT INFORMATION

Revenue

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

The information reported to the Group's chief operating decision maker ("CODM") for the purposes of resource allocation and assessment of performance is focused on the type of products sold.

Due to the disposal of Tai Sing Industrial Limited ("TSI" or the "Disposal Group") as described in note 7, which has the headphones and speaker systems businesses, the Group's reportable and operating segments from continuing operations under HKFRS 8 "Operating Segments" are as follows:

Continuing operations

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

Discontinued operations

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

In accordance with HKFRS 5, headphones, speaker systems and others are regarded as discontinued operations in 2014. The segment information reported below does not include any amounts for these discontinued operations, which are described in more detail in note 7.

Segment revenue and results

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

Year ended 31st December, 2015	Speaker units <i>HK\$'000</i>	Energy trading <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue			
Sales to external customers	<u>539,957</u>	<u>4,195,566</u>	<u>4,735,523</u>
Segment results	<u><u>31,869</u></u>	<u><u>33,107</u></u>	<u>64,976</u>
Reconciliation:			
Unallocated expense			(5,249)
Unallocated income			5
Share-based payment expense	–	(49,343)	(49,343)
Finance costs	<u>(2)</u>	<u>(4,511)</u>	<u>(4,513)</u>
Profit before tax from continuing operations			5,876
Income tax expenses			<u>(16,048)</u>
Loss for the year from continuing operations			<u><u>(10,172)</u></u>
Segment assets	<u>238,300</u>	<u>388,040</u>	<u>626,340</u>
Reconciliation:			
Unallocated assets			<u>106,903</u>
Total assets			<u><u>733,243</u></u>
Segment liabilities	<u>152,070</u>	<u>217,545</u>	<u>369,615</u>
Reconciliation:			
Unallocated liabilities			<u>9,872</u>
Total liabilities			<u><u>379,487</u></u>
Other segment information			
Capital expenditure on property, plant and equipment	1,742	2,976	4,718
Depreciation	5,027	525	5,552
Research and development expenses	<u>2,864</u>	<u>–</u>	<u>2,864</u>

Year ended 31st December, 2014	Speaker units <i>HK\$'000</i>	Energy trading <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue			
Sales to external customers	<u>517,115</u>	<u>34,002</u>	<u>551,117</u>
Segment results	<u>7,948</u>	<u>(73)</u>	<u>7,875</u>
Reconciliation:			
Unallocated expense			(2,063)
Unallocated income			1,591
Finance costs	<u>(2)</u>	<u>–</u>	<u>(2)</u>
Profit before tax from continuing operations			7,401
Income tax expenses			<u>(2,126)</u>
Profit for the year from continuing operations			<u>5,275</u>
Segment assets	<u>424,039</u>	<u>41,541</u>	465,580
Reconciliation:			
Unallocated assets			<u>978</u>
Total assets			<u>466,558</u>
Segment liabilities	<u>196,437</u>	<u>873</u>	197,310
Reconciliation:			
Unallocated liabilities			<u>1,811</u>
Total liabilities			<u>199,121</u>
Other segment information			
Capital expenditure on property, plant and equipment	2,413	762	3,175
Depreciation	4,951	5	4,956
Reversal of write down of inventories	100	–	100
Research and development expenses	<u>2,586</u>	<u>–</u>	<u>2,586</u>

Other information

Continuing operations

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

Geographical information

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

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

Information about major customer

The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, and the location of the operation to which they are allocated in the case of intangible assets.

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

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

4. PROFIT BEFORE TAXATION

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

5. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Taxation in the consolidated statement of profit or loss represents:

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

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

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

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

6. DIVIDENDS

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

7. DISPOSAL OF SUBSIDIARIES (DISCONTINUED OPERATIONS)

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

The profit from the discontinued operations is analysed as follows:

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

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

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

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

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

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

	As at 28th February, 2014 HK\$'000
Net assets disposed of (<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>
	122,200
	<u><u>122,200</u></u>
Satisfied by:	
Cash	<u><u>122,200</u></u>
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 HK\$44,390,000 as at 28th February, 2014 was included in the net assets disposed and is repayable by TSI Group within six months from 28th February, 2014.

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

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

8. (LOSS)/EARNINGS PER SHARE

From continuing and discontinued operations

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

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

The computation of diluted (loss)/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 year ended 31st December, 2015 (2014: the exercise price of those options is higher than the average market price of the Company's share).

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

From continuing operations

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

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

From discontinued operations

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

9. TRADE DEBTORS, DEPOSITS AND PREPAYMENTS

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

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

The Group normally allows a credit period of 30 days to 90 days (2014: 30 days to 90 days) to its trade customers and may further extend the credit period to selected customers depending on their trade volume and settlement history.

