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Corporate Information

Board of Directors

Executive Directors

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

Mr. Wang Enguang

Independent Non-Executive Directors

Mr. Liu Yang

Mr. Lum Pak Sum

Mr. Zhang Jiping

Audit Committee

Mr. Lum Pak Sum

(*Chairman of the Committee*)

Mr. Liu Yang

Mr. Zhang Jiping

Remuneration Committee

Mr. Liu Yang

(*Chairman of the Committee*)

Mr. Lin Caihuo

Mr. Lum Pak Sum

Mr. Zhang Jiping

Nomination Committee

Mr. Zhang Jiping

(*Chairman of the Committee*)

Mr. Lin Caihuo

Mr. Liu Yang

Mr. Lum Pak Sum

Authorized Representatives

Mr. Lin Caihuo

Mr. Wang Enguang

Company Secretary

Mr. Lau Wai Piu, Patrick

Auditor

Cheng & Cheng Limited

(retired on 27th May, 2016)

PricewaterhouseCoopers

(appointed on 27th May, 2016)

Registered Office

Cricket Square

Hutchins Drive, P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Head Office

Room 2207, 22nd Floor, Harbour Centre

25 Harbour Road

Wan Chai, Hong Kong

Principal Place of Business in Hong Kong

Room 2207, 22nd Floor, Harbour Centre

25 Harbour Road

Wan Chai, Hong Kong

Principal Share Registrar and Transfer Office

Royal Bank of Canada Trust Company

(Cayman) Limited

4th Floor, Royal Bank House

24 Shedden Road, George Town

Grand Cayman KY1-1110

Cayman Islands



Corporate Information (Continued)

Hong Kong Branch Share Registrar and Transfer Office

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

Principal Bankers

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

Legal Adviser

As to Hong Kong Law

Loong & Yeung

As to Cayman Islands Law

Conyers Dill & Pearman, Cayman

Stock Code

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

Website

www.yuhuaenergy.com



Management Discussion and Analysis

Business Review

During the six months ended 30th June, 2016, 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.

During the six months ended 30th June, 2016, the consolidated revenue was increased to approximately HK\$1,667.53 million (2015 interim: approximately HK\$1,068.92 million), representing an increase of approximately 56.0% from the corresponding period in 2015. The increase of consolidated revenue was mainly driven by the growth of energy trading business, which was mainly attributable to the increase in contribution to the revenue of the Group by Yuhua Energy (Xiamen) Company Limited* (裕華能源(廈門)有限公司) and Qianhai Yuhua Energy (Shenzhen) Company Limited* (前海裕華能源(深圳)有限公司) (which commenced trading business in June 2015 and July 2015 respectively) for the six months ended 30th June, 2016 as compared with the corresponding period of 2015. Revenue from energy trading business was approximately HK\$1,464.99 million (2015 interim: approximately 822.17 million), representing a period-on-period increase of approximately 78.19%, while revenue from speaker units business reduced to approximately HK\$202.55 million (2015 interim: approximately HK\$246.75 million), representing a period-on-period decline of approximately 17.91%. The energy trading and speaker units business accounted for approximately 87.85% and 12.15% of the total consolidated revenue of the Group for the six months ended 30th June, 2016 respectively (2015 interim: approximately 76.92% and 23.08% respectively).

The gross profit also increased by approximately 20.80% to approximately HK\$43.32 million for the six months ended 30th June, 2016 (2015 interim: approximately HK\$35.86 million). The increase in gross profit was mainly attributable to the growth in the business of energy trading.

For the six months ended 30th June, 2016, the operating costs were approximately HK\$34.29 million (2015 interim: approximately HK\$74.04 million), representing a decrease of approximately 53.69% as compared with the corresponding period in 2015. This sharp decrease was mainly due to the fact that no share option was granted during the six months ended 30th June, 2016 and accordingly the Group did not incur any share-based payment expenses. Compared with the corresponding period in 2015, the Group recorded a one-off non-cash share-based payment expenses of approximately HK\$49.34 million in relation to share options granted on 19th June, 2015.

* For identification purpose only



Management Discussion and Analysis (Continued)

Business Review (Continued)

For the six months ended 30th June, 2016, the finance costs were approximately HK\$4,225,000, representing an increase of approximately 691.20% as compared with approximately HK\$534,000 for the corresponding period of the previous year. This was mainly due to the interest expenses incurred for the interest-bearing borrowings for the entire period of the six months ended 30th June, 2016, as compared with the interest expenses incurred for only three months for the corresponding period of previous year, which led to a corresponding increase in the interest expenses charged to the Group for the six months ended 30th June, 2016.

For the six months ended 30th June, 2016, the Group recorded a net profit of approximately HK\$3.8 million (2015 interim: net loss of approximately HK\$37.68 million). The net profit was mainly due to the one-off non-cash share-based payment expenses related to the grant of share options during the six months ended 30th June 2015 and the fact that no share options was granted and the absence of non-cash share-based payment expenses during the six months ended 30th June 2016. The net profit for the six months ended 30th June 2016 represented a decrease of approximately 67.41% as compared with the net profit of approximately HK\$11.66 million (excluding the financial effect from the share-based payment expenses) for the corresponding period of 2015. The main reasons for such decrease had been set out in paragraphs (iii) to (vi) in the section headed "IV. Material Change" in Appendix II to the composite document dated 11 July 2016 jointly issued by the Company and Mr. Lin Caihuo.

