Annual Report 2017

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)

Contents

Corporate Information

Board of Directors

Executive Directors

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

Non-Executive Director

Mr. Wang ShouLei (Appointed on 10 April 2017)

Independent Non-Executive Directors

Mr. Lum Pak Sum
Mr. Liu Yang
Ms. Wong Yan Ki, Angel

Audit Committee

Mr. Lum Pak Sum *(Chairman of the Committee)*
Mr. Liu Yang
Ms. Wong Yan Ki, Angel

Remuneration Committee

Mr. Liu Yang *(Chairman of the Committee)*
Mr. Lin Caihuo
Mr. Lum Pak Sum
Ms. Wong Yan Ki, Angel

Nomination Committee

Ms. Wong Yan Ki, Angel *(Chairlady of the Committee)*
Mr. Lin Caihuo
Mr. Liu Yang
Mr. Lum Pak Sum

Authorized Representatives

Mr. Lin Caihuo
Mr. Wang Enguang

Corporate Information

Company Secretary

Mr. Lau Wai Piu, Patrick (resigned on 4 September 2017)
Ms. Wong Nga Yan (appointed on 4 September 2017)

Auditor

PricewaterhouseCoopers

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

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor,
24 Shedden Road, P.O. Box 1586,
Grand Cayman, KY1-1110,
Cayman Islands

Corporate Information

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 Communications, Xiamen Branch
The Bank of East Asia, Limited

Legal Adviser

As to Hong Kong law
Loong & Yeung Solicitors

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

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**"), I am pleased to report to you the audited annual results for the year ended 31 December 2017 (the "**Reporting Period**") of Yuhua Energy Holdings Limited (the "**Company**", together with its subsidiaries, collectively the "**Group**").

During the Reporting Period, the Group recorded a turnover of approximately HK$10,030.29 million (2016: approximately HK$5,915.43 million), representing an increase of approximately 69.6% as compared with the corresponding period of last year. Profits attributable to the shareholders of the Company ("**Shareholders**") amounted to approximately HK$46.85 million. (2016: approximately HK$24.37 million). The results of the Group for this financial year are in line with our expectation.

The energy trading has always been the best performance segment of the Group with approximately HK$9,433.04 million revenue during the Reporting Period, representing approximately 94.0% of the total revenue. The growth of revenue reflected the success of our strategy on exploring new chemical raw materials sources and supplying stable chemical raw materials to our customers. During the Reporting Period, the number of customers increased by approximately 50% as compared with last year.

To further expand the development of energy business of the Group, the Group commenced a new business segment – oil tanker transportation in the first quarter of 2017 by acquiring a vessel with an aim to set up a complete industrial chain of energy trading segment providing logistics and sales services. It is encouraging that the new business segment generated the profit before income tax of approximately HK$5.02 million during the Reporting Period, and the revenue generated from this segment was approximately HK$29.61 million.

The Group continues to explore new opportunities of business expansion. On 7 February 2018, Yuhua Energy Holdings Group (Fujian) Co., Ltd.*（裕華能源控股集團（福建）有限公司）, a wholly-owned subsidiary of the Company, entered into 2 non-binding framework agreements to acquire 2 companies which are principally engaged in trading and exploring of compressed natural gas and transportation of dangerous goods such as oil and natural gas, respectively. The Group aims to expand the upstream and downstream of the business and achieve the Company's goal of becoming an integrated global energy supply chain service provider.

Finally, I would like to take this opportunity to thank all our business partners and Shareholders for their continuing support in our Group. I would also like to express my deepest appreciation to all staff and our Board for their effort and dedication to the Group.

Lin Caihuo
Chairman of the Board

23 March 2018

* *For identification purpose only*

Management Discussion and Analysis

Business Review

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

Energy Trading Business

The strong growth of energy trading business continued in 2017, with its turnover increasing to approximately HK$9,433.04 million (2016: approximately HK$5,433.95 million). The year-on-year turnover growth was approximately 73.6% (2016: approximately 29.5%) which was mainly due to i) the increase in the number of customers; and ii) the growth in demand for existing products, especially for the products of mixed aromatics. During the Reporting Period, the revenue generated from the products of mixed aromatics was approximately HK$2,477.21 million (2016: approximately HK$121.02 million).

Oil Tanker Transportation

As disclosed in the announcement of the Company dated 15 November 2016, the Group acquired a vessel in order to meet the needs of its business growth. The vessel commenced service in the first quarter of 2017. For the Reporting Period, the Group generated transportation income of approximately HK$29.61 million, representing approximately 0.3% of the total revenue. As this business was in the initial stage, the financial contribution to the Group was insignificant during the Reporting Period.

Speaker Units Business

The revenue from speaker units business recorded an increase in the Reporting Period. For the Reporting Period, its turnover amounted to approximately HK$567.64 million (2016: approximately HK$481.48 million), representing an increase of approximately 17.9%. The increase was mainly due to the increase in sales orders from existing customers.

In terms of geographical coverage for the combined turnover of the energy trading and speaker units business, the People's Republic of China ("**PRC**") was the Group's largest market, accounting for approximately 94.8% of the turnover for the Reporting Period (2016: approximately 94.1%).

Financial Review

Results Performance

For the Reporting Period, the Group's revenue increased by 69.6% to approximately HK$10,030.29 million (2016: approximately HK$5,915.43 million). The increase in revenue was mainly attributable to the full year's operation of certain subsidiaries involved in the energy trading business. The gross profit increased by approximately 38.5% to approximately HK$153.13 million (2016: approximately HK$110.53 million) and the Group has reported an increase of net profit for the Reporting Period to approximately HK$46.85 million (2016: net profit of approximately HK$24.37 million). The increase in net profit was mainly due to good performance of energy trading business and a fair value gain of HK$12.29 million derived from an investment properties, which was acquired in June 2017.

Financial Review *(Continued)*

Results Performance *(Continued)*

For the Reporting Period, basic earnings per share reached approximately HK3.03 cents (2016 restated: basic earnings of approximately HK1.58 cents per share). An interim dividend of HK$0.005 per ordinary share was paid during the Reporting Period. The Board did not recommend the payment of a final dividend for the Reporting Period (2016: nil).

