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 31 DECEMBER 2018

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 31 December 2018 (the "**Reporting Period**") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2018

	NOTE	**2018** *HK$'000*	2017 *HK$'000* (Restated)
Revenue	*4*	**1,848,844**	9,500,029
Cost of sales	*5*	**(1,829,373)**	(9,409,509)
Gross profit		**19,471**	90,520
Distribution expenses	*5*	**(3,909)**	(9,315)
Administrative expenses	*5*	**(36,117)**	(32,399)
Other income		**2,934**	1,905
Other (losses)/gains – net	*6*	**(22,041)**	11,342
Impairment of trade receivables		**(21,891)**	–
Impairment of prepayments		**(285,952)**	–
Operating (loss)/profit		**(347,505)**	62,053
Finance income		**1,510**	683
Finance expenses		**(26,532)**	(17,918)
Finance expenses – net		**(25,022)**	(17,235)

	NOTE	2018 HK$'000	2017 HK$'000 (Restated)
(Loss)/profit before income tax		**(372,527)**	44,818
Income tax credit/(expense)	*7*	**5,930**	(15,664)
(Loss)/profit for the year from continuing operations		**(366,597)**	29,154
Discontinued operations			
Profit for the year from discontinued operations	*16*	**14,786**	17,699
(Loss)/profit for the year, all attributable to owners of the Company		**(351,811)**	46,853
Basic (loss)/earnings per share			
Continuing operations *(in cents per share)*	*8*	**(11.85)**	0.94
Discontinued operations *(in cents per share)*	*8*	**0.48**	0.57
		(11.37)	1.51
Diluted (loss)/earnings per share			
Continuing operations *(in cents per share)*	*8*	**(11.85)**	0.94
Discontinued operations *(in cents per share)*	*8*	**0.48**	0.57
		(11.37)	1.51

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	NOTE	**2018** *HK$'000*	2017 *HK$'000* (Restated)
(Loss)/profit for the year		**(351,811)**	46,853
Other comprehensive (loss)/income			
Items that may be reclassified to profit or loss			
— Currency translation differences		**(11,958)**	33,222
— Reclassification of translation reserve upon disposal of subsidiaries		**(1,117)**	–
Total comprehensive (loss)/income for the year, all attributable to owners of the Company		**(364,886)**	80,075
Total comprehensive (loss)/income attributable to owners of the Company arises from:			
Continuing operations		**(379,356)**	58,200
Discontinued operations		**14,470**	21,875
		(364,886)	80,075

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	NOTE	2018 HK$'000	2017 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	9	**1,372**	49,598
Investment properties	10	**95,028**	122,005
Intangible assets		**–**	978
Prepayment for non-current assets		**–**	231
Rental deposits		**–**	611
Deferred income tax assets		**–**	284
		96,400	173,707
Current assets			
Inventories		**8,710**	65,765
Trade and other receivables and prepayments	11	**522,743**	1,166,975
Cash and cash equivalents		**16,462**	20,323
Restricted cash		**19,694**	103,360
		567,609	1,356,423
Total assets		**664,009**	1,530,130
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	12	**3,868**	3,868
Other reserves		**183,243**	203,161
(Accumulated losses)/retained earnings		**(124,410)**	220,558
Total equity		**62,701**	427,587
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		**190**	8,683
Current liabilities			
Trade and other payables	13	**132,746**	780,843
Contract liabilities		**67,764**	–
Current income tax liabilities		**4,076**	4,004
Borrowings	14	**396,532**	309,013
		601,118	1,093,860
Total liabilities		**601,308**	1,102,543
Total equity and liabilities		**664,009**	1,530,130

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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 40/F, Sunlight Tower, No. 248 Queen's Road East, Wahchai, 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.

These consolidated financial statements are presented in Hong Kong dollars (HK$), unless otherwise stated.

These consolidated financial statements were approved for issue by the Board of Directors on 29 March 2019.

2. BASIS OF PREPARATION

(a) Compliance with Hong Kong Financial Reporting Standards and Hong Kong Companies Ordinance

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance (Cap. 622).

(b) Going Concern

(i) The Group reported a net loss attributable to the owners of the Company of HK$351,811,000 and had a net current liabilities of approximately HK$33,509,000 during the year ended 31 December 2018.

(ii) As at 31 December 2018 and up to the date of this report, loan principal of HK$204,738,000 (included in borrowings of the Group amounting to HK$396,532,000) and interest payable HK$12,759,000 were not repaid in accordance with the scheduled payment dates. These constituted events of defaults which resulted in significant increase in finance costs and the probability of properties being seized, and cross-default of bills payables amounting to HK$55,923,000 as at 31 December 2018 of which had original contractual repayment dates beyond 31 December 2018. Partly as a result of the above cross-default, the Group's bills payables became repayable on demand. As at 31 December 2018, its cash and cash equivalents and restricted cash amounted to HK$36,156,000 are not able to meet the borrowings.

This indicates the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

The directors of the Company have been undertaking a number of measures to improve the Group's liquidity and financial position, and to remediate delayed repayments to financial institutions, which are set out as below:

(i) negotiating with the lenders for the renewal of or extension of repayment of existing borrowings upon maturity;

(ii) obtaining additional new sources of financing as and when needed;

(iii) implementation of its operation plan to accelerate the Group's sales;

(iv) speeding up the collection of the outstanding sales proceeds;

(v) controlling costs and containing capital expenditures;

(vi) maintaining relationship with the Group's existing lenders so as to ensure that no action will be taken by those lenders to demand immediate repayment in respect of defaults in the past; and

(vii) obtaining continuing financial supports from the chairman;

The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties, including (i) the successful negotiations with the lenders for the renewal of or extension of repayment of existing borrowings upon maturity; (ii) whether the Group is able to obtain additional new sources of financing as and when needed; (iii) the successful implementation of its operation plan to accelerate the Group's sales, to speed up the collection of the outstanding sales proceeds and to control costs and contain capital expenditures; (iv) successfully maintaining relationship with the Group's existing lenders and to strictly comply with the terms and obligations under the facility agreements so as to ensure that there will be no default in the future and that no action will be taken by those lenders to demand immediate repayment in respect of defaults in the past; and (v) the successfully obtain continuing financial supports from the chairman, to meet obligations as and when their fall due.

Should the Group fail to achieve the above mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in the consolidated financial statements.

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

Changes in accounting policy and disclosures

(a) New standards adopted by the Group

The following new 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 2018:

— HKFRS 9 *Financial Instruments*

— HKFRS 15 *Revenue from Contracts with Customers*

The impact of the adoption of these standards are disclosed below.

(i) Adoption of HKFRS 9

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognized in the consolidated financial statements. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated.

Classification and measurement

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories . The adoption of HKFRS 9 did not have material impact on the classification and measurement of the Group's financial assets and liabilities.

Impairment of financial assets

The Group has two main types of financial assets that are subject to HKFRS 9's new expected credit loss model:

— Trade receivables; and

— Other financial assets measured at amortised costs (including cash and cash equivalents, restricted cash and other receivables)

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The impact of the change in impairment methodology is as follows:

Trade receivables

The Group applies HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and aging analysis.