Financial Review

Liquidity and Financial Resources

As at 30th June, 2016, the Group had cash and cash equivalents of approximately HK\$34,999,000 (31st December, 2015: approximately HK\$30,948,000), which were denominated in Hong Kong dollars, US dollars and Renminbi.

As at 30th June, 2016, the Group's net current assets were HK\$238,208,000 (31st December, 2015: HK\$235,495,000). The Group's current ratio, being the proportion of total current assets to total current liabilities, was approximately 1.7 as compared to approximately 1.6 as at 31st December, 2015. The Group had bank borrowings of approximately HK\$162,630,000 (31st December, 2015: approximately HK\$137,267,000) which were denominated in Renminbi. The annual interest rates of the borrowings for the six months ended 30th June, 2016 was approximately 4.79% (2015: ranged from approximately 4.00% to 5.61%). The above bank borrowings was accounted for as current liabilities of the Group and repayable within one year.



Management Discussion and Analysis (Continued)

Financial Review (Continued)

The gearing ratio of the Group increased to approximately 46.36% (31st December, 2015: approximately 38.80%). The ratio is computed by dividing total borrowings of approximately HK\$162,630,000 (31st December, 2015: approximately HK\$137,267,000) by shareholders' equity of approximately HK\$350,787,000 (31st December, 2015: approximately HK\$353,756,000).

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

Charge on Assets

As at 30th June, 2016, no assets had been pledged to secure the Group's banking facilities.

Significant Investment, Material Acquisition and Disposal of Subsidiaries, Associated Companies and Joint Ventures

During the six months ended 30th June, 2016, the Group had no significant investment, material acquisition and disposal of subsidiaries, associated companies and joint ventures.

Treasury Policies

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

Contingent Liabilities

As at 30th June, 2016, the Group had no material contingent liabilities.



Management Discussion and Analysis (Continued)

Financial Review *(Continued)*

Human Resources

As at 30th June, 2016, the Group employed a total of approximately 1,050 employees (30th June, 2015: approximately 980) in Hong Kong and the PRC collectively. Staff costs (excluding directors' emoluments) amounted to approximately HK\$31,810,000 (30th June, 2015: approximately HK\$39,706,000). The Group recruits and selects applicants for employment on the basis of their qualifications and suitability for the position. It is the Group's policy to recruit the most capable person available for each position. The Group continues to offer competitive remuneration packages and bonuses to eligible staff, based on the performance of the Group and the individual employee.

Prospects

For the speaker units business, given the present situation, the Group considers that the present resources is sufficient to maintain the normal operation and the Group does not have any intention to allocate further resources to this business segment at present. Nonetheless, the Group will continue to review the operation and consider appropriate adjustment from time to time.

On the other hand, the Group understands that there is huge room for the development of sale and purchase of energy products. The Directors consider that the entering into by the Group of the framework agreements with customers and suppliers in 2015 in relation to trading of energy products will provide impetus to the development and expansion of the Group's energy trading business in 2016. At the same time, the Group also plans to conduct international trade by purchasing energy products from overseas and delivering to customers in the PRC. Looking forward, the Group believes that, through continuous development, energy trading will contribute a significant return to the Group.

Other than the above, the Group will explore other investment opportunities in appropriate time so as to broaden the source of income and enhance the return to our shareholders.



Management Discussion and Analysis (Continued)

Financial Review (Continued)

Mandatory Cash Offer

On 26 May 2016, Mr. Lin Caihuo (the "Offeror") completed the acquisition of 28,000,000 shares (the "Shares") of the Company, representing approximately 3.62% of the entire issued share capital of the Company at a consideration of HK\$26,040,000, equivalent to HK\$0.93 per Share (the "Share Acquisition").

Immediately before completion of the Share Acquisition, the Offeror and parties acting in concert with him owned, controlled or had direction over 209,418,946 Shares, representing approximately 27.07% of the total issued share capital of the Company. Immediately following the completion of the Share Acquisition, the Offeror and parties acting in concert with him held in aggregate 237,418,946 Shares, representing approximately 30.69% of the entire issued share capital of the Company.

On 23 May 2016, Brilliant Norton Securities Company Limited, on behalf of the Offeror, made mandatory conditional cash offer to acquire all the outstanding issued shares of the Company (other than those shares already owned by the Offeror and parties acting in concert with him) (the "Share Offer") and for cancellation of all the outstanding share options of the Company (the "Option Offer") in accordance with the Hong Kong Code on Takeovers and Mergers.

For details of the Share Acquisition, the Share Offer and the Option Offer, please refer to the joint announcements of the Offeror and the Company dated 23 May 2016, 26 May 2016, 13 June 2016, 22 June 2016, 11 July 2016, 21 July 2016 and 4 August 2016 and the composite offer and response document dated 11 July 2016 jointly issued by the Offeror and the Company.



Management Discussion and Analysis (Continued)

Financial Review *(Continued)*

Subsequent Event

There is no significant event affecting the Group after the end of 30th June, 2016 and up to the date of this report.

Interim Dividend

The board (the “Board”) of Directors (the “Directors”) of the Company does not recommend the payment of an interim dividend for the six months ended 30th June, 2016. (2015: Nil).

By order of the Board

Lin Caihuo

Chairman

Hong Kong, 26th August, 2016



Corporate Governance and Other Information

Compliance with the Code on Corporate Governance Practices

The Company devotes to best practice on corporate governance, and has complied with the code provisions of the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) for the six months ended 30th June, 2016, except for the following deviation:

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

The role of Chairman is assumed by Mr. Lin Caihuo. 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.