Liquidity and Financial Resources

As at 31 December 2017, the Group had cash and cash equivalents of approximately HK$20.32 million (2016: approximately HK$54.67 million), including cash denominated in Hong Kong dollars, US dollars and Renminbi which had been converted into Hong Kong dollars and unutilized banking facilities of approximately HK$229.08 million (2016: approximately HK$224.71 million). The Group's current ratio, being the proportion of total current assets against total current liabilities, was approximately 1.2 (2016: approximately 1.4).

As at 31 December 2017, the Group had bank borrowings of approximately HK$309.01million (2016: approximately HK$200.11 million) which were denominated in Renminbi. The borrowings carried interest at effective interest rate ranging from 4.785% to 5.003% (2016: 4.785% to 5.22%) per annum. The gearing ratio of the Group increased to approximately 72.3% (31 December 2016: approximately 56.3%), which is computed by dividing total borrowings of approximately HK$309.01 million (31 December 2016: approximately HK$200.11 million) by Shareholders' equity of approximately HK$427.59 million (31 December 2016: approximately HK$355.25 million).

Capital Resources

On 27 April 2017, the Company effected a share subdivision (the "**Share Subdivision**") in which each existing issued and unissued ordinary shares of the Company of a par value of HK$0.005 each was divided into two ordinary shares of the Company of a par value of HK$0.0025 each (the "**Shares**"). For further details, please refer to the announcements of the Company dated 13 March 2017 and 26 April 2017 and the circular of the Company dated 30 March 2017.

Capital Expenditure

During the Reporting Period, the Group's total capital expenditure amounted to approximately HK$50.50 million (2016: approximately HK$346,000), which was used in the purchase of property, plant and equipment and investment properties.

Treasury Policies

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

Financial Review *(Continued)*

Employees

As at 31 December 2017, the Group's work force amounted to approximately 1,126 staff (2016: approximately 1,150 staff) in Hong Kong and the PRC collectively. Staff costs (excluding Directors' emoluments) amounted to approximately HK$97.08 million (2016: approximately HK$83.79 million). The Group ensures that the pay levels of its employees are competitive and in accordance with market trends and its employees are rewarded on a performance basis and within the general framework of the Group's salary and bonus system. The remuneration policy of the Group is based on the merit, qualifications and competence of the individual.

Contingent Liabilities

As at 31 December 2017, the Group had no material contingent liabilities.

Pledge on the Group's Assets

As at 31 December 2017, the investment properties have been pledged as security for the borrowings of the Group.

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

There was no significant investment held, material acquisition or disposal of subsidiaries and associated companies during the Reporting Period.

Subsequent Events

(i) Framework Agreements in Relation to Potential Acquisitions

On 7 February 2018, Yuhua Energy Holdings Group (Fujian) Co., Ltd.*（裕華能源控股集團（福建）有限公司）(“**Fujian Yuhua Energy**”) (as purchaser), a wholly-owned subsidiary of the Company, entered into 2 non-binding framework agreements: i) Fujian Yuhua Energy entered into a non-binding framework agreement (the “**Hengran Framework Agreement**”) with certain existing shareholders (the “**Hengran Vendors**”) of Kunshan Zhongyou Hengran Petroleum Company Limited*（昆山中油恒燃石油燃氣有限公司）(“**Hengran**”), and Fujian Yuhua Energy may purchase 90% of shareholdings of Hengran; and ii) Fujian Yuhua Energy entered into a non-binding framework agreement (the “**Daocheng Framework Agreement**”, together with the Hengran Framework Agreement are collectively referred as the “**Framework Agreements**”) with certain existing shareholders (the “**Daocheng Vendors**”) of Kunshan Daocheng Transportation Company Limited*（昆山道誠物流有限公司）(“**Daocheng**”), and Fujian Yuhua Energy may purchase 100% of shareholdings of Daocheng. After the execution of the Framework Agreements, Fujian Yuhua Energy will carry out a due diligence review on Hengran and Daocheng. Subject to the results of the due diligence review, Fujian Yuhua Energy may negotiate and enter into formal sale and purchase agreements with the Hengran Vendors and/or the Daocheng Vendors. For further details, please refer to the announcement of the Company dated 7 February 2018. The discussions on the above potential acquisitions are still on-going but no formal or definitive agreement between the Group and the potential vendors has been entered into.

Financial Review *(Continued)*

Subsequent Events *(Continued)*

(ii) Share Subdivision

On 17 January 2018, the Company effected a share subdivision (the "**Share Subdivision**") in which each existing issued and unissued ordinary shares of the Company of a par value of HK$0.0025 each was divided into two ordinary shares of the Company of a par value of HK$0.00125 each (the "**Shares**"). For further details, please refer to the announcements of the Company dated 6 December 2017 and 16 January 2018 and the circular of the Company dated 22 December 2017.

Save as disclosed above, there was no important event affecting the Group that has occurred since the end of 31 December 2017.

Prospects

To implement the Company's goal of becoming an integrated global energy supply chain service provider of the energy business, Yuhua Energy Holdings Group (Fujian) Co., Ltd.*（裕華能源控股集團（福建）有限公司） wholly-owned subsidiary of the Company, entered into 2 non-binding framework agreements to acquire 2 companies namely Kunshan Zhongyou Hengran Petroleum Company Limited*（昆山中油恒燃石油燃氣有限公司）and Kunshan Daocheng Transportation Company Limited*（昆山道誠物流有限公司）, which are principally engaged in trading and exploring of compressed natural gas and transportation of dangerous goods such as oil and natural gas, respectively on 7 February 2018. The discussions on the above potential acquisitions are still on-going but no formal or definitive agreement between the Group and the potential vendors has been entered into. Further information regarding the potential acquisitions is set out in the announcement of the Company dated 7 February 2018.

On 30 September 2016, the Company entered into a letter of intent with an independent third party in relation to the potential disposal of the entire issued share capital in Crown Million Industries (International) Limited（冠萬實業（國際）有限公司）(the "**Target Company**" together with its subsidiaries, collectively the "**Target Group**"). The Target Group is principally engaged in investment holding, producing and trading of home theatre and automotive speaker systems. Taking into consideration the modest development of the speaker unit segment and the Group does not have any intention to allocate further resources to this segment, the Company is of the view that this potential disposal will provide an appropriate opportunity for the Company to reallocate resources to energy trading segment as well as other business opportunities to achieve further business growth. The discussions on the above potential disposal are still on-going but no formal or definitive agreement between the Group and the potential purchaser has been entered into. Further information regarding the potential disposal is set out in the announcement of the Company dated 30 September 2016.