The Group has assessed the expected credit loss model applied to the trade receivables as at 1 January 2018 and the change in impairment methodologies did not have any material impact on the Group's consolidated financial statements and the opening loss allowance is not restated in this respect.

The adoption of expected credit loss model under HKFRS 9 did not have material impact on allowance for impairment of trade receivables calculated under HKAS 39.

Other financial assets measured at amortised cost

Other financial assets at amortised cost include other receivables. The Group has applied the expected credit loss model to other receivables as at 1 January 2018 and the change in impairment methodologies did not have any material impact on the Group's consolidated financial statements and the opening loss allowance is not restated in this respect.

While cash and cash equivalents and restricted cash are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

(ii) Adoption of HKFRS 15

HKFRS 15 establishes a comprehensive framework for recognizing revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts. The Group has elected to use the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

Timing of revenue recognition

Previously, revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers. Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

— When the customer simultaneously receives and consumes the benefits provided by the Group's performance, as the Group performs;

— When the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

— When the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If the contract terms and the Group's activities do not fall into any of these 3 situations, then under HKFRS 15 the Group recognises revenue for the sale of that goods or services at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The Group is engaged in trading of energy products including mainly trading of fuel oil and kerosene, oil tanker transportation services and manufacturing and trading of speaker units.

The timing and accounting treatments of revenue recognition are the same before and after adopting the HKFRS 15. Other than certain reclassification of contract liabilities, the adoption of HKFRS 15 did not result in any impact to the financial statements. There is also no material impact to the Group's retained earnings as at 1 January 2018.

Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset.

Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis. The impact on the Group's financial position by the application of HKFRS 15 as compared to HKAS 18 that was previously in effect before the adoption of HKFRS 15 is as follows:

	HKAS 18 carrying amount 31 December 2017	Reclassification	**HKFRS 15 carrying amount 1 January 2018**
	HK$'000	*HK$'000*	***HK$'000***
Trade and other payables	(780,843)	198,585	**(582,258)**
Contract liabilities	–	(198,585)	**(198,585)**

Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 December 2018 as a result of the adoption of HKFRS 15 on 1 January 2018

The following tables summarise the estimated impact of adoption of HKFRS 15 on the Group's consolidated financial statements for the year ended 31 December 2018, by comparing the amounts reported under HKFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under HKAS 18 and HKAS 11 if those superseded standards had continued to apply to 2018 instead of HKFRS 15. These tables show only those line items impacted by the adoption of HKFRS 15:

	Amounts reported in accordance with HKFRS 15 (A)	**Hypothetical amounts under HKASs 18 and 11 (B)**	**Difference: Estimated impact of adoption of HKFRS 15 on 2018 (A)–(B)**
	HK$'000	*HK$'000*	*HK$'000*
Line items in the consolidated statement of financial position as at 31 December 2018 impacted by the adoption of HKFRS 15:			
Trade and other payables	(132,746)	(200,510)	67,764
Contract liabilities	(67,764)	–	(67,764)
Line items in the reconciliation of profit before taxation to cash generated from operations for year ended 31 December 2018 impacted by the adoption of HKFRS 15:			
(Decrease)/increase in trade and other payables	(390,814)	(516,848)	126,034
Decrease in contract liabilities	(126,034)	–	(126,034)

The significant differences arise as a result of the changes in accounting policies described above.

(b) New standards and interpretations not yet adopted

Certain new accounting standards and amendments to standards and interpretations have been published that are not mandatory for 31 December 2018 reporting year and have not been early adopted by the Group. These new standards and amendments to standards and interpretations are set out below:

Standards and amendments	**Effective for annual periods beginning on or after**
Amendments to HKAS 1 and HKAS 8 "Definition of Material"	1 January 2020
Amendments to HKFRS 3 "Definition of a Business"	1 January 2020
HKFRS 16 'Leases'	1 January 2019
HKFRS 17 'Insurance contracts'	1 January 2021
Amendments to HKFRS 9 'Prepayment Features with Negative Compensation'	1 January 2019
Amendments to HKFRSs 'Annual Improvements to HKFRSs 2015–2017 Cycle'	1 January 2019
Amendments to HKAS 19 'Plan Amendment, Curtailment or Settlement'	1 January 2019
Amendments to HKAS 28 'Long-term Interests in Associates and Joint Ventures'	1 January 2019
HK(IFRIC) 23 'Uncertainty over income tax treatments'	1 January 2019
Amendments to HKFRS 10 and HKAS 28 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined

4. 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 four business lines, (1) energy trading which comprises mainly the trading of fuel oil and kerosene, (2) speaker manufacturing, (3) speaker trading, and (4) oil tanker transportation (2017: three business line: (1) energy trading which comprises mainly the trading of fuel oil and kerosene, (2) speaker manufacturing and (3) oil tanker transportation). The segments of speaker manufacturing and oil tanker transportation were classified as discontinued operations during the year.

The board of directors assesses the performance of the operating segments based on a measure of the segment results of the operating segments. Finance income or expenses, fair value changes on investment properties and the unallocated operating expenses are not allocated to segments since these activities are driven by the central function and the related income or expenses are undividable between segments.

The Group's deferred income tax assets, intangible assets, prepayment for non-current assets and investment properties are not considered to be segment assets and the Group'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 of continuing operations is as follows:

	2018		
	Energy trading *HK$'000*	**Speaker trading** *HK$'000*	**Total** *HK$'000*
Segment results			
Year ended 31 December			
Disaggregated by timing of revenue recognition:			
At a point in time	**1,766,199**	**82,645**	**1,848,844**
Over time	**–**	**–**	**–**
	1,766,199	**82,645**	**1,848,844**
Segment loss	**(302,371)**	**(14,082)**	**(316,453)**
Rental income from investment properties			**335**
Fair value loss on investment properties			**(22,130)**
Unallocated operating expenses			**(9,257)**
Operating loss			**(347,505)**
Finance expenses — net			**(25,022)**
Loss before income tax			**(372,527)**
Income tax credit			**5,930**
Loss for the year			**(366,597)**
Depreciation charge	**711**	**161**	**872**
Capital expenditure	**458**	**–**	**458**
Impairment of trade receivables	**21,891**	**–**	**21,891**
Loss on disposal of property, plant and equipment	**271**	**–**	**271**
Impairment of prepayments	**285,952**	**–**	**285,952**
Loss on disposal of intangible assets	**–**	**598**	**598**
Written-off of inventories	**–**	**236**	**236**
Assets			
As at 31 December			
Segment assets	**515,838**	**52,093**	**567,931**
Unallocated assets			**1,050**
Investment properties			**95,028**
Total			**664,009**
Liabilities			
As at 31 December			
Segment liabilities	**177,399**	**8,004**	**185,403**
Unallocated liabilities			**5,958**
Borrowings			**405,681**
Current income tax liabilities			**4,076**
Deferred income tax liabilities			**190**
Total			**601,308**