Pursuant to code provision A.6.7 of the Code, independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Zhang Jiping, an independent non-executive Director was unable to attend the annual general meeting of the Company held on 27th May, 2016 due to other commitments.

Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, all the Directors have confirmed that they have fully complied with the required standards set out in the Model Code throughout the six months ended 30th June, 2016.



Corporate Governance and Other Information (Continued)

Audit Committee

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

The interim results of the Group for the six months ended 30th June, 2016 have not been audited, but have been reviewed by the Company's external auditor, Pricewaterhouse Coopers. The Audit Committee has also reviewed with senior management of the Group, the unaudited condensed consolidated financial statements of the Group for the six months ended 30th June, 2016.

Purchase, Sale or Redemption of Shares

There was no purchase, sale or redemption of shares of the Company by the Company or any of its subsidiaries during the six months ended 30th June, 2016.



Corporate Governance and Other Information (Continued)

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

As at 30th June, 2016, the interests and short positions of the Directors and the chief executives of the Company in the shares (the "Shares"), underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Director	Capacity	Number of Shares held/ interested ^(1 and 2)	Approximate percentage of the issued Shares
Lin Caihuo ("Mr. Lin")	Beneficial owner and interest held jointly with another person	237,418,946	30.69%

Notes:

- (1) Interests in shares stated above represent long positions.
- (2) These 237,418,946 Shares represent the 236,278,946 Shares beneficially held by Mr. Lin and the 1,140,000 Shares in which Mr. Law Fei Shing ("Mr. Law") is interested. Mr. Law is a party acting in concert with Mr. Lin.

Save as disclosed above, as at 30th June, 2016, none of the Directors and the chief executives of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



Corporate Governance and Other Information (Continued)

Share Option Scheme

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

Details of the movement of the outstanding share options under the Share Option Scheme during the six months ended 30th June, 2016 are as follows:

Name	Date of grant (dd/mm/yyyy)	Exercise price HK\$	Vesting date (dd/mm/yyyy)	Exercisable period (dd/mm/yyyy)	Number of share options					
					As at 01/01/2016	Granted	Exercised	Cancelled	Lapsed	As at 30/06/2016
Eligible employees ⁽¹⁾	19/6/2015	2.565	19/06/2015	19/06/2015 – 18/06/2025	38,500,000	-	-	-	-	38,500,000

Note:

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



Corporate Governance and Other Information (Continued)

Substantial Shareholders' Interests

As at 30th June, 2016, according to the register kept by the Company under Section 336 of the SFO, the corporations or persons (other than a Director or chief executive of the Company) had interests of 5% or more in the Shares or underlying Shares which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO were as follows:

Name	Capacity	Number of Shares held/ interested ⁽¹⁾	Approximate percentage of the issued Shares
Lin Aihua ("Ms. Lin") ⁽²⁾	Interest of spouse	237,418,946	30.69%
Excel Precise International Limited ("Excel Precise")	Security interest	236,278,946	30.54%
True Promise Investments Limited ("True Promise") ⁽³⁾	Interest of a controlled corporation	236,278,946	30.54%
Law Fei Shing ("Mr. Law") ⁽⁴⁾	Beneficial owner and interest of a controlled corporation	237,418,946	30.69%
Cheung Chi Mang	Interest of a controlled corporation	43,032,000	5.56%
Hong Kong Investments Group Limited ⁽⁵⁾	Beneficial owner	43,032,000	5.56%



Corporate Governance and Other Information (Continued)

Substantial Shareholders' Interests (Continued)

Notes:

- (1) Interests in shares stated above represent long positions.
- (2) Ms. Lin is the spouse of Mr. Lin Caihuo ("Mr. Lin"). For the purpose of the SFO, Ms. Lin is deemed or taken to be interest in all the Shares in which Mr. Lin is interested.
- (3) True Promise owns 73.5% of the entire issued share capital of Excel Precise. For the purposes of the SFO, True Promise is deemed or taken to be interested in the 236,278,946 Shares in which Excel Precise is interested.
- (4) These 237,418,946 Shares represent the 1,140,000 Shares beneficially owned by Mr. Law and the 236,278,946 Shares in which Excel Precise is interested. Excel Precise is owned as to 25% and 73.5% by Mr. Law and True Promise respectively. True Promise is wholly-owned by Mr. Law. For the purposes of the SFO, Mr. Law is deemed or taken to be interested in all the Shares in which True Promise and Excel Precise are interested.
- (5) Hong Kong Investments Group Limited is wholly owned by Mr. Cheung Chi Mang.

Save as disclosed above, as at 30th June, 2016, no other person (other than a Director or chief executive of the Company) had registered an interest or short position in the shares, underlying shares and debentures of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

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

During the period under review, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.