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

* *For identification purpose only*

Corporate Governance Report

Compliance With The Corporate Governance Code

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

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

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

Save as disclosed in "Chairman and Chief Executive Officer" and "Board Meetings" on page 12 of this Annual Report, the Company has applied and complied with the code provisions set out in the Corporate Governance Code (the"**CG Code**") of Appendix 14 of the Listing Rules for the Reporting Period.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors of the Company. On specific enquiries made by the Company, all Directors have confirmed that they have fully complied with the required standards set out in the Model Code throughout the Reporting Period.

Board of Directors

Composition

The Directors who hold office during the Reporting Period and as at the date of this annual report are as follows:–

Executive Directors

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

Non-Executive Director

Mr. Wang ShouLei (Appointed on 10 April 2017)

Board of Directors *(Continued)*

Independent Non-Executive Directors

Mr. Lum Pak Sum
Mr. Liu Yang
Ms. Wong Yan Ki, Angel

The biographical details of the Directors are set out in the section headed "Biographical Details of Directors" on pages 33 to 36 of this annual report. There is no relationship (whether financial, business, family or other material or relevant relationships) amongst members of the Board, senior management or substantial Shareholder or controlling Shareholder of the Company.

The composition of the Board is well balanced with each Director having extensive corporate and strategic planning experience, sound industry knowledge and/or professional expertise. All independent non-executive Directors have offered sufficient time and efforts to serve the business affairs of the Company. They also possess appropriate academic and professional qualifications and related management experience and have contributed to the Board with their professional opinion. The Board believes that the ratio among executive Directors, non-executive Director and independent non-executive Directors is reasonable and appropriate. The Board also believes that the participation of independent non-executive Directors shall offer their independent judgment on issues relating to strategy, performance, conflict of interest and management process such that the interests of all Shareholders and the Group are considered and safeguarded.

Role and Function

The Board is fully responsible for the formulation of business policies and strategies in relation to the business operation of the Group and to ensure the availability of resources as well as the effectiveness of its system of internal control.

Implementation and execution of the policies and strategies formulated by the Board and the daily operations are delegated from the Board to the management of the Company. In addition, an audit committee (the"**Audit Committee**"), a remuneration committee (the"**Remuneration Committee**") and a nomination committee (the "**Nomination Committee**") were set up to assist the Board in fulfilling certain responsibilities. Further details of these committees are set out in the section headed "Board Committees" of this annual report.

Board of Directors *(Continued)*

Chairman and Chief Executive Officer

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

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

Independence of Independent Non-Executive Directors

Pursuant to the requirement of Rule 3.10 of the Listing Rules, the Company has appointed three independent non-executive Directors, one of whom has appropriate professional qualification in accounting and financial management expertise. All independent non-executive Directors have confirmed their independence, as set out in Rule 3.13 of the Listing Rules, to the Company and the Board considers that all independent non-executive Directors have satisfied their independence of the Group.

Directors' and Officers' Liabilities Insurance

The Company has arranged appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against Directors, officers and senior management of the Company arising out of corporate activities.

Board Meetings

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group, in addition to the meetings for reviewing and approving the Group's annual and interim results. The Directors had participated in the Board meetings as indicated below. For those Directors who could not attend these meetings in person, they participated through electronic media.

Ms. Wong Nga Yan has been appointed as the company secretary of the Company (the "**Company Secretary**") and assists the Chairman in preparing the agenda of the meetings and each Director may request to include any relevant matters on the agenda. Generally, at least 14 days' notice is given for the regular meetings by the Company. All substantive agenda items have comprehensive briefing papers, which are, in general, circulated three days before convening each Board meeting.

Board of Directors *(Continued)*

Board Meetings *(Continued)*

All Directors are able to seek advice and services from the Company Secretary on the Board procedures and all applicable laws, rules and regulations, and corporate governance matters. Draft minutes of Board meetings and meetings of the Board committees are circulated to all Directors for comment and approval as soon as practicable after the meetings. Minutes of Board meetings and meetings of Board committee are kept by the Company Secretary and all Board members are given a copy of the minutes for their record. Should a matter being considered involve a potential conflict of interest of a Director, the Director involved in the transaction would be requested to leave the boardroom and abstain from voting. The matter would be discussed and resolved by other Directors. Policy is in place that Directors, upon reasonable request, may seek independent professional advice on issues related to the Group's business at the Company's expenses. The Company Secretary has complied with Rule 3.29 of the Listing Rules in relation to the professional training requirements.

During the Reporting Period, the number of meetings, including Board meetings, Board committees' meetings and annual general meeting held and the attendance by each Director is as follows:

	Meetings Attended					
	Annual General Meeting	Extraordinary General Meeting	Board	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings held during the Reporting Period	**1**	**1**	**8**	**2**	**1**	**1**
Executive Directors						
Mr. Lin Caihuo	1	1	8	N/A	1	1
Mr. Wang Enguang	–	–	8	N/A	N/A	N/A
Non-Executive Director						
Mr. Wang ShouLei[(1)]	1	1	6	N/A	N/A	N/A
Independent Non-Executive Directors						
Mr. Liu Yang	–	–	7	2	1	1
Mr. Lum Pak Sum	1	1	7	2	1	1
Ms. Wong Yan Ki, Angel	–	–	7	2	1	1

Note:

(1) appointed on 10 April 2017

Board of Directors *(Continued)*

Board Meetings *(Continued)*

Pursuant to the Code Provision A.6.7 of the CG Code stipulated that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of the Shareholders. According to the above table, one executive Director and two independent non-executive Directors of the Company were unable to attend the extraordinary general meeting and the annual general meeting of the Company held on 26 April 2017 and 26 May 2017 respectively due to their business engagements. Save as disclosed above, all independent non-executive Directors and non-executive Director were present at the general meetings and available to answer questions from Shareholders of the Company.

Directors' Terms of Appointment

All Directors are appointed for a term of three years and are subject to the requirement of retirement by rotation and re-election at the annual general meeting at least once every three years in accordance with the articles of association of the Company (the "**Articles of Association**").

Directors' Training

Revised Code Provision A.6.5 of the CG Code provides that Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remain informed and relevant.