The following is an aged analysis of trade debtors (net of allowance for doubtful debts) presented based on the invoice dates at the end of the respective reporting periods, which approximated the respective revenue recognition dates.

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

Included in the Group's trade debtor balances are debtors with aggregate carrying amount of HK\$86,584,000 (2014: HK\$51,087,000) which have been past due at the end of reporting period. The Group does not hold any collateral over these balances. The balances that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on the past experience, the management estimated that the carrying amounts could be fully recovered, as there has not been a significant change in credit quality and there has been substantial settlement after the end of the reporting period. In addition, the Group enters into an agreement with an insurance company to cover part of the individual trade debts. Accordingly, the Group considers the amounts are recoverable, therefore, no impairment loss is considered necessary.

10. TRADE AND OTHER PAYABLES

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

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

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

Included in the Group's creditors are trade creditors with carrying amounts of HK\$8,636,000 (2014: HK\$8,571,000) which are denominated in United States dollars that are currencies other than the functional currencies of the respective group entities.

11. SHARE CAPITAL

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

Notes:

- (a) At the annual general meeting of the Company held on 29th May, 2015, the increase of 1,500,000,000 shares in authorised share capital of the Company was approved.
- (b) Pursuant to the ordinary resolution passed at the extraordinary general meeting of the Company held on 7th July, 2015, each of the issued and unissued shares of HK\$0.01 in the share capital of the Company was subdivided into two subdivided shares of par value of HK\$0.005 each with effect from 8th July, 2015.
- (c) On 15th April, 2015, the Company entered into a placing agreement with a placing agent whereby the Company agreed to place, through the placing agent, a maximum of 64,369,112 new shares to not less than six placees at a price of HK\$0.97 per placing share. The placing was completed on 30th April, 2015 and 64,369,112 new shares were issued to not less than six placees in accordance with the terms of the placing agreement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Energy Trading

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

Speaker Units Business

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

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

FINANCIAL REVIEW

Results Performance

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

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

Liquidity and Financial Resources

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

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

Capital Resources and Reorganisation

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

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

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

Capital expenditure

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

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 Reporting Period, the Group believes that exposure to fluctuation in the above currencies does not have any significant adverse effect to the Group. Nonetheless, the Group will closely monitor the foreign currency exposure and arrange for hedging facilities when necessary.

Employees

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

Contingent Liabilities

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

Pledge on the Group's Assets

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

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

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

As Xiamen Ocean Star is a connected person of the Company, the Acquisition constituted a connected transaction of the Company under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). As certain of the applicable percentage ratios (as defined under the Listing Rules) for the Acquisition Agreements and the transactions contemplated thereunder are more than 5%, the Acquisition Agreements and the transactions contemplated thereunder are subject to the reporting, announcement, annual review and the independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

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

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

Subsequent Event

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

PROSPECTS

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

On the contrary, the Group intends to expand the energy trading business in 2016. In order to secure a solid and friendly relationship with the customers and suppliers, the Group has entered into two sale and purchase framework agreements for purchase of fuel oil in 2016 and four purchase framework agreements for sale of fuel oil in 2016. To expand the customer base, the Group will (i) attend industry conferences and exhibitions to make new acquaintances with potential customers; (ii) gain access to industry information websites as well as PRC and international business forums to connect to potential customers; (iii) contact potential customers recommended by peers or existing customers; and (iv) sponsor related activities in order to gain publicity awareness, aiming to promote the brand and enhance own brand value.

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

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31st December, 2015 (2014: nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

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

The Company has, throughout the year ended 31st December, 2015, applied and complied with the code provisions set out in the Corporate Governance Code (the “**CG Code**”) set out in Appendix 14 of the Listing Rules, except for certain deviations disclosed below:

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

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

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

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 enquiries made by the Company, all Directors have confirmed that they have fully complied with the required standards set out in the Model Code throughout the year ended 31st December, 2015.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SECURITIES

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

REVIEW BY THE AUDIT COMMITTEE

The audit committee has reviewed the audited consolidated financial statements of the Group for the year ended 31st December, 2015.

SCOPE OF WORK OF CHENG & CHENG LIMITED

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31st December, 2015 as set out in this preliminary announcement have been agreed by the Group’s auditor, Cheng & Cheng Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Cheng & Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Cheng & Cheng Limited on the preliminary announcement.

ACKNOWLEDGEMENT

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

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

Hong Kong, 30th March, 2016

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