	2017		
	Energy trading *HK$'000*	Speaker trading *HK$'000*	Total *HK$'000* (Restated)
Segment results			
Year ended 31 December			
Disaggregated by timing of revenue recognition:			
At a point in time	9,433,035	66,994	9,500,029
Over time	–	–	–
	9,433,035	66,994	9,500,029
Segment (loss)/profit	56,959	(1,043)	55,916
Rental income from investment properties			153
Fair value gain on investment properties			12,286
Unallocated operating expenses			(6,302)
Operating profit			62,053
Finance expenses — net			(17,235)
Profit before income tax			44,818
Income tax expense			(15,664)
Profit for the year			29,154
Depreciation charge	994	182	1,176
Capital expenditure	3,966	–	3,966
Assets			
As at 31 December			
Segment assets	1,090,231	43,192	1,133,423
Unallocated assets			720
Deferred income tax assets			284
Intangible assets			978
Prepayment for non-current assets			231
Investment properties			122,005
Total			1,257,641
Liabilities			
As at 31 December			
Segment liabilities	540,628	2,317	542,945
Unallocated liabilities			3,275
Borrowings			309,013
Current income tax liabilities			4,004
Deferred income tax liabilities			8,683
Total			867,920

Revenue from external customers by country, based on the destination of the customers is as follows:

Continuing operation	**2018**	2017
	HK$'000	*HK$'000*
		(Restated)
China	**1,769,860**	9,494,186
Japan	**78,766**	5,574
US	**218**	64
Other countries	**–**	205
Total	**1,848,844**	9,500,029

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

	2018
	HK$'000
Revenue from customer attributable to energy trading Company A	**203,849**
Revenue from customer attributable to energy trading Company B	**198,610**
Revenue from customer attributable to energy trading Company C	**196,475**
Revenue from customer attributable to energy trading Company D	**185,743**

	2017
	HK$'000
Revenue from customer attributable to energy trading Company E	3,373,494
Revenue from customer attributable to energy trading Company F	1,964,041

Non-current assets, other than financial instruments and deferred income tax assets by country is as follows:

	2018	2017
	HK$'000	*HK$'000*
Mainland China	**96,196**	127,096
Hong Kong	**204**	45,716
	96,400	172,812

5. EXPENSES BY NATURE

	2018	2017
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Changes in inventories of finished goods and work in progress	**(8,710)**	–
Cost of goods sold	**1,837,608**	9,408,416
Employee benefit expense	**23,640**	12,054
Operating lease payments	**3,131**	2,063
Storage fees	**828**	10,128
Customs, levis and other taxes	**177**	7,883
Utilities	**45**	5
Depreciation *(Note 9)*	**872**	1,176
Research and development cost	**3,068**	1,848
Repairs and maintenance expenses	**55**	8
Legal and professional fees	**2,638**	1,801
Auditors' remuneration — annual report	**552**	1,480
Auditors' remuneration — others	**10**	486
Written-off of inventories	**236**	–
Other expenses	**5,249**	3,875
Total cost of sales, distribution expenses and administrative expenses	**1,869,399**	9,451,223

	2018	2017
	HK$'000	*HK$'000*
Discontinued operations		
Changes in inventories finished goods and work in progress	**54,167**	(33,527)
Raw materials and consumables used	**111,013**	397,768
Employee benefit expense	**44,099**	86,960
Port disbursement and refueling figures	**12,204**	19,131
Operating lease payments	**4,440**	9,934
Customs, levis and other taxes	**1,015**	1,942
Utilities	**2,221**	4,471
Depreciation *(Note 9)*	**1,614**	2,922
Research and development cost	**–**	1,423
Repairs and maintenance expenses	**624**	3,198
Legal and professional fees	**317**	831
Auditors' remuneration — others	**71**	35
Written-off of inventories/(Reversal of inventories write-down)	**118**	(100)
Other expenses	**10,396**	11,671
Total cost of sales, distribution expenses and administrative expenses	**242,299**	506,659

6. OTHER (LOSSES)/GAINS — NET

Continuing operations	2018 HK$'000	2017 HK$'000 (Restated)
Fair value (loss)/gain on investment properties *(Note 10)*	**(22,130)**	12,286
Net foreign exchange gain/(loss)	**637**	(170)
Loss on disposal of property, plant and equipment	**(271)**	–
Loss on disposal of intangible assets	**(598)**	–
Written-off of other payable	**316**	–
Other gains/(losses)	**5**	(774)
	(22,041)	11,342
Discontinued operations		
Net foreign exchange loss	**(1,990)**	(4,745)
Gain/(loss) on disposal of property, plant and equipment	**1,880**	(49)
Other gains	**247**	520
Impairment loss of property, plant and equipment	**(116)**	–
	21	(4,274)

7. INCOME TAX (CREDIT)/EXPENSE

	2018 HK$'000	2017 HK$'000 (Restated)
Continuing operations		
Current income tax:		
Current income tax on profits for the year — Hong Kong	**–**	–
Overprovision in prior years — Hong Kong	**(1,271)**	(3,074)
	(1,271)	(3,074)
Current income tax on profits for the year — PRC	**1,218**	13,613
Underprovision in prior years — PRC	**796**	–
	2,014	13,613
Total current income tax	**743**	10,539
Deferred income tax	**(6,673)**	5,125
Income tax (credit)/expense	**(5,930)**	15,664

	2018	2017
	HK$'000	*HK$'000*
Discontinued operations		
Current income tax:		
Current income tax on profits for the year — Hong Kong	**3,075**	1,271
Overprovision in prior years — Hong Kong	**–**	(557)
	3,075	714
Current income tax on profits for the year — PRC	**302**	1,936
Underprovision in prior years — PRC	**716**	787
	1,018	2,723
Total current income tax	**4,093**	3,437
Deferred income tax	**(671)**	(647)
Income tax expense	**3,422**	2,790

Hong Kong profits tax has been provided for at the rate of 16.5% (2017:16.5%) on the estimated assessable profits of the Group's subsidiaries in Hong Kong for the year.

Taxation on PRC income has been calculated on the estimated assessable profit for the year 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% (2017: 25%) except for Dongguan Shinhint Audio Technology Limited which are subject to CIT at the rate of 15% (2017: 15%). Dongguan Shinhint Audio Technology Limited (Discontinued Operations) 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.

8. (LOSS)/EARNINGS PER SHARE

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

	2018	2017
	HK$'000	*HK$'000*
		(Restated)
(Loss)/earnings for the purpose of calculation of basic and diluted earnings per share		
Continuing operations	**(366,597)**	29,154
Discontinued operations	**14,786**	17,699
	(351,811)	46,853
	'000	*'000*
		(Restated)
Weighted average number of ordinary shares at 31 December for the purpose of basic and diluted (loss)/earnings per share	**3,094,517**	3,094,517
(Loss)/earnings per share		
— Basic earnings per share (in cents per share)		
Continuing operations	**(11.85)**	0.94
Discontinued operations	**0.48**	0.57
	(11.37)	1.51
— Diluted (loss)/earnings per share (in cents per share)		
Continuing operations	**(11.85)**	0.94
Discontinued operations	**0.48**	0.57
	(11.37)	1.51

Basic (loss)/earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year. The weighted average numbers of ordinary shares for calculating basic earnings per share for the twelve months ended 31 December 2017 had been retrospectively adjusted to reflect the share subdivision with effect from 17 January 2018.

For the year ended 31 December 2018 and 2017, the Company's share options granted have no dilutive effect on the (loss)/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 twelve months ended 31 December 2018) based on the monetary value of the subscription rights attached to outstanding share options. Diluted (loss)/earnings per share is therefore equal to basic earnings per share.

9. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery *HK$'000*	Oil tanker *HK$'000*	Moulds *HK$'000*	Furniture fixtures and office equipment *HK$'000*	Leasehold improvements *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
At 1 January 2017							
Cost	5,413	–	318	7,311	11,740	3,098	27,880
Accumulated depreciation	(3,213)	–	(271)	(5,979)	(11,004)	(1,441)	(21,908)
Net book value	2,200	–	47	1,332	736	1,657	5,972
Year ended 31 December 2017							
Opening net book amount	2,200	–	47	1,332	736	1,657	5,972
Additions	62	45,795	204	581	235	595	47,472
Disposal	(20)	–	–	(31)	–	–	(51)
Depreciation charge *(Note 5)*	(480)	(2,099)	(33)	(303)	(449)	(734)	(4,098)
Currency translation differences	155	–	3	96	–	49	303
Closing net book amount	1,917	43,696	221	1,675	522	1,567	49,598
At 31 December 2017							
Cost	5,784	45,795	524	8,110	12,679	3,785	76,677
Accumulated depreciation	(3,867)	(2,099)	(303)	(6,435)	(12,157)	(2,218)	(27,079)
Net book amount	1,917	43,696	221	1,675	522	1,567	49,598

	Plant and machinery ***HK$'000***	**Oil tanker** ***HK$'000***	**Moulds** ***HK$'000***	**Furniture fixtures and office equipment** ***HK$'000***	**Leasehold improvements** ***HK$'000***	**Motor vehicles** ***HK$'000***	**Total** ***HK$'000***
Year ended 31 December 2018							
Opening net book amount	**1,917**	**43,696**	**221**	**1,675**	**522**	**1,567**	**49,598**
Additions	**–**	**–**	**11**	**500**	**197**	**88**	**796**
Disposal	**(1,004)**	**(42,360)**	**–**	**(536)**	**(208)**	**(51)**	**(44,159)**
Impairment	**–**	**–**	**–**	**–**	**–**	**(116)**	**(116)**
Disposal of subsidiaries	**(848)**	**–**	**(217)**	**(812)**	**(394)**	**(44)**	**(2,315)**
Depreciation charge *(Note 5)*	**(119)**	**(1,336)**	**(20)**	**(312)**	**(123)**	**(576)**	**(2,486)**
Currency translation differences	**54**	**–**	**5**	**11**	**6**	**(22)**	**54**
Closing net book amount	**–**	**–**	**–**	**526**	**–**	**846**	**1,372**
At 31 December 2018							
Cost	**–**	**–**	**–**	**1,559**	**–**	**2,199**	**3,758**
Accumulated depreciation	**–**	**–**	**–**	**(1,033)**	**–**	**(1,353)**	**(2,386)**
Net book amount	**–**	**–**	**–**	**526**	**–**	**846**	**1,372**

Depreciation expenses for the year ended 31 December 2018 of HK$1,614,000 (2017: HK$2,922,000) and HK$872,000 (2017: HK$1,176,000) have been charged in 'discontinued operations' and 'continuing operations', respectively.

Depreciation expenses of continuing operations for the year ended 31 December 2018 and 31 December 2017 have all been charged in 'administrative expenses'.

As at 31 December 2018, there was no property, plant and equipment pledged as security (2017: Nil).

10. INVESTMENT PROPERTIES

	2018	2017
	HK$'000	*HK$'000*
Investment properties — at fair value		
Opening balance at 1 January	**122,005**	–
Transfer from prepayment for non-current assets	**–**	99,208
Capitalised subsequent expenditure	**–**	3,026
Fair value (loss)/gain on investment properties *(Note 6)*	**(22,130)**	12,286
Currency translation differences	**(4,847)**	7,485
Closing balance at 31 December	**95,028**	122,005

The investment properties of the Group are certain office floors with area of 6,344 sqm acquired from a related company in September 2015. The properties are located in Xiamen city of Fujian Province, the PRC.

The investment properties have been pledged as security for the borrowings of the Group.

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2018	2017
	HK$'000	*HK$'000*
Trade receivables from third parties	**131,089**	258,071
Trade receivables from related parties	**187**	133
Less: allowance for impairment of trade receivables	**(21,137)**	–
Trade receivables — net	**110,139**	258,204
Prepayment to suppliers	**683,267**	896,204
Less: allowance for impairment of prepayment to suppliers	**(276,097)**	–
Prepayment to suppliers — net	**407,170**	896,204
Export tax rebate receivables	**1,343**	9,805
Other receivables and deposits	**4,091**	2,762
Total	**522,743**	1,166,975

The Group's normally allows a credit period of 30 days to 90 days for speaker trading business and cash on delivery for energy trading business to its customers and may further extend the credit period to selected customers depending on their trade volume and settlement history. At 31 December 2018 and 2017, the ageing analysis of trade receivables based on invoice date was as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 30 days	**9,787**	99,877
31 to 60 days	**9,018**	101,832
61 to 90 days	**7,605**	56,381
91 to 120 days	**–**	114
121 to 365 days	**83,620**	–
Over 365 days	**109**	–
	110,139	258,204

Included in the above provision for impairment of trade and other receivables is a provision for individually impaired trade receivables and prepayments of approximately RMB18,520,000 (equivalent to HK$21,891,000) and RMB241,916,000 (equivalent to HK$285,952,000), respectively. The individually impaired trade receivables and prepayments related to customers and suppliers that were in financial difficulties. The directors of the Company estimated the amounts of impairment is after taking into consideration the below events:

It came to the attention of management that there were media reports about the liquidity problem of a customer (張家港保税區寶塔石化有限公司) and a supplier (上海寶塔石化有限公司), and their performance on subsequent settlements of the Group's trade receivables and prepayments respectively.

The Group's prepayments to suppliers are mainly related to the energy trading business. The Group pays prepayment to suppliers to secure the supply of fuel oil and kerosene. The prepayments are normally utilised for a period of 30 to 90 days.

12. SHARE CAPITAL

	Number of shares	Share capital
		HK$'000
Ordinary shares of HK$0.00125 each:		
Authorised:		
As at 1 January 2017	4,000,000,000	20,000
Share subdivision *(note b)*	4,000,000,000	–
As at 31 December 2017	8,000,000,000	20,000
Share subdivision *(note a)*	8,000,000,000	–
As at 31 December 2018	**16,000,000,000**	**20,000**
Issued and fully paid:		
As at 1 January 2017	773,629,352	3,868
Share subdivision *(note b)*	773,629,352	–
As at 31 December 2017	1,547,258,704	3,868
Share subdivision *(note a)*	1,547,258,704	–
As at 31 December 2018	**3,094,517,408**	**3,868**

Notes:

(a) Pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company held on 16 January 2018, each of the issued and unissued shares of par value of HK$0.0025 in the share capital of the Company was subdivided into two subdivided shares of par value of HK$0.00125 each with effect from 17 January 2018. Accordingly, the number of issued ordinary shares of the Company was increased from 1,547,258,704 shares to 3,094,517,408 shares since 17 January 2018.

(b) Pursuant to an ordinary resolution passed at an 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.

13. TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables to third parties	**53,625**	279,567
Trade payables to related parties	**284**	6
Trade payables	**53,909**	279,573
Bills payables	**55,923**	193,178
Advances from customers	**–**	198,585
Payroll and welfare payables	**1,077**	16,528
Amount due to related parties	**7,051**	74,875
Other payable and accrued expenses	**14,786**	18,104
	132,746	780,843

The bills payables as at 31 December 2018 were secured by (i) restricted bank deposits of the Group amounting to HK$19,694,000 (2017: HK$103,360,000), (ii) properties owned by the Chairman and a related company beneficially owned by the Chairman, (iii) guarantees provided by the Chairman and his spouse, the Company, a subsidiary of the Group and a related company beneficially owned by the Chairman.

As at 31 December 2018 and up to the date of this report, the principal and interest payments of the Group's borrowings (Note 14) and the interest payables amounting to HK$12,759,000 (included in above other payable and accrued expenses) were not repaid in accordance with the scheduled payment dates. This constituted event of defaults resulted in cross-default of bills payables amounting to HK$55,923,000 as at 31 December 2018, of which had original contractual repayment dates beyond 31 December 2018. Partly as a result of the above cross-default, the Group's bills payables became repayable on demand.

At 31 December 2018, the ageing analysis of the trade payables (including bills payables) based on invoice date were are follows:

	2018	2017
	HK$'000	*HK$'000*
Within 30 days	**6,366**	136,316
31 to 60 days	**12,712**	151,272
61 to 90 days	**5,767**	50,249
91 to 120 days	**28,871**	134,576
Over 120 days	**56,116**	338
	109,832	472,751

14. BORROWINGS

	2018	2017
	HK$'000	*HK$'000*
Current		
Bank borrowings		
— secured	**258,322**	136,677
— unsecured	**39,821**	74,171
	298,143	210,848
Notes payable	**98,389**	98,165
Total borrowings	**396,532**	309,013

As at 31 December 2018, loan principal and interest payables of HK$204,738,000 and HK$12,759,000 (note 13) were not repaid in accordance with the scheduled payment dates.

Up to the date of this report, the default interest was repaid for HK$458,000 and the default loan principal of HK$204,738,000 are still outstanding.

15. DIVIDENDS

	2018	2017
	HK$'000	*HK$'000*
Ordinary shares		
Interim dividend for the year ended 31 December 2018 of HK$Nil (2017: 0.005) per fully paid share	**–**	7,736

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: nil).

16. DISCONTINUED OPERATION

(a)(1) Description

On 25 May 2018, the Group entered into a disposal agreement with an independent third party in relation to the disposal of the entire issued share capital in a wholly owned subsidiary of the Company, Crown Million Industries (International) Limited (冠萬實業(國際)有限公司) (the "**Target Company**" together with its subsidiary, collectively the "**Target Group**") ("**the Disposal**"). The Target Group is principally engaged in manufacturing and trading of home theatre and automotive speaker systems.

The Target Group was sold on 4 June 2018 (the "**Completion Date**") for a cash consideration of HK$32,655,000 pursuant to the Amendment to the Share Purchase Agreement dated on 5 December 2018. The results of the Target Group are presented in the consolidated statement of profit or loss as a discontinued operation.

(a)(2) Financial performance and cash flow information

Financial information relating to the Target Group for the period to the date of disposal of 4 June 2018 is set out below.

	2018.01.01–2018.06.04 *HK$'000*	2017.01.01–2017.12.31 *HK$'000*
Revenue	**229,868**	500,645
Cost of sales	**(209,187)**	(443,491)
Gross profit	**20,681**	57,154
Distribution expenses	**(1,455)**	(2,847)
Administrative expenses	**(13,409)**	(35,237)
Other income	**18**	1,132
Other losses — net	**(3,485)**	(4,766)
Operating profit	**2,350**	15,436
Finance income	**12**	32
Profit before income tax	**2,362**	15,468
Income tax expense	**(1,164)**	(1,973)
Profit after income tax	**1,198**	13,495

The profit from the discontinued operations is analysed as follows:

	2018.01.01–2018.06.04 *HK$'000*	2017.01.01–2017.12.31 *HK$'000*
Profit of discontinued operations for the period	**1,198**	13,495
Gain on disposal of the Target Group	**1,117**	–
	2,315	13,495
Currency translation differences from discontinued operations	**801**	4,176
Reclassification of translation reserve upon disposal of subsidiaries	**(1,117)**	–
Other comprehensive (loss)/income from discontinued operations	**(316)**	4,176
Net cash (outflow)/inflow from operating activities	**(7,778)**	52,369
Net cash outflow from investing activities	**(340)**	(735)
Net cash outflow from financing activities	**–**	(60,000)
Net decrease in cash from discontinued operation	**(8,118)**	(8,366)

(a)(3) Gain on disposal of the Target Group

	2018
	HK$'000
Net assets disposed of	**32,655**
Reclassification of translation reserve upon disposal of subsidiaries	**(1,117)**
	31,538
Gain on disposal	**1,117**
Total consideration	**32,655**
Satisfied by:	
Cash received or receivable as consideration	**32,655**
Net cash inflow arising on disposal:	
Cash received or receivable as consideration	**32,655**
Consideration receivable	**(3,265)**
Total cash consideration received	**29,390**
Less: bank balance and cash disposed of	**(4,857)**
	24,533

The consideration was determined by reference of the net asset value of the Target Group as at the Completion Date. As at 31 December 2018, the consideration has been 90% paid according to the disposal agreement.

(a)(4) Analysis of assets and liabilities over which control was lost:

	2018
	HK$'000
Assets	
Non-current assets	
Property, plant and equipment	**2,315**
Rental deposits	**624**
Deferred income tax assets	**232**
	3,171
Current assets	
Inventories	**44,206**
Trade and other receivables and prepayments	**124,212**
Cash and cash equivalents	**4,857**
	173,275
Total assets	**176,446**
Liabilities	
Non-current liabilities	
Deferred income tax liabilities	**1,074**
Current liabilities	
Trade and other payables	**142,419**
Current income tax liabilities	**298**
	142,717
Total liabilities	**143,791**
Net assets disposal of	**32,655**

(b)(1) Description

On 17 August 2018, the Group entered into a disposal agreement with an independent third party in relation to the disposal of a vessel owned by a wholly owned subsidiary of the Company.

The vessel was sold on 17 August 2018 (the "**Completion Date**") for cash consideration of approximately HK$45,702,000. Gain of HK$3,317,000 was resulted from the disposal. Subsequent to the disposal of vessel, the segment of oil tanker transportation was discontinued. The results of the segment of oil tanker transportation are presented in the consolidated statement of profit or loss as a discontinued operation.

(b)(2) Financial performance and cash flow information

Financial information relating to the oil tanker transportation segment for the year is set out below.