All Directors are encouraged to participate in continuous professional development activities by ways of attending training and/or reading materials relevant to the Company's business or to the Directors' duties and responsibilities. A summary of professional training received by Directors for the Reporting Period according to the records provided by the Directors is as follows:

	Attending seminar(s)/ programme(s)/conference(s) and/or reading materials relevant to the business or directors' duties
Mr. Lin Caihuo	✓
Mr. Wang Enguang	✓
Mr. Liu Yang	✓
Mr. Lum Pak Sum	✓
Ms. Wong Yan Ki, Angel	✓

Board Diversity Policy

During the Reporting Period, the Board adopted a board diversity policy setting out the approach to achieve diversity on the Board. The Company considered diversity of board members can be achieved through consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against selection criteria, having regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

Board Committees

The Board has established three committees, namely the Audit Committee, Remuneration Committee and Nomination Committee with specific terms of reference.

Audit Committee

The Audit Committee assists the Board in providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board. During the Reporting Period and as at the date of this report consists of three independent non-executive Directors, the members of the Audit Committee were as follows:–

Mr. Lum Pak Sum *(Chairman of the Committee)*
Mr. Liu Yang
Ms. Wong Yan Ki, Angel

The chairman of the Audit Committee is Mr. Lum Pak Sum, who possesses the appropriate professional accounting qualification and financial management expertise.

The terms of reference of the Audit Committee follow the code provisions set out in the CG Code and are available on the website of the Company and the Stock Exchange.

The Audit Committee held two meetings in 2017. Details of attendance of the meetings of the Audit Committee are set out above. The following matters were dealt with at the said meetings or by way of written resolutions:

– reviewing the consolidated financial statements for the year ended 31 December 2017 and the annual results announcement;

– reviewing the interim consolidated financial statements for the six months ended 30 June 2017 and the interim results announcement;

Board Committees *(Continued)*

Audit Committee *(Continued)*

- reviewing the significant audit and accounting issues arising from the external auditor's audit;
- considering the appointment of the external auditor and their audit fees;
- meeting with the external auditor without the presence of management to discuss issues arising from the audits and any other matters the auditor might wish to raise;
- reviewing the development in accounting standards and the Group's response, including the preparation for adoption of Hong Kong Financial Reporting Standards;
- reviewing the Company's compliance with regulatory and statutory requirements; and
- reviewing the effectiveness of the internal control and risk management system.

The annual results for the Reporting Period have been reviewed by the Audit Committee before submission to the Board for approval.

Remuneration Committee

The Remuneration Committee currently consists of one executive Director and three independent non-executive Directors. During the Reporting Period and as at the date of this report, the members of the Remuneration Committee were as follows:–

Mr. Liu Yang *(Chairman of the Committee)*
Mr. Lin Caihuo
Mr. Lum Pak Sum
Ms. Wong Yan Ki, Angel

The primary duties of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for all remuneration of executive Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration. They have the delegated responsibility to determine the remuneration packages of individual executive Directors and senior management of the Company. The terms of reference of the Remuneration Committee follow the code provisions set out in the CG Code and are available on the website of the Company and the Stock Exchange.

In order to attract and retain staff of suitable calibre, the Group provides a competitive remuneration package. This comprises salary and provident fund. Although the remuneration of these executives is not entirely linked to the profits of the Company or division in which they are working in, it is considered that, given the volatility of various businesses within the Group, this has contributed considerably to the maintenance of a stable, motivated and high-calibre senior management team in the Company.

Board Committees *(Continued)*

Remuneration Committee *(Continued)*

During the Reporting Period, the Remuneration Committee held one meeting. Details of attendance of the meeting of the Remuneration Committee are set out above. The following matters were dealt with at the said meeting or by way of written resolutions:

– to review and discuss the remuneration packages for the Directors and senior management of the Company;

– to consider and approve the remuneration packages for the proposed Directors; and

– to review and approve the employees' salary increments proposal.

No member took part in voting on his own remuneration at the meeting.

The remuneration of members of the senior management (including all executive Directors) by band for the Reporting Period is set out below:

Remuneration bands (HK$)	**Number of person(s)**
0 to 1,500,000	3
Over 1,500,000	–

Nomination Committee

The Nomination Committee currently consists of one executive Director and three independent non-executive Directors. During the Reporting Period and as at the date of this report, the members of the Nomination Committee were as follows:–

Ms. Wong Yan Ki, Angel *(Chairlady of the Committee)*
Mr. Lin Caihuo
Mr. Liu Yang
Mr. Lum Pak Sum

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board, make recommendations to the Board on the appointment or re-appointment of Directors and assess the independence of independent non-executive Directors. The terms of reference of the Nomination Committee follow the code provisions set out in the CG Code and are available on the websites of the Company and the Stock Exchange.

In considering the new appointment or re-election of Directors, the Nomination Committee will take into consideration the expertise, experience and integrity of that appointee.

Board Committees *(Continued)*

Nomination Committee *(Continued)*

During the Reporting Period, the Nomination Committee held one meeting. Details of attendance of the meeting of the Nomination Committee are set out above. The following matters were dealt with at the said meeting or by way of written resolutions:

– to consider the proposed appointment of Directors;

– to assess the independence of the independent non-executive Directors;

– to consider the re-election of Directors; and

– to review the composition of the Board.

No member took part in voting on his re-election of Director at the meeting.

Corporate Governance Functions

The Board is also responsible for performing the corporate governance duties as set out below:

a. to develop, approve and review the Company's policies and practices on corporate governance;

b. to review the Company's overall corporate governance arrangements;

c. to review and monitor the training and continuous professional development of Directors and senior management;

d. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

e. to develop, review and monitor the code of conduct and compliance (if any) applicable to the Directors and employees; and

f. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Control Mechanisms

The Board acknowledges its responsibility in maintaining a sound and effective internal control and risk management systems for the Group to safeguard Shareholders' investments and assets of the Company at all times.