Report on Review of Interim Financial Information



羅兵咸永道

INDEPENDENT PRACTITIONER'S REVIEW REPORT TO THE BOARD OF DIRECTORS OF YUHUA ENERGY HOLDINGS LIMITED

(incorporated in Cayman Island with limited liability)

We have reviewed the interim financial information of Yuhua Energy Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 17 to 45 that comprise the interim condensed consolidated balance sheet as at 30 June 2016, and the interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Interim Financial Information

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting", and for such internal control as directors determine is necessary to enable the preparation of interim financial information that is free from material misstatement, whether due to fraud or error.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the interim financial information and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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Report on Review of Interim Financial Information (Continued)

We conducted our review in accordance with Hong Kong Standard on Review Engagements (“HKSRE”) 2400 (Revised), “Engagements to Review Historical Financial Statements” issued by the Hong Kong Institute of Certified Public Accountants. HKSRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial information, taken as a whole, is not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with HKSRE 2400 (Revised) is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with Hong Kong Standards on Auditing. Accordingly, we do not express an audit opinion on this interim financial information

Conclusion

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 26 August 2016



Interim Condensed Consolidated Income Statement

For the six months ended 30th June, 2016

	Note	Unaudited	
		Six months ended 30 June	
		2016	2015
		HK\$'000	HK\$'000
Revenue	6	1,667,534	1,068,916
Cost of sales		(1,624,215)	(1,033,054)
Gross profit		43,319	35,862
Other gains		1,446	5,018
Distribution costs		(5,962)	(2,598)
Administrative expenses		(28,328)	(71,439)
Operating profit/(loss)	6, 7	10,475	(33,157)
Finance income		18	–
Finance costs		(4,225)	(534)
Profit/(loss) before income tax		6,268	(33,691)
Income tax expense	8	(2,461)	(3,991)
Profit/(loss) for the period, all attributable to owners of the Company		3,807	(37,682)
Earnings/(loss) per share attributable to owners of the Company for the period			
Basic and diluted (in cents per share)	9	0.5	(5.47)

The notes on pages 23 to 45 form an integral part of this interim condensed consolidated financial information.



Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30th June, 2016

	Note	Unaudited	
		Six months ended 30 June	
		2016	2015
		HK\$'000	HK\$'000
Profit/(loss) for the period		3,807	(37,682)
Other comprehensive income/(loss)			
<i>Items that may be reclassified to profit or loss</i>			
Currency translation differences		(6,776)	333
Total comprehensive loss for the period, all attributable to owners of the Company		(2,969)	(37,349)

The notes on pages 23 to 45 form an integral part of this interim condensed consolidated financial information.



Interim Condensed Consolidated Balance Sheet

For the six months ended 30th June, 2016

	Note	Unaudited 30 June 2016 HK\$'000	Audited 31 December 2015 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	9,834	13,255
Intangible assets	11	978	978
Prepayment for non-current assets	12	103,828	105,925
Rental deposits		597	609
Deferred income tax assets	16	445	–
Total non-current assets		115,682	120,767
Current assets			
Inventories		26,188	35,230
Trade and other receivables	13	519,349	546,298
Cash and cash equivalents		34,999	30,948
Total current assets		580,536	612,476
Total assets		696,218	733,243
EQUITY			
Equity attributable to owners of the Company			
Share capital	14	3,868	3,868
Other reserves		186,334	191,731
Retained profits		160,585	158,157
Total equity		350,787	353,756



Interim Condensed Consolidated Balance Sheet (Continued)

For the six months ended 30th June, 2016

	Note	Unaudited 30 June 2016 HK\$'000	Audited 31 December 2015 HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	16	3,103	2,506
Total non-current liabilities		3,103	2,506
Current liabilities			
Borrowings	17	162,630	137,267
Trade and other payables	18	173,054	232,326
Current income tax liabilities		6,644	7,366
Finance lease liabilities		–	22
Total current liabilities		342,328	376,981
Total liabilities		345,431	379,487
Total equity and liabilities		696,218	733,243

The notes on pages 23 to 45 form an integral part of this interim condensed consolidated financial information.



Interim Condensed Consolidated Statement of Changes In Equity

For the six months ended 30th June, 2016

	Note	Unaudited Attributable to owners of the Company			Total equity HK\$'000
		Share capital HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	
Balance at 1 January 2016		3,868	191,731	158,157	353,756
Profit for the period		–	–	3,807	3,807
Currency translation differences		–	(6,776)	–	(6,776)
Total comprehensive income/(loss) for the period		–	(6,776)	3,807	(2,969)
Appropriation to statutory reserves		–	1,379	(1,379)	–
Balance at 30 June 2016		3,868	186,334	160,585	350,787
Balance at 1 January 2015		3,224	100,880	163,333	267,437
Loss for the period		–	–	(37,682)	(37,682)
Currency translation differences		–	333	–	333
Total comprehensive income/(loss) for the period		–	333	(37,682)	(37,349)
Transactions with owners:					
Issue of shares	14	644	60,849	–	61,493
Employees share option scheme: – value of employee services	15	–	49,343	–	49,343
Total transactions with owners		644	110,192	–	110,836
Appropriation to statutory reserves		–	401	(401)	–
Balance at 30 June 2015		3,868	211,806	125,250	340,924

The notes on pages 23 to 45 form an integral part of this interim condensed consolidated financial information.



Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30th June, 2016

	Note	Unaudited	
		Six months ended 30 June	
		2016	2015
		HK\$'000	HK\$'000
Cash flows from operating activities			
Cash used in operations		(16,962)	(364,956)
Income tax paid		(3,031)	(1,650)
Net cash used in operating activities		(19,993)	(366,606)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment	11	17	–
Interest received		–	53
Purchases of property, plant and equipment	11	(141)	(1,423)
Net cash used investing activities		(124)	(1,370)
Cash flows from financing activities			
Proceeds from issue of shares	14	–	61,493
Proceeds from bank borrowings		165,142	138,154
Repayments of finance lease liabilities		(22)	(25)
Interest paid		(4,209)	(534)
Repayments of bank borrowings		(136,628)	–
Net cash generated from financing activities		24,283	199,088
Net increase/(decrease) in cash and cash equivalents		4,166	(168,888)
Cash and cash equivalents at beginning of the period		30,948	228,063
Effect of foreign exchange rate changes		(115)	334
Cash and cash equivalents at end of the period		34,999	59,509

The notes on pages 23 to 45 form an integral part of this interim condensed consolidated financial information.



Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30th June, 2016

1. GENERAL INFORMATION

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

The Company and its subsidiaries (together, “the Group”) are engaged in energy trading and speaker manufacturing and sales. The Group has operations mainly in Hong Kong and Mainland China.

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

This condensed consolidated interim financial information was approved for issue by the Board of Directors on 26 August, 2016.

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

Key events

On 23 May 2016, Brilliant Norton Securities Company Limited, on behalf of Mr. Lin Caihuo (the Chairman), made a mandatory conditional cash offer to acquire all the outstanding issued shares of the Company and for cancellation of all the outstanding share options of the Company in accordance with the Hong Kong Code on Takeovers and Mergers. The offer was closed on 4 August 2016. Immediately after the close of the offers, Mr. Lin Caihuo and parties acting in concert with him held, controlled and had direction over 59.0% of the entire issued share capital of the Company as at 4 August 2016. Details of the offers have been disclosed in Note 22.



Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30th June, 2016

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2016 has been prepared in accordance with HKAS 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with HKFRSs.

2.1 Going-concern basis

The Group meets its day-to-day working capital requirements through its bank facilities. The current economic conditions continue to create uncertainty particularly over (a) the level of demand for the Group's products; and (b) the availability of bank finance for the foreseeable future. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its condensed consolidated interim financial information.

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements except for the adoption of amendments to HKFRSs effective for the financial year ending 31 December 2016 as set out below.

(a) Amendments to HKFRSs effective for the financial year beginning on 1 January 2016 do not have a material impact on the Group.

Amendments	Effective for annual periods beginning on or after
Amendments to HKAS 1, 'Presentation of financial statements' disclosure initiative	1 January 2016
Amendment to HKAS 16, 'Property, plant and equipment' and HKAS 38, 'Intangible assets'	1 January 2016
Amendment to HKAS 34, 'Interim financial reporting'	1 January 2016



Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30th June, 2016

3. ACCOUNTING POLICIES (Continued)

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(b) Impact of standards issued but not yet effective and not yet early adopted by the Group

The following new standards and amendments published by the HKICPA that are not yet effective for the financial year beginning on 1 January 2016 and have not been early adopted by the Group:

Standards	Effective for annual periods beginning on or after
HKFRS 9 Financial instruments	1 January 2018
HKFRS 15 Revenue from contracts with customers	1 January 2018
HKFRS 16 Leases	1 January 2019
Amendments	Effective for annual periods beginning on or after
Amendments to HKAS 7, Statement of cash flows	1 January 2017
Amendments to HKAS 12, 'Income taxes' on Recognition of deferred tax assets for unrealised losses	1 January 2017
Amendment to HKFRS 9, 'Financial instruments', on general hedge accounting	1 January 2018
Amendments to HKFRS 15, 'Revenue from contracts with customers' – Clarifications	1 January 2018

Management is currently assessing the effects of applying these new standards and amendments on the Group's financial statements and has not identified areas that are likely to be affected. The Group does not expect to adopt the new standards and amendments until their effective dates.



Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30th June, 2016

4. ESTIMATES

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

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

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2015.

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

5.2 Liquidity risk

Management monitors the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Management takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements – for example, currency restrictions.



Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30th June, 2016

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

(Continued)

5.2 Liquidity risk (Continued)

The Group's funding requirements primarily arise from equity investments, purchases of oil and other raw materials and repayments of bank borrowings. The Group finances its working capital requirements through a combination of funds generated from operations and additional bank borrowings.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year
	HK\$'000
Unaudited	
At 30 June 2016	
Borrowings	162,630
Interest payable	2,007
Trade and other payables	128,982
	<hr/>
	293,619
	<hr/>
Audited	
At 31 December 2015	
Finance lease liabilities	22
Borrowings	137,267
Interest payable	2,869
Trade and other payables	215,778
	<hr/>
	355,936
	<hr/>



Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30th June, 2016

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

(Continued)

5.3 Fair value of financial assets and liabilities measured at amortised cost

The fair value of the following financial assets and liabilities approximate their carrying amount as at the balance sheet dates of 30 June 2016 and 31 December 2015 due to their short term maturity:

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

6. SEGMENT INFORMATION

The board of directors is the Group's chief operating decision-maker. The board of directors 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 two business lines, speaker manufacturing and energy trading.

The board of directors assesses the performance of the operating segments based on a measure of segment profit/(loss) excluding finance income/(costs) and the Company's incomes and expenses. Finance income/(costs) and the Company's incomes and expenses are not allocated to segments, as these types of activity are driven by the central function and the related income/(costs) are undividable between the segments. Other information provided, except as noted below, to the board of directors is measured in a manner consistent with that in the financial statements.

Total segment assets exclude the Company's assets, deferred income tax assets, intangible assets and prepayment for non-current assets, all of which are managed on a central basis. These are part of the reconciliation to total balance sheet assets.



Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30th June, 2016

6. SEGMENT INFORMATION (Continued)

Total segment liabilities exclude the Company's liabilities, deferred income tax liabilities, and current income tax liabilities, all of which are managed on a central basis. These are part of the reconciliation to total balance sheet liabilities.