	2018	2017
	HK$'000	*HK$'000*
Revenue	**29,471**	29,613
Cost of services	**(17,712)**	(24,154)
Gross profit	**11,759**	5,459
Administrative expenses	**(536)**	(930)
Other gains — net	**3,506**	492
Profit before income tax	**14,729**	5,021
Income tax expense	**(2,258)**	(817)
Profit after tax	**12,471**	4,204
Net cash inflow from operating activities	**11,894**	7,916
Net cash inflow/(outflow) from investing activities	**45,703**	(41,261)
Net cash (outflow)/inflow from financing activities	**(58,299)**	33,938
Net (decrease)/increase in cash from discontinued operation	**(702)**	593

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

Cheng & Cheng Limited was engaged to audit the consolidated financial statements of the Group. The section below sets out an extract of the independent auditor's report regarding the consolidated financial statements of the Group for the year ended 31 December 2018.

Basis for disclaimer of opinion

1. *Going Concern*

   The Group reported a net loss attributable to the owners of the Company of HK$351,811,000 and had a net current liabilities of approximately HK$33,509,000 during the year ended 31 December 2018. In addition, as at 31 December 2018 and up to the date of this report, loan principal of HK$204,738,000 (included in borrowings of the Group amounting to HK$396,532,000) and interest payables of HK$12,759,000 were not repaid in accordance with the scheduled payment dates. These constituted events of defaults which resulted in significant increase in finance costs and the probability of properties being seized, and cross-default of bills payables amounting to HK$55,923,000 as at 31 December 2018, of which had original contractual repayment dates beyond 31 December 2018. Partly as a result of the above cross-default, the Group's bills payables became repayable on demand. As at 31 December 2018, its cash and cash equivalents and restricted cash amounted to HK$36,156,000 are not sufficient to meet the borrowings. This indicates the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

   The directors of the Company have been undertaking a number of measures to improve the Group's liquidity and financial position, and to remediate delayed repayments to financial institutions, which are set out as below:

   (i) negotiating with the lenders for the renewal of or extension of repayment of existing borrowings upon maturity;

   (ii) obtaining additional new sources of financing as and when needed;

   (iii) implementation of its operation plan to accelerate the Group's sales;

   (iv) speeding up the collection of the outstanding sales proceeds;

   (v) controlling costs and containing capital expenditures;

   (vi) maintaining relationship with the Group's existing lenders so as to ensure that no action will be taken by those lenders to demand immediate repayment in respect of defaults in the past; and

   (vii) obtaining continuing financial supports from the chairman;

The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties, including (i) the successful negotiations with the lenders for the renewal of or extension of repayment of existing borrowings upon maturity; (ii) whether the Group is able to obtain additional new sources of financing as and when needed; (iii) the successful implementation of its operation plan to accelerate the Group's sales, to speed up the collection of the outstanding sales proceeds and to control costs and contain capital expenditures; (iv) successfully maintaining relationship with the Group's existing lenders and to strictly comply with the terms and obligations under the facility agreements so as to ensure that there will be no default in the future and that no action will be taken by those lenders to demand immediate repayment in respect of defaults in the past; and (v) the successfully obtain continuing financial supports from the chairman, to meet obligations as and when their fall due.

Should the Group fail to achieve the above mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in the consolidated financial statements.

2. *Impairments of trade and other receivables*

As disclosed in notes to the consolidated financial statements, the Group had trade receivables and prepayment to suppliers amounted to approximately HK$110,139,000 and HK$407,170,000 as at 31 December 2018 respectively. Included in these balances, approximately HK$21,137,000 were trade receivables from 深圳市前海懷德石油化工有限公司 and 張家港保税區寶塔石化有限公司 and approximately HK$276,097,000 was prepayment to 上海寶塔石化有限公司 as at 31 December 2018 after impairment losses of approximately HK$21,891,000 and HK$285,952,000, which were recognised in the profit or loss for the year ended 31 December 2018.

Management made these impairments after taking into consideration certain facts and circumstances, including but not limited to, news about the liquidity problem of 張家港保税區寶塔石化有限公司 and 上海寶塔石化有限公司, as well as their performance on the subsequent settlements of the Group's trade receivables and prepayments respectively. However, the directors of the Company were unable to provide us with satisfactory explanation about the bases for estimating the expected timing and amounts of settlements from the above customers or counterparties and hence the recognised amounts of impairment and the carrying amounts of trade receivables and prepayments. There were no alternative audit procedures that we could perform to obtain sufficient and appropriate audit evidence to satisfy ourselves as to whether the amounts of impairment and carrying amounts of trade receivables and prepayments recognised by the Group were fairly stated. Consequently, we were unable to determine whether any adjustment to these amounts was necessary.

Included in the Group's trade receivables was an amount of approximately HK$62,483,000 as at 31 December 2018, due from a customer, 上海兆邦石油化工有限公司, which is a group company of 中國國務院. A letter of guarantee of agreeing to repay the debts was provided by the customer, based on that the Directors are of the view that the Group is able to recover the outstanding balance due from that customer, and therefore no impairment had been provided on such balance. However, we were unable to obtain sufficient appropriate audit evidence we consider necessary and there were no other alternative audit procedures that we could perform in order to assess whether such receivable could be recovered in full or to determine the amount of impairment, if any. Any adjustments to the amount of the above trade receivable found to be necessary would affect the Group's net current liabilities and net liabilities as at 31 December 2018 and the Group's loss for the year then ended and related note disclosures to the consolidated financial statements.

3. *Limitation of scope to accounting books and records of the discontinued operations — speaker manufacturing segment*

Due to the disposal of the entire issued share capital in a wholly owned subsidiary of the Company, Crown Million Industries (International) Limited together with its subsidiary (the Group's speaker manufacturing segment) and the changes of management and directors of these disposed subsidiaries during the year, we were unable to access the complete set of accounting books and records in respect of the disposed subsidiaries in relation to the Group's discontinued operations for the years ended 31 December 2018 and 2017.

As such, we were unable to obtain sufficient supporting documentation and explanations to carry out audit procedures to satisfy ourselves as to whether the profit of approximately HK$1,198,000 for the period from 1 January 2018 to 4 June 2018 (effective date of disposal) and the deconsolidated assets and liabilities as at 4 June 2018 respectively, and the related disclosure notes in relation to these subsidiaries.

In view of the circumstances as mentioned in the preceding paragraphs, we were also unable to carry out audit procedures to satisfy ourselves as to whether the gain on deconsolidation of discontinued disposed subsidiaries of approximately HK$1,117,000 included in the consolidated statement of profit or loss was fairly stated.

Any adjustments that are found necessary in relation to matters as described above might have consequential effect on the Group's results and cash flows for the two years ended 31 December 2018 and 2017 and the financial positions of the Group as at 31 December 2017, and the related disclosures thereof in the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Energy Trading Business

Suffered by geopolitics and US-China Trade War, the Company faced a significant challenge on the energy trading business during the Reporting Period. For the revenue from energy trading business, the turnover was approximately HK$1,766.20 million for the Reporting Period (2017: approximately HK$9,433.04 million). The turnover decreased by approximately 81.3% (2017: increased by approximately 73.6%), which was mainly due to 1) international oil price fluctuations resulted from US-China Trade War; 2) the decrease in the number of customers; and 3) a decrease in sales orders from customers in view of the price instability in oil market under the uncertain outcome of trade tensions, rapid changes in the industry product market and renewal of government policies.