Risk Management and Internal Control

The Company conducts an annual review on whether there is a need for an internal audit department. Given the Group's simple operating structure, as opposed to a separate internal audit department, the Board is directly responsible for the establishment, maintenance and review of the Group's systems of internal controls and risk management throughout the Reporting Period and their effectiveness. The Company has engaged an external independent professional advisory firm (the "**Independent Advisor**") to review the effectiveness and adequacy of risk management and internal control systems for the Reporting Period so as to ensure the effectiveness and adequacy of risk management and internal controls systems. The Independent Advisor had reviewed and analysed all material controls of the Group, including financial, operational and compliance controls and their associated risks. The relevant reports from the Independent Advisor were presented to and reviewed by the Audit Committee and the Board. The internal audit service was also provided by the Independent Advisor.

The Board considered the risk management and internal control systems of the Group to be adequate and effective for the Reporting Period. The Board also conducted a review of the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programs and budget which are considered to be adequate for the Reporting Period.

The Board wishes to emphasise that risk management and internal control systems are designed to manage rather than eliminate risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Procedures and Internal Controls for the handling and dissemination of inside information

The Group strictly follows the requirements of the Securities and Futures Ordinance of Hong Kong (the "**SFO**") and the Listing Rules and ensures that inside information is disclosed to the public as soon as reasonably practicable unless the information falls within any of the safe harbours of the SFO. Before inside information is fully disclose to the public, such information is kept strictly confidential. In addition, the Group adopted the policy of disclosing relevant information only to appropriate staff within the Group.

Directors' Responsibility for the Consolidated Financial Statements

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Company for the Reporting Period and ensure that they are prepared in accordance with the statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the consolidated financial statements.

The statement of the external auditor of the Company with regard to their reporting responsibilities on the Company's consolidated financial statements, is set out in the Independent Auditor's Report on pages 50 to 56 of this annual report.

Directors' Responsibility for the Consolidated Financial Statements *(Continued)*

The Directors confirm that, to the best of their knowledge, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions which may cause the Company not to continue as a going concern. Therefore, the Directors continue to adopt the going concern approach in preparing the consolidated financial statements.

Auditor's Remuneration

For the Reporting Period, services provided to the Company by its external auditor, Messrs. PricewaterhouseCoopers, and the respective fees paid were:

	2017 **HK$'000**	2016 HK$'000
Audit services	**1,480**	1,480
Non-audit services	**–**	–

Shareholders' Rights

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

Pursuant to article 58 of the Articles of Association, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up share capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by depositing a written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Shareholders' Rights *(Continued)*

Shareholders may at any time put forward their enquiries (including the procedures for putting forward proposals at general meetings of the Company) to the Board in writing through the Company Secretary whose contact details are as follows:

Yuhua Energy Holdings Limited
Room 2207, 22/F, Harbour Centre
25 Harbour Road, Wanchai
Hong Kong

Tel No.: (852) 3579 4636
Fax No.: (852) 3579 4833

Procedures for Putting Forward Proposals at General Meetings by Shareholders

Pursuant to article 88 of the Articles of Association, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice signed by a shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the Registration Office provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that (if the notices are submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

Investor Relations and Communication with Shareholders

The Board established a Shareholders' communication policy to ensure that Shareholders and potential investors are provided with ready, equal and timely access to information of the Company.

The Company has maintained a corporate website at www.yuhuaenergy.com through which the Company's updated financial information, business development, announcements, circulars, notices of meetings, press releases and contact details can be accessed by the Shareholders and investors.

The annual general meeting also provides an important opportunity for constructive communication between the Board and Shareholders. The Chairman, members of the Board and external auditor attended the annual general meeting held on 26 May 2017 to answer questions raised by the Shareholders.

Constitutional Documents

There has been no material change in the Company's constitutional documents during the Reporting Period.

Environmental, Social and Governance Report

About this Report

This report was prepared in accordance with the "Environmental, Social and Governance Reporting Guidelines" ("**Guidelines**") set out in Appendix 27 to the Listing Rules of the Hong Kong Stock Exchange ("**Stock Exchange**"), which discloses our practices and performance over the issue of sustainable development in a transparent and open manner, in order to increase our stakeholders' confidence in and understanding of the Group.

Reporting Year

All the information contained herein reflects the performance of the Group in environmental protection and social responsibility from 1 January 2017 to 31 December 2017. The Group will publish an annual Environment, Social and Governance ("**ESG**") Report on a regular basis, which will be available for public inspection at any time, so as to continuously enhance the transparency of information disclosure.

Scope of the Report

The report focuses on the operation of the Group at its principal place of business, that is, the operations relating to energy trading business at the Head Office in Xiamen and the oil tanker transportation business at the Shanghai office, whereas other businesses, such as the speaker units business, are not included[1]. The scope of disclosure will be expanded gradually to cover all of our operations after we have further established our ESG practices and have a more well-developed data collection system.

Reporting Standards

As mentioned above, this report was prepared in accordance with the Guidelines published by the Stock Exchange. It summarizes the performance of the Group in the ESG aspects in a simplified manner. The information contained herein was derived from the official documents and statistics of the Group, and consolidated and summarized using the information on monitoring, management and operations provided by the members of the Group in accordance with the relevant policies of the Company. Pages 31 to 32 set out a complete content index for your easy reference. This report was prepared in both Chinese and English and is available on the Group's website www.yuhuaenergy.com. In the event of any conflict or inconsistency between the Chinese and English versions, the Chinese version shall prevail.

Feedback

Our continuous improvements rely on your valuable opinions on the contents and presentation of this Report. If you have any questions or suggestions regarding this report, you are welcome to email us at info@yuhuaenergy.com, to help us improve ESG performance continuously.

1 This Report covers the wholly-owned subsidiaries of the Group, namely Yuhua Energy Holdings Group (Fujian) Co., Ltd.*（裕華能源控股集團（福建）有限公司）(Formerly known as Fuhua (Fujian) Energy Co., Ltd.*（前稱富華（福建）能源有限公司）), Qianhai Yuhua Energy (Shenzhen) Co., Ltd.*（前海裕華能源（深圳）有限公司）, Yuhua Energy (Hong Kong) Limited (Formerly known as Yuhua Energy (Holdings) Limited and Yuhua Energy (Xiamen) Co., Ltd.*（裕華能源（廈門）有限公司）.

* *For identification purpose only*

Stakeholders Communications

The Stock Exchange proposed four reporting principles in the Guide, including Materiality, Quantitative, Balance and Consistency, as the basis for the preparation of an ESG Report. As stated by the Stock Exchange, stakeholder engagement is a widely-employed method for assessing materiality. By communicating with the stakeholders, corporations are able to understand their wide ranging opinions, and identify crucial environmental and social issues.