Sales between segments are carried out on terms equivalent to those that prevail in arm's length transactions. The revenue from external parties reported to the board of directors is measured in a manner consistent with that in the interim condensed consolidated income statement.

The following table presents revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2016 and 2015.

	Unaudited	
	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Revenue from external customers		
Energy trading	1,464,988	822,168
Speaker manufacturing	202,546	246,748
Total	1,667,534	1,068,916
Segment profit/(loss)		
Energy trading	7,393	(39,287)
Speaker manufacturing	7,239	8,633
Total	14,632	(30,654)



Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30th June, 2016

6. SEGMENT INFORMATION (Continued)

	Unaudited 30 June 2016 HK\$'000	Audited 31 December 2015 HK\$'000
Segment assets		
Energy trading	408,416	388,040
Speaker manufacturing	181,895	238,300
Total	590,311	626,340
Segment liabilities		
Energy trading	224,652	217,545
Speaker manufacturing	107,312	152,070
Total	331,964	369,615

A reconciliation of total segment profit to net profit/(loss) is provided as follows:

	Unaudited Six months ended 30 June 2016 HK\$'000	2015 HK\$'000
Segment profit/(loss)	14,632	(30,654)
Unallocated expenses	(4,157)	(2,503)
Finance income	18	–
Finance costs	(4,225)	(534)
Profit/(loss) before income tax	6,268	(33,691)
Income tax expense	(2,461)	(3,991)
Profit/(loss) for the period	3,807	(37,682)



Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30th June, 2016

6. SEGMENT INFORMATION (Continued)

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

	Unaudited	Audited
	30 June	31 December
	2016	2015
	HK\$'000	HK\$'000
Total segment assets	590,311	626,340
Unallocated assets	656	–
Deferred income tax assets	445	–
Intangible assets	978	978
Prepayment for non-current assets	103,828	105,925
Total assets per balance sheet	696,218	733,243

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

	Unaudited	Audited
	30 June	31 December
	2016	2015
	HK\$'000	HK\$'000
Total segment liabilities	331,964	369,615
Unallocated liabilities	3,720	–
Current income tax liabilities	6,644	7,366
Deferred income tax liabilities	3,103	2,506
Total liabilities per balance sheet	345,431	379,487



Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30th June, 2016

7. OPERATING PROFIT/(LOSS)

The operating profit/(loss) of the Group was credited and charged of the following items:

	Unaudited	
	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Crediting		
Net foreign exchange gain	1,816	4,965
Government grant income	277	–
Charging		
Depreciation of property, plant and equipment (Note 11)	2,744	2,671
Provision of write-down of inventories	1,572	51
Loss on disposal of property, plant and equipment	637	13
Share based payment employee benefit (Note 15)	–	49,343

8. INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	398	513
– PRC income tax	1,911	3,132
Deferred income tax	152	346
	2,461	3,991



Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30th June, 2016

8. INCOME TAX EXPENSE (Continued)

Hong Kong profits tax has been provided for at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits of the Group's companies in Hong Kong for the period.

Taxation on PRC income has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the PRC in which the Group operates. The Company's subsidiaries incorporated in the PRC are subject to Corporate Income Tax ("CIT") at the rate of 25% (2015: 25%) except for Dongguan Shinhint Audio Technology Limited which are subject to CIT at the rate of 15% (2015: 15%). Dongguan Shinhint Audio Technology Limited obtained the "Certificate of High and New Technology Enterprises" issued by Guangdong Provincial Department of Science and Technology, Department of Finance, State Administration of Taxation and Local Administration of Taxation. The certificate is valid for 3 years from 2015 to 2017.

Deferred income tax is calculated in full on temporary differences under the liability method using the prevailing tax rates applicable to the PRC subsidiaries of the Group.

The profits of the PRC subsidiaries of the Group derived since 1 January 2008 are subject to withholding tax at a rate of 5% upon the distribution of such profits to foreign investors. Deferred income tax liabilities of approximately HK\$3,103,000 (2015: HK\$2,506,000) as at 30 June 2016 have been provided for in this regard based on the expected dividends to be distributed from the Group's PRC subsidiaries in the foreseeable future (*Note 16*).



Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30th June, 2016

9. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings per share for the six months ended 30 June 2016 is based on the earnings attributable to owners of the Company for the period of HK\$3,807,000 (2015: a loss of HK\$37,682,000) and the weighted average number of shares of 773,629,000 (2015: 688,989,000) shares in issue during the period.

	Unaudited	
	Six months ended 30 June	
	2016	2015
	(thousands)	(thousands)
Issued ordinary shares at 1 January	773,629	322,446
Issue of new shares	–	22,048
Effect of share subdivision	–	344,495
Weighted average number of ordinary shares at 30 June	773,629	688,989

The weighted average numbers of ordinary shares for the purpose of calculating basic earnings per share for the six months ended 30 June 2015 had been retrospectively adjusted to reflect the share subdivision with effect from 8 July 2015 (*Note 14*).

(b) Diluted earnings/(loss) per share

For the six months ended 30 June 2016, the Company's share options have no dilutive effect on the earnings per share. Calculations are done to determine the number of shares that could have been acquired at fair value (determined by using average market share price of the Company's shares for the six months ended 30 June 2016) based on the monetary value of the subscription rights attached to outstanding share options. Diluted earnings per share is therefore equal to basic earnings per share.

The diluted loss per share for the six months ended 30 June 2015 was the same as the basic loss per share since the computation of diluted earnings per share does not assume the exercise of share options granted under the share option scheme since their exercise would result in an anti-dilutive effect on the loss per share for the six months ended 30 June 2015.



Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30th June, 2016

10. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended 30 June 2016 (2015: Nil).

11. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Property, plant and equipment HK\$'000	Intangible assets HK\$'000
Six months ended 30 June 2016 – Unaudited		
Net book value		
Opening amount as at 1 January 2016	13,255	978
Additions	141	–
Disposals	(654)	–
Depreciation and amortisation	(2,744)	–
Currency translation differences	(164)	–
Closing amount as at 30 June 2016	9,834	978
Six months ended 30 June 2015 – Unaudited		
Net book value		
Opening amount 1 January 2015	14,992	978
Additions	1,423	–
Disposals	(13)	–
Depreciation and amortisation	(2,671)	–
Currency translation differences	5	–
Closing amount 30 June 2015	13,736	978



Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30th June, 2016

12. PREPAYMENT FOR NON-CURRENT ASSETS

On 7 September 2015, a wholly-owned subsidiary of the Company, Yuhua Energy Xiamen Co., Ltd. ("Xiamen Yuhua Energy"), entered into the acquisition agreements with Xiamen Sea Star Shipping Co., Ltd. ("Xiamen Sea Star"), a company beneficially owned by Mr Lin Caihuo, the Chairman of the Company, pursuant to which Xiamen Sea Star conditionally agreed to sell and Xiamen Yuhua Energy conditionally agreed to acquire certain properties located at Fujian Province, PRC, at a consideration of RMB88,741,660 which is equivalent to approximately HK\$103,828,000 as at 30 June 2016 (31 December 2015: HK\$105,925,000). The Group had paid the consideration of RMB88,741,660 in December 2015. As at the date of this report, the acquisition has not been completed.

13. TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2016 HK\$'000	Audited 31 December 2015 HK\$'000
Trade receivables	109,518	205,946
Advance to suppliers	405,746	335,078
Other receivables, deposits and prepayments	4,085	5,274
	519,349	546,298

The majority of the Group's sales are on documents against payment. The remaining amounts are with credit terms of 30 to 90 days. At 30 June 2016 and 31 December 2015, the ageing analysis of trade receivables based on date of revenue recognition was as follows:

	Unaudited 30 June 2016 HK\$'000	Audited 31 December 2015 HK\$'000
Trade receivables		
0 – 30 days	35,523	108,326
31 – 60 days	36,235	36,689
61 – 90 days	36,219	42,396
91 – 120 days	1,541	16,370
Over 120 days	–	2,165
	109,518	205,946



Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30th June, 2016

14. SHARE CAPITAL

Ordinary shares, issued and fully paid:

	Number of shares	Share capital HK\$'000
Unaudited		
Opening balance 1 January 2016		
till 30 June 2016	773,629,352	3,868
Unaudited		
Opening balance 1 January 2015	322,445,564	3,224
Issue of ordinary shares	64,369,112	644
At 30 June 2015	386,814,676	3,868

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 7 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 8 July 2015. Accordingly, the number of issued ordinary shares of the Company was increased from 386,814,676 shares to 773,629,352 shares since 8 July 2015.

15. SHARE OPTIONS SCHEME

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

The total number of ordinary shares available for issue under the Share Option Scheme and any other schemes must not exceed 30,000,000 ordinary shares, representing approximately 10% of the issued share capital of the Company as at 25 June 2005. The Share Option Scheme was valid from 25 June 2005 to 25 June 2015. The vesting periods and exercisable period of the options granted are determined by the board of directors of the Company at the date of grant and no option may be exercised more than 10 years from the date of grant.



Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30th June, 2016

15. SHARE OPTIONS SCHEME (Continued)

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

Pursuant to the subdivision of ordinary shares of the Company effective 8 July 2015 as mentioned in note 14 above, the number of shares and the exercise price related to the share options granted on 19 June 2015 were adjusted accordingly to 46,200,000 shares and HK\$2.565 respectively.

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

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

For the period from 1 January 2016 to 30 June 2016

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

For the period from 1 January 2015 to 30 June 2015

	Grant date	Exercise price HK\$	Vesting date	Exercisable period	Number of share option			
					As at 01/01/2015	Granted	Exercised	As at 30/06/2015
Employees	19/06/2015	5.13	19/06/2015	19/06/2015 – 18/06/2025	-	23,100,000	-	23,100,000
					-	23,100,000	-	23,100,000



Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30th June, 2016

15. SHARE OPTIONS SCHEME (Continued)

The weighted average fair value of options granted during the period determined using the binomial lattice model was HK\$2.14 per option (2015: HK\$2.14). The significant inputs into the model were weighted average share price of HK\$2.565 (2015: HK\$5.13 before share subdivision and HK\$2.565 after share subdivision) at the grant date, exercise price shown above, volatility of 59.31% (2015: 59.31%), none dividend yield, an expected option life of ten years, and an annual risk-free interest rate of 1.775% (2015: 1.775%). The volatility was referring to Bloomberg from the average of the historical volatility of daily return of stock of the Company.