Since May 2015, the Company had commenced the business relationship with 上海寶塔石化有限公司 ("**Baota**"), in our fuel oil products business since 2015. We used to make prepayment to Baota for stable supply of fuel oil products. For the three years ended 31 December 2016, 2017 and 2018, we made prepayment to Baota in the amount of approximately RMB155,667,000, RMB426,832,000 and RMB483,832,000, respectively.

For the two years ended 31 December 2016 and 2017, we generated approximately RMB37.26 million and RMB44.90 million revenue from fuel oil products business in which approximately 70% and 14% oil products were supplied by Baota.

Since the beginning of 2018, there were material delays in delivery by Baota, which failed to comply with the terms and conditions of our supplier contracts. We terminated our business cooperation with Baota since 31 July 2018 and started to pursue the damages according to those contracts. In November 2018, our Board noted the news about the liquidity problem of Baota.

In view of the above background, our Board unanimously agreed to make the provision amounting to 50% (in the amount of RMB241,916,000) for the prepayment of RMB483,832,000.

To minimize the effects of abovementioned factors, the Company modified the existing energy trading business strategy and devoted extra effort on developing various energy trading products. During the Reporting Period, the revenue was approximately HK$1,766.20 million.

Oil Tanker Transportation

For the Reporting Period, the Group recorded transportation income of approximately HK$29.47 million, representing a slightly decrease of approximately 0.5% from the corresponding period of last year and representing approximately 1.4% of the total revenue. Since the business involved the transfer of ownership of vessels in August 2018, the contribution of the business to the Group was insignificant.

Speaker Units Business

The speaker units business recorded approximately HK$312.51 million during the Reporting Period (2017: approximately HK$567.64 million), representing a drop of approximately 44.9%. The decrease was mainly due to the decrease in sales orders from existing customers. During the Reporting Period, the Company disposed the entire issued share capital in Crown Million Industries (International) Limited ("冠萬實業(國際)有限公司") (the "**Disposal Company**" together with its subsidiaries, collectively the "**Disposal Group**"), an indirect wholly-owned subsidiary of the Company, to an independent third party. For further details, please refer to the announcements of the Company dated 30 September 2016, 25 May 2018, 29 May 2018 and 4 June 2018.

In the view of the disposal of the Disposal Group at the beginning of June 2018, the financial results subsequent to the disposal of the Disposal Group did not consolidate in the Group.

FINANCIAL REVIEW

Results Performance

For the Reporting Period, the Group's revenue decreased by 80.5% to approximately HK$1,849 million (2017: approximately HK$9,500 million). The decrease in revenue was mainly attributable to significantly decrease in revenue in the energy trading business. The Group has reported a loss for the Reporting Period to approximately HK$351.81 million (2017: net profit of approximately HK$46.85 million). The loss was mainly due to a significant decrease in sales revenue from the energy trading business; the disposal of the high gross profit margin segment of oil tanker transportation and speaker manufacturing; an increase in the finance cost; the fair value loss from the Group's investment properties and the provision for impairment of trade and other receivable of approximately HK$21.89 million.

For the Reporting Period, basic loss per share of continuing operations of approximately HK11.85 cents (2017: basic earnings per share of continuing operations of approximately HK0.94 cents). The Group did not pay an interim dividend during the Reporting Period. The Board did not recommend the payment of a final dividend for the Reporting Period (2017: nil).

Liquidity and Financial Resources

As at 31 December 2018, the Group had cash and cash equivalents of approximately HK$16.46 million (31 December 2017: approximately HK$20.32 million), which were mainly denominated in Hong Kong dollars, US dollars and Renminbi.

As at 31 December 2018, the Group's net current liabilities were approximately HK$33.51 million (31 December 2017: net current asset approximately HK$262.56 million). The Group's current ratio, being the proportion of total current assets to total current liabilities, was approximately 0.94 as compared to approximately 1.24 as at 31 December 2017. The Group had bank and other borrowings of approximately HK$396.53 million (31 December 2017: approximately HK$309.01 million) which were denominated in Renminbi and Hong Kong dollars. The annual interest rates of the bank and other borrowings for the year ended 31 December 2018 was ranged from approximately 4.437% to approximately 6% (31 December 2017: ranged from 4.785% to 5.003%) 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 632% (31 December 2017: approximately 72.3%). The ratio is computed by dividing total borrowings of approximately HK$396.53 million (31 December 2017: approximately HK$309.01 million) by shareholders' equity of approximately HK$62.70 million (31 December 2017: approximately HK$427.59 million).

Capital Resources

On 17 January 2018, the Company effected a share subdivision in which each existing issued and unissued ordinary shares of the Company of a par value of HK$0.0025 each was divided into two ordinary shares of the Company of a par value of HK$0.00125 each (the "**Shares**").

Capital Expenditure

During the Reporting Period, the Group's total capital expenditure amounted to approximately HK$0.80 million (2017: approximately HK$50.50 million).

Treasury Policies

The Group does not engage in any leveraged or derivative products. Since most of the Group's assets and liabilities are denominated in HK dollars, Reminbi and US dollars and the exchange rates of such currencies were relatively stable over the Reporting Period, the Group believes that exposure to fluctuation in above currencies does not have any significant adverse effect to the Group. Nonetheless, the Group will closely monitor the foreign currency exposure and arrange for hedging facilities when necessary.

Employees

As at 31 December 2018, the Group's work force amounted to approximately 23 staff (2017: approximately 1,126 staff) in Hong Kong and the PRC collectively. During the Reporting Period, Crown Million Industries (International) Limited under the speaker units business was disposed, which involved approximately 1,088 factory workers. Together with the disposal of the oil tanker, which involved approximately 30 crew and management personnel, the number of employees of the Company sharply reduced. Staff costs (excluding Directors' emoluments) amounted to approximately HK$65.74 million (2017: approximately HK$97.08 million). The Group ensures that the pay levels of its employees are competitive and in accordance with market trends and its employees receive dividends and bonuses on a performance basis and within the general framework of the Group's salary and bonus system. The remuneration policy of the Group is based on the merit, qualifications and competence of the individual.

Contingent Liabilities

As at 31 December 2018, the Group had no material contingent liabilities.

Pledge on the Group's Assets

As at 31 December 2018, the investment properties in the amount of approximately HK$95 million have been pledged as security for the borrowings of the Group.

Significant investments, material acquisitions and disposal of subsidiaries, associates and joint ventures

(i) Disposal of the entire issued share capital in Crown Million Industries (International) Limited

On 25 May 2018, the Group entered into a disposal agreement with an independent third party in relation to disposal of the entire issued share capital in the Disposal Group at the consideration of approximately HK$32.66 million. The Disposal Group is principally engaged in investment holding, producing and trading of home theatre and automotive speaker systems.

The consideration has been determined after arm's length negotiations between the vendor and the purchaser with reference to the net asset value of the Disposal Group as at the completion date. Please refer to the announcements of the Company dated 25 May 2018, 26 May 2018 and 4 June 2018 for further details.

(ii) Disposal of a Vessel

On 17 August 2018, Yuhua Energy (Hong Kong) Limited, a wholly owned subsidiary of the Company, entered into the memorandum of agreement with Hongkong Asia International Marine Limited, in relation to the disposal of the vessel at a consideration of approximately HK$45.7 million.

Delivery of the vessel was conducted after the Group had fulfilled existing orders at the end of August 2018.