For the Group, stakeholders refer to groups and individuals who have significant influence over the Group's business, or those who may be influenced by the Group's business. The Group's stakeholders include not only internal staff, management and directors, but also external customers, business partners, investors, regulators and various community groups. In the past year, we communicated with key stakeholders in various ways. In the preparation of this report, the Group engaged a professional consulting firm to conduct a substantive analysis by interviewing with the management, and incorporating the advices of professional consultants to clarify important reporting issues and to determine the direction of the Group's sustainable development.

Methods of Communications with the Stakeholders during the Reporting Period

Internal stakeholders

- Directors of the Company
- The Management
- Executive officers
- General staff

External stakeholders

- Shareholders
- Banks

Methods of communications:
Meetings, emails, teleconferences, interviews, trainings, annual and extraordinary general meetings and annual reports

The operations of the Group are affecting different stakeholders, while stakeholders in turn have various expectations towards the Group. Looking ahead, for a more refined substantive analysis, the Group will continuously strengthen its communications with stakeholders, and extensively collect their opinions in numerous ways. In the meantime, the Group will also enhance the reporting principles in terms of quantitative, balance and consistency, in order to define the contents in the report and the presentation of information in a way that is more likely to meet stakeholders' expectations.

Efficient Use of Resources

The Group conducts its energy trading business mainly in the PRC, and this business has contributed significantly to the Group's revenue. However, given the possibility that regulators will impose resource tax and consumption tax on fossil fuels or adopt other regulatory measures to reduce and eventually terminate the use of fossil fuels, the Group's operation may have to face the threat of increasing cost. In light of this, the Group is gradually switching to a low-carbon business model and exploring other sustainable investment opportunities. The development of the oil tanker transportation business this year will increase sustainable investment opportunities to cope with the changes in international trends.

In addition to adjusting its business development strategy, the Group places equal emphasis on applying green office practices in our daily operations. One of the resource consumptions that is most relevant to the operations in the Head Office is the use of electricity. Under the "Office Management Regulations of the Group", energy conservation is set as one of the disciplinary requirements that employees are expressly required to turn off idling lights, computers, air conditioners and other electrical appliances to reduce energy consumption.

Another resource heavily consumed by the Group in office operations is paper. The Group encourages employees to curb paper consumption by establishing the "Office Management Regulations of the Group on Reducing Paper Consumption" and by posting reminders in the offices. The Regulations specify the methods used to reduce office paper consumption, including double-sided printing, network file transmission whenever possible, and font and page margin resizing so as to encourage employees to develop a habit of using less papers in their daily routines. In addition to cutting down waste at source, the Group requires that recycled paper is used for printing name cards or envelops whenever possible. The Group also puts recycling bins in the office to recycle paper that is not fit for use. To ensure that the Regulations are properly observed, the Group has designated employees to be in charge of the management of paper use so as to avoid wasting resources.

The efficient use of water resources is one of the Group's initiatives to promote resource conservation, in addition to the saving of electricity and paper. With the formulation of the "Pantries Management Regulations" and the posting of reminders, employees are encouraged to conserve water. The Group's daily operations do not involve a large amount of pollutants such as exhaust gas emissions and wastewater discharge. No non-compliance cases involving the generation of hazardous waste or related to emissions were found during the Reporting Period.

Efficient Use of Resources *(Continued)*

Description of resource consumption/emissions	Unit	Total amount	Unit	Total amount
Electricity	KWh	30,928	Per employee/ KWh	1,190
Paper	kilogram	241	Per employee/ kilogram	9.3
Water	cubic meter	360	Per employee/ cubic meter	13.8
Non-hazardous waste – sewage and solid waste in offices	mt	289	Per employee/ mt	11.1

However, the Group realizes that reducing the emission of greenhouse gas ("**GHG**") is the most important countermeasures to mitigate climate change, and that carbon footprint assessment provides a basis for reducing GHG gas emissions. As stated in the Group's 2016 Annual Report, our principal businesses would be assessed for carbon footprint during 2017. The Group will measure its GHG emissions annually as the first step towards carbon reduction and from there set forth its carbon reduction target and priority to ensure that carbon reduction is carried out in a more efficient manner.

Description of GHG emissions	Unit	Total amount
Range 1 – direct emissions	mt	618
Range 2 – indirect emissions (electricity)	mt	28
Range 3 – Other indirect emissions (employees taking business trips by planes)	mt	37
Total emissions	mt	683
Total emissions density – by area	Per square meter/mt	0.1
Total emissions density – by employee	Per employee/mt	26.3
Indirect emissions density – by area	Per square meter/mt	0.004
Indirect emissions density – by employee	Per employee/mt	1.1

The Group's core businesses, i.e. energy trading and oil tanker transportation businesses, are closely related to the environment and natural resources. The Group will continue to incorporate environmental and social considerations into its products and services to explore business opportunities for sustainable development.

Strict Monitoring of Supply Chain

In a globalized economy, business outsourcing is a common practice of companies. However, outsourcing does not mean that a company can escape its responsibilities or risks arising from poor ESG performance. The Group realizes that we should play a role in every stage of the entire life cycle of its products and services, and that the proper management of the supply chain is critical for the Group to maintain its reputation, ensure business sustainability, and manage operating costs.

The Group has established a supply chain management mechanism, which takes quality, capability, service, environmental protection and work safety as prerequisites for the selection of suppliers. Before engaging new suppliers, staff members of relevant departments are required to examine their qualifications and complete a "Supplier Examination Form". Whether the supplier is subject to any complaint, punishment or legal dispute is all taken into consideration. Only institutions that meet all the requirements upon examination can be selected by the Group as its qualified service providers.

The Group maintains a long-term cooperative relationship with key suppliers at strategic level, establishes supplier profiles and assesses the performance of each supplier. In its day-to-day operations, the Group meets with the suppliers on a regular basis to acquire a better understanding of their operations and share industry updates and market information, in order to ensure a smooth exchange of information for timely management. In the future, the Group will consider incorporating environmental and social factors into its supply chain management, requiring our business partners to pay more attention to their performance in sustainable development.

