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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2728)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2016

The board (the "Board") of directors (the "Directors") of Yuhua Energy Holdings Limited (the "Company") announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30th June, 2016 together with the comparative figures for the corresponding period in 2015.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2016

		Unaudited	
		Six months ended 30 June	
		2016	2015
	Note	***HK$'000***	*HK$'000*
Revenue	*3*	**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)

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT (CONTINUED)

For the six months ended 30th June, 2016

		Unaudited	
		Six months ended 30 June	
		2016	2015
	Note	***HK$'000***	*HK$'000*
Operating profit/(loss)		**10,475**	(33,157)
Finance income		**18**	–
Finance costs		**(4,225)**	(534)
Profit/(loss) before income tax		**6,268**	(33,691)
Income tax expense	*4*	**(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)	*6*	**0.5**	(5.47)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2016

	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)		
Items that may be reclassified to profit or loss		
Currency translation differences	**(6,776)**	333
Total comprehensive loss for the period, all attributable to owners of the Company	**(2,969)**	(37,349)

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

At 30th June, 2016

	Note	**Unaudited 30 June 2016** ***HK$'000***	Audited 31 December 2015 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**9,834**	13,255
Intangible assets		**978**	978
Prepayment for non-current assets		**103,828**	105,925
Rental deposits		**597**	609
Deferred income tax assets		**445**	–
Total non-current assets		**115,682**	120,767
Current assets			
Inventories		**26,188**	35,230
Trade and other receivables	*7*	**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		**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)

At 30th June, 2016

	Note	**Unaudited 30 June 2016** ***HK$'000***	Audited 31 December 2015 *HK$'000*
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**3,103**	2,506
Total non-current liabilities		**3,103**	2,506
Current liabilities			
Borrowings		**162,630**	137,267
Trade and other payables	*8*	**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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30th June, 2016

1 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.

1.1 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.

2 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 HKAS34, "Interim financial reporting"	1 January 2016

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 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.

3 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.

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)

	Unaudited	Audited
	30 June	31 December
	2016	2015
	HK$'000	*HK$'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	2015
	HK$'000	*HK$'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)

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

4 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

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.

5 DIVIDENDS

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

6 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.

(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 30th June, 2015.

7 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

8 TRADE AND OTHER PAYABLES

	Unaudited	Audited
	30 June	31 December
	2016	2015
	HK$'000	*HK$'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

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

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 HK$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*

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.

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.

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.

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.

Subsequent Event

There is no significant event affecting the Group after the end of 30th June, 2016.

Interim Dividend

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

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.

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, PricewaterhouseCoopers. 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.

ACKNOWLEDGEMENT

The Group would like to extend its sincere gratitude to its business partners and shareholders for their continued support. The management team and all staff members shall also be lauded for their unwavering efforts and dedication to the Group.

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

Hong Kong, 26 August, 2016

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