For details, please refer to the announcement of the Company dated 17 August 2018.

Save as disclosed above, there was no significant investment held, material acquisition or disposal of subsidiaries and associated companies during the Reporting Period.

Prospects

Even the results for the Reporting Period fails to live up to the Company's expectation, the management still has the confidence to improve the current profitability by exploring various energy trading products and improving the operating costs of the Company. For the oil tanker transportation business, the Company will continue to develop oil tanker transportation business by purchasing vessels with a lower age and a higher price-performance ratio at a suitable time. The Company will continuously attribute the resources on expanding the upstream and downstream of the business.

Looking forward, the Group will focus on the development of its energy trading and oil tanker transportation businesses in all aspects. In addition, the Group will also explore other investment opportunities that are beneficial to the Shareholders.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

(i) Change of Auditors

On 20 February 2019, PricewaterhouseCoopers ("**PwC**") resigned as the auditor of the Company as the Company confirmed that it could not reach a consensus with PwC on the audit fee for the financial year ended 31 December 2018. In accordance with the articles of association of the Company and with recommendation from the Audit Committee, the Board has resolved to appoint Cheng & Cheng Limited, Certified Public Accountants as the new auditor of the Company to fill the vacancy following the resignation of PwC with effect from 20 February 2019 and to hold office until the conclusion of the next annual general meeting of the Company. For further details, please refer to the announcement of the Company dated 21 February 2019.

(ii) Appointment of an Independent Non-Executive Director and Compliance with Rules 3.10(1) and 3.21 of the Listing Rules and Code Provision A.5.1 of the Corporate Governance of the Listing Rules

Mr. Xu Changyin (徐長銀) ("**Mr. Xu**") was appointed as an independent non-executive Director, member of the audit committee (the "**Audit Committee**") and as a chairman of the nomination committee (the "**Nomination Committee**") of the Company on 16 March 2019.

Upon the appointment of Mr. Xu: the Board comprises three independent non-executive Directors, namely Mr. Lum Pak Sum , Mr. Liu Yang and Mr. Xu; the Audit Committee comprises three independent non-executive Directors, namely Mr. Lum Pak Sum (chairman), Mr. Liu Yang and Mr. Xu; and the Nomination Committee comprises one executive Director, namely Mr. Lin Caihuo, and three independent non-executive Directors, namely Mr. Lum Pak Sum, Mr. Liu Yang and Mr. Xu (chairman). Therefore, the compositions of the Board and the Audit Committee are in compliance with the requirements under Rule 3.10(1) and Rule 3.21 of the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), respectively and the composition of the Nomination Committee is in compliance with code provision A.5.1 of the Corporate Governance Code in Appendix 14 to the Listing Rules. For further details, please refer to the announcement of the Company dated 16 March 2019.

Save as disclosed above, there was no important event affecting the Group that has occurred since the end of 31 December 2018 and up to the date of this announcement.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: nil).

COMPLIANCE WITH THE LISTING RULES

Non-compliance with Rule 13.19 of the Listing Rules

During the Year, the Group entered into several facilities letters and loan agreements (collectively, the "**Facility letters**") with several banks and a financial institution (collectively, the "**Financial Institutions**") which the Financial Institutions agreed to grant general facilities to the Group. As at 31 December 2018 and up to the date of this announcement, a total sum of loan principal of HK$204,738,000 (included in borrowings of the Group amounting to HK$396,532,000) and interest payable of HK$12,759,000 were not repaid in accordance with the scheduled payment dates. Our Group received a number of repayment demand letters from the Financial Institutions during the Year, in which at least a bank (the "**Bank**") was claiming for immediate repayment of its outstanding principal and accrued interest.

As set out in the demand letters of the Bank, if the outstanding principal and accrued interest is not repaid, legal proceedings may be instituted against the Group by the Bank in the courts in the PRC and Hong Kong.

As at the date of this announcement, the Group reached the settlements with the Bank in two civil proceedings in the PRC and new repayment schedules have been agreed between the Group and the Bank.

The Directors have been undertaking a number of measures to improve the Group's liquidity and financial position, and to remediate delayed repayments to Financial Institutions, which are set out in note 2(b) to the consolidated financial statements. The Group is still in the process of active negotiation with the Financial Institutions in order to avoid further legal actions to be taken by them. Further announcement(s) will be made by the Company as and when necessary.

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 the 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 Reporting Period, 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 to gain and develop a balanced understanding of the views of the Shareholders. One non-executive Director and two independent non-executive Directors, namely Mr. Wang Shou Lei, Mr. Liu Yang and Ms. Wong Yan Ki Angel were unable to attend the extraordinary general meeting of the Company held on 16 January 2018 and Mr. Liu Yang, the independent non-executive Director was unable to attend the annual general meeting of the Company held on 25 May 2018 due to their business engagements.

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 interests of the Shareholders as a whole. The Board shall nevertheless review the structure from time to time and shall consider appropriate adjustments if suitable circumstance arise.

Following the resignation of Ms. Wong Yan Ki, Angel as an independent non-executive Director of the Company on 17 December 2018, the Company only had two independent non-executive Directors and two members in the Audit Committee and hence the number of the independent non-executive Directors and the member of the Audit Committee had fallen below the minimum number required under Rules 3.10(1) and 3.21 of the Listing Rules. Furthermore, there was also a vacancy for the chairman of the Nomination Committee and hence the Company did not fulfilled the requirement of establishing a nomination committee chaired by the chairman of the Board or an independent non-executive Director under code provision A.5.1 of the CG Code contained in Appendix 14 to the Listing Rules.

For details, please refer to the announcement of our Company dated 20 December 2018.

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 of the Company. 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 Reporting Period.

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 Reporting Period.

REVIEW BY THE AUDIT COMMITTEE

As at the date of this announcement, the Audit Committee comprises three independent non-executive Directors, namely, Mr. Lum Pak Sum, Mr. Liu Yang and Mr. Xu Changyin. The annual results of the Company for the year ended 31 December 2018 and this announcement has been reviewed by the Audit Committee before being presented to the Board for approval. The Audit Committee had also reviewed this announcement, and confirmed that this announcement has complied with the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining the Shareholders' eligibility to attend and vote at the annual general meeting of the Company to be held on 31 May 2019 (Friday) (the "**2018 AGM**"), the register of members of the Company will be closed from 27 May 2019 (Monday) to 31 May 2019 (Friday), both days inclusive. During the closure period, no transfer of Shares will be registered. To be eligible to attend and vote at the 2018 AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 24 May 2019 (Friday).

SCOPE OF WORK OF CHENG & CHENG LIMITED CERTIFIED PUBLIC ACCOUNTANTS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto For the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, Cheng & Cheng Limited Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Cheng & Cheng Limited Certified Public Accountants 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 Certified Public Accountants on the preliminary announcement.

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE'S AND THE COMPANY'S WEBSITES

This results announcement is posted on the website of the Stock Exchange (www.hkexnews.hk)and the Company's corporate website (www.yuhuaenergy.com), respectively. The annual report of the Company for the year ended 31 December 2018 will be dispatched to the shareholders of the Company (if appropriate) and posted on the website of the Stock Exchange and the Company's website in due course.

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, 29 March 2019

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