Amid fierce competition in the current market environment, customers have become increasingly demanding on products and services. Moreover, the Group realizes that customers are very concerned about the quality of energy products provided by the Group. The development of the oil tanker transportation auxiliary services can both increase revenue and provide better services directly to meet the needs of customers. In this way, we can achieve a win-win situation. As an energy trader, the Group ensures that the quality of all of the products it purchases and sells complies with international and Chinese laws and regulations, while as a tanker transporter, it ensures that its transportation services are safe and punctual.

As oil products are dangerous goods under statutory regulations, the Group is particularly concerned about safe operations in such processes as loading, transporting and warehousing during trading. Pursuant to the "Regulations on the Safe Management of Hazardous Chemicals", oil products are properly stored in dedicated warehouses, premises or storage rooms equipped with fire-extinguishing facilities as well as communication and alarm devices in accordance with fire control regulations to prevent accidents. Furthermore, the "Training for Personnel-in-charge and Safety Managers on Hazardous Chemicals" are organized annually, and examinations and tests are conducted after these training programmes to ensure that employees have a good grip of the procedures and practices for handling dangerous goods, so that they can react instantly in case of an accident. No non-compliance cases involving product liability were found during the Reporting Period.

Strict Monitoring of Supply Chain *(Continued)*

The Group believes that operation in good faith is not only a foundation for corporate social responsibility, but also a cornerstone of corporate competitive advantage and on-going operations. In addition to the compliance with the Company Law, the Criminal Law and the Anti-money Laundering Law of the PRC (《中華人民共和國反洗錢法》), the Group has also developed the "Anti-commercial Bribery Management System of Yuhua Energy" which lays down clearly defined duties and code of conduct for the management, procurement personnel, sales personnel, accountants and cashiers respectively. The Group has a whistle-blowing mechanism in place to ensure that reported cases are submitted to the head of responsible departments, who shall keep the information confidential and earnestly handle any alleged cases. There were no cases of corruption involving the Group and its employees during the Reporting Period.

Comprehensive Employment System

Staff are the most valuable asset of the Group and the cornerstone of the growth of a business. The remunerations and benefits provided by the Group are in compliance with laws and regulations in China, and are no less than the statutory minimum wages under any circumstances. With a commitment to the philosophy of "maintaining balance between employee benefits and shareholder interests", the Group provides competitive overall remunerations for its employees. After one year of service with the Group, employees will be assessed in terms of their capabilities and performances, and provided with opportunities for salary raise or promotion if appropriate as an incentive to attract and retain outstanding and competent staff to boost the sustainable development of the Company. With respect to employee benefits, the Group treats every employee equally, regardless of their ranks. So far, the Group has not developed any internal policies relating to equal opportunities or anti-discrimination. However, the Group will consider optimizing its systems gradually in the near future to provide a more equitable work environment for its employees.

The Group is committed to create an environment where our staff can strike a work-life balance. In addition to strictly abiding by the national requirements for employees' working hours and providing employees with statutory holidays, the Group also grants extra holidays to employees to meet the needs of their personal life. For example, employees who have served the Group for over two years are entitled to paid maternity leave. No non-compliance cases involving employment and labor practices were found during the Reporting Period.

Comprehensive Employment System *(Continued)*

Summary of Employment Performance Indicators

Gender	Aged under 30		Aged 30-50		Aged over 50		Total number of employees		Male to female ratio	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Male	**2**	4	**8**	13	**5**	0	**15**	17	**1.36:1**	1.1:1
Female	**3**	5	**8**	10	**0**	0	**11**	15		

Ratio of Average Remuneration between Male and Female

2017	2016
1.32:1	1.03:1

Resigned Employees	Aged under 30		Aged 30-50		Aged over 50		Total number of resigned employees		Percentage of resigned employees to total number of employees	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Male	**0**	2	**1**	5	**0**	1	**1**	8	**0.04%**	37.5%
Female	**0**	1	**0**	3	**0**	0	**0**	4		

There are no positions carrying high-risk jobs at the Head Office and Shanghai Office of the Group. Nevertheless, the Group prescribes rules on safety management in the "Employee Manual", aiming at creating a safe and comfortable work environment for our employees. Fire extinguishers are also placed in the office, which are checked regularly on a monthly basis. Employees are provided with training on how to use fire extinguishers so as to raise their safety awareness and their capabilities to handle emergency during evacuation. No non-compliance cases involving health and safety were found during the Reporting Period.

Comprehensive Employment System *(Continued)*

Summary of Health and Safety Performance Indicators of Employees

Gender	Number of work injury cases	Rate of work injuries (per thousand Employees)	Number of working days lost due to work injuries	Number of working days	Percentage of working days lost due to work injuries	Total hours of absence	Total working hours	Total absence rate
				2017				
Male	**0**	**0**	**0**	**3,900**	**0%**	**0**	**31,200**	**0%**
Female	**0**		**0**	**2,860**		**16**	**22,880**	
				2016				
Male	0	0	0	4,420	0%	1,010	35,360	4.25%
Female	0		0	3,900		1,820	31,200	

Outstanding and competent employees are the most valuable key to our success. We treat them as our important assets. It is the Group's belief that the cultivation and retention of outstanding and competent employees is the key to ensuring our development and strengthening our competitiveness. The Group considers the staff as its strategic partners, and provides staff training and development plans in a systematic way. Each of our employees caters for the actual needs of different departments and roles, but to enable them to be capable of working in all aspects, the Group provides training programmes for recruits in many areas, including induction training, corporate culture and system learning, introduction to product knowledge and purposes of all product lines, anti-corruption and anti-commercial bribery management, office management, and safety, so as to enable employees to keep improving in all areas, including job skills and professional capabilities.