16. DEFERRED INCOME TAX

Deferred income tax assets

	Unaudited	
	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Opening balance at 1 January	–	–
Charged to profit or loss	445	–
Closing balance at 30 June	445	–

Deferred income tax liabilities

	Unaudited	
	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Opening balance at 1 January	2,506	983
Charged to profit or loss	597	346
Closing balance at 30 June	3,103	1,329



Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30th June, 2016

16. DEFERRED INCOME TAX (Continued)

Deferred income tax liabilities (Continued)

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

	Unaudited	
	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Deferred income tax assets:		
– Deferred income tax asset to be recovered after more than 12 months	208	–
– Deferred income tax asset to be recovered within 12 months	237	–
	445	–
Deferred income tax liabilities:		
– Deferred income tax liabilities to be recovered after more than 12 months	3,103	1,329
– Deferred income tax liabilities to be recovered within 12 months	–	–
	3,103	1,329



Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30th June, 2016

16. DEFERRED INCOME TAX (Continued)

Deferred income tax liabilities (Continued)

The movement in deferred income tax assets and liabilities during the period is as follows:

Deferred income tax assets	Provision for inventories write-down	Unaudited Provision for long-term services	Total
	HK\$'000	HK\$'000	HK\$'000
Opening balance at 1 January 2016	–	–	–
Charged to profit or loss	237	208	445
Closing balance at 30 June 2016	237	208	445

Deferred income tax liabilities	Unaudited Withholding tax
	HK\$'000
Opening balance at 1 January 2016	2,506
Charged to profit or loss	597
Closing balance at 30 June 2016	3,103
Opening balance at 1 January 2015	983
Charged to profit or loss	346
Closing balance at 30 June 2015	1,329



Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30th June, 2016

17. BORROWINGS

	Unaudited 30 June 2016 HK\$'000	Audited 31 December 2015 HK\$'000
Current		
– Bank loans	162,630	137,267

As at 30 June 2016, the banking facilities of the Group were secured by personal guarantee from Mr. Lin Caihuo, the Chairman of the Company and corporate guarantees from two related companies beneficially owned by the Chairman.

The Group has the following undrawn borrowing facilities:

	Unaudited 30 June 2016 HK\$'000	Audited 31 December 2015 HK\$'000
Fixed rate:		
– expiring within one year	583,681	979,854

18. TRADE AND OTHER PAYABLES

	Unaudited 30 June 2016 HK\$'000	Audited 31 December 2015 HK\$'000
Trade payables	87,989	191,746
Other payables	43,092	25,099
Advances from customers	35,567	8,344
Payroll and welfare payable	6,406	7,137
	173,054	232,326



Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30th June, 2016

18. TRADE AND OTHER PAYABLES (Continued)

As of 30 June 2016, the ageing analysis of the trade payables based on invoice date were as follows:

	Unaudited	Audited
	30 June	31 December
	2016	2015
	HK\$'000	HK\$'000
Trade payables		
0 – 30 days	26,953	98,741
31 – 60 days	33,283	37,035
61 – 90 days	25,034	32,045
91 – 120 days	1,746	20,347
Over 120 days	973	3,578
	87,989	191,746

19. CONTINGENT LIABILITIES

As at 30 June 2016, the Group had no significant contingent liability (31 December 2015: Nil).

20. CAPITAL COMMITMENTS

The Group had no commitments for capital expenditure as at 30 June 2016 (31 December 2015: Nil).

21. RELATED-PARTY TRANSACTIONS

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



Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30th June, 2016

21. RELATED-PARTY TRANSACTIONS (Continued)

Except for the prepayment for non-current assets as disclosed in Note 12 and the personal guarantee from the chairman of the Company and corporate guarantees from two related companies in which the chairman of the Company has beneficial interests as disclosed in Note 17, during the period the Group had the following significant related party transactions:

Name of related party	Nature of transaction	Unaudited	
		Six months ended 30 June	
		2016 HK\$'000	2015 HK\$'000
(a) Key management compensation:			
Directors and key management	Salaries and other short-term benefits	880	1,190
(b) Transactions with related parties			
Company beneficially owned by a director of subsidiaries of the Company:			
– Tai Sing Industrial Company Limited (“TSI Group”) (Note)	Technical service income	–	3,951
	Reimbursement of administrative supporting service expenses	–	420
	Sales of goods	3,495	9,438
		3,495	13,809



Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30th June, 2016

21. RELATED-PARTY TRANSACTIONS (Continued)

Name of related party	Nature of transaction	Unaudited	
		Six months ended 30 June	
		2016	2015
		HK\$'000	HK\$'000
(b) Transactions with related parties (Continued)			
Company beneficially owned by Chairman of the Company:			
– Fujian Yuhua Petrochemical Limited	Crude oil jetty and storage services	3,923	1,395
– Xiamen Sea Star Shipping Co., Ltd.	Transportation services expenses Sales of goods	309 111	– –
		420	–

22. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 23 May 2016, Brilliant Norton Securities Company Limited, on behalf of Mr. Lin Caihuo (the Chairman), made a mandatory conditional cash offer to acquire all the outstanding issued shares of the Company (other than those shares already owned by the chairman and parties acting in concert with him) (the “Share Offer”) and for cancellation of all the outstanding share options of the Company (the “Option Offer”) in accordance with the Hong Kong Code on Takeovers and Mergers.

The Share Offer was closed on 4 August 2016. Mr. Lin Caihuo had received valid acceptances in respect of a total of 218,984,332 ordinary shares under the Share Offer, representing approximately 28.31% of the entire issued share capital of the Company as at 4 August 2016, and no valid acceptance under the Option Offer. Immediately after the close of the Share Offer and Option Offer, Mr. Lin Caihuo and parties acting in concert with him held, controlled and had direction over 456,403,278 shares in aggregate, representing approximately 59.0% of the entire issued share capital of the Company as at 4 August 2016.