Our Training Programs During 2017

Training Program/Content	Trainees	Form of Training	Time
New employee training	New employees	Internal training	As needed
Introduction to product knowledge, features and safety for all product lines	All personnel	Internal training	Monthly
Anti-corruption and anti-commercial bribery management	All personnel	Internal training	May
Corporate culture and system learning	All personnel	Internal training	Monthly
Office Management and Safety	All personnel	Internal training and drill	Monthly

Comprehensive Employment System *(Continued)*

Our Training Programs During 2016

Training Program/Content	Trainees	Form of Training	Time
New employee training	New employees	Internal training	The 5th day of each month
Business etiquette training	All personnel	External instructor, Internal training	Quarterly
Corporate culture and system learning	All personnel	Internal training	March
Introduction to product knowledge and features for all product lines, business process, business negotiations	All personnel from sales department	External instructor, Internal training	Quarterly
Management capabilities and skills	Business personnel, middle management	Self-study, discussion	All year around
Customer maintenance and expansion	All personnel from sales department	Internal training	Quarterly

The Group recognizes that employing child labor and forced labor is a violation of basic human rights and international labor conventions, and poses threats to the sustainable development of the society and economy. Because of this, the Group abides by the Labor Law of the People's Republic of China strictly. It will only enforce the requirements in a standard labor contracts instead of setting restrictions unfairly on the employment relations between any employee and the Company in any way. The use of child labor is prohibited as well. Subject to the relevant laws and regulations, employees have the right to terminate labor contracts at liberty. No non-compliance cases involving the use of child labor and forced labor were found during the Reporting Period.

Community Investment

Along with escalating market concerns about corporate behavior and the "Social License to Operate", the pursuit of short-term and maximum financial performance to reward shareholders is no longer the only goal of business management. The Group cherishes its harmonious and inclusive relationship with the communities where it has a presence. It offers support to a variety of programs in the communities, including academic research and education, community environmental protection and construction as well as cultural exchange. It also encourages its employees to participate in volunteer services to show their care for the society through actions.

As a proactive corporation, the Group has a profound understanding in the importance of meeting of different stakeholders expectations as well as the expectations of the communities where the Group operates. In terms of the long-term development, the Group, therefore, places emphasis on striking a balance between the interests of shareholders and the interests of all other stakeholders, and tries to find out what these communities need so as to contribute to the sustainable development of these communities.

Content Index for ESG Reporting Guidelines

Major Aspects	Contents	Page Index
A1 Emissions		
General Disclosure	Information regarding air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste: (a) policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	24
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	24
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	24
B1 Employment		
General Disclosure	Information regarding compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination, and other benefits and welfare: (a) policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	27
B2 Health and Safety		
General Disclosure	Information regarding the provision of a safe working environment and the protection of employees from occupational hazards: (a) policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	28

Content Index for ESG Reporting Guidelines *(Continued)*

Major Aspects	Contents	Page Index
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	29
B4 Labor Standards		
General Disclosure	Information regarding the prevention of child and forced labor:	30
	(a) policies; and	
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer.	
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks associated with the supply chain.	26
B6 Product Liability		
General Disclosure	Information regarding health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress therefor:	26
	(a) policies; and	
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer.	
B7 Anti-corruption		
General Disclosure	Information regarding the prevention of bribery, extortion, fraud and money laundering:	27
	(a) policies; and	
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer.	
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its business activities take into consideration the communities' interests.	30

Biographical Details of Directors

Board of Directors

Executive Directors

Mr. Lin Caihuo, aged 46, has been the Chairman of the Board and an executive Director since November 2014. He also serves as a member of each of the remuneration committee and nomination committee of the Board and is an authorised representative of the Company. He has been engaging in the business of trading, warehousing, transporting and distributing oil products since 2003 and has gained an extensive experience in the industry. He has also been an executive director and the general manager of Fujian Yuhua Petrochemical Company Limited*（福建裕華石油化工有限公司）since February 2003, Xiamen Oceanstar Shipping Company Limited*（廈門海之星航運有限公司）since July 2010, Fujian Yuhua Energy Company Limited*（福建裕華能源有限公司）since April 2013, Fujian Yuhua Group Limited*（福建裕華集團有限公司）since April 2013, Fujian Yuhua Property Management Limited*（福建裕華物業管理有限公司）since February 2014 and Fujian Yuhua Shipping Company Limited*（福建裕華船務有限公司）since March 2014.

Mr. Lin has been the vice president of Fujian Oil and Gas Association*（福建省油氣商會副會長）since 2014. In July 2014, he was elected as the executive vice president of the Chamber of Commerce of Zhangzhou Xiamen*（廈門市漳州商會常務副會長）. Mr. Lin was appointed as a representative of Fujian Province at Thirteenth People's Congress*（福建省第十三屆人民代表大會代表）and also a representative of Zhangzhou City at Fifteenth and Sixteenth People's Congress*（漳州市第十五屆及第十六屆人民代表大會代表）and was the honorary president of the Chamber of Zhangzhou oil*（第三屆漳州市石油商會名譽會長）. In addition, Mr. Lin was appointed as the first vice president of the Federation of Enterprises and Entrepreneurs of Dongshan County*（第一屆東山縣企業與企家聯合會副會長）and the vice chairman of the Ninth Dongshan County Chamber of Commerce*（第九屆東山縣工商聯合會（商會）副主席）. Since August 2012, he has been the honorary president of Charity of Dongshan County*（東山縣慈善總會榮譽會長）. He was an executive director of Sino Haijing Holdings Limited (stock code: 1106) during the period from 10 July 2014 to 2 November 2014, a company whose shares are listed on the Main Board of the Stock Exchange.

Mr. Wang Enguang, aged 67, has been an executive Director since December 2014. He is also the authorised representative of the Company. He completed Basic Courses for Officials of Chinese Government and Communist Party*（黨政幹部基礎專科）from Liaoning Radio and TV University*（遼寧廣播電視大學）in 1986. For the period from 1972 to 1999, he worked in Liaoning Petrochemical Fiber Company*（遼寧石油化纖公司）. He was a vice-manager of raw material supply before leaving. Mr. Wang began serving PetroChina Company Limited*（中國石油天然氣股份有限公司）in 1999 until retirement in July 2010. Before his retirement, he was a manager of the sales company in Jiangxi, the PRC. Mr. Wang has decades of rich experience in the areas of sales and management.

Board of Directors *(Continued)*

Non-Executive Director

Mr. Wang ShouLei, aged 35, has been a non-executive Director since April 2017. He graduated with a master's degree in Economics from Shanghai International Studies University. From December 2012 to June 2014, Mr. Wang was the Eastern China regional general manager and an executive director of the investment banking division of Zhongtai Financial International Limited（中泰金融國際有限公司）("**Zhongtai International**"), the holding company of a substantial shareholder of the Company. He is mainly responsible for investment banking operations in overseas markets and has comprehensive experience in IPO, public bond issue, mergers and acquisitions, structured financing and independent financial advisor. He was the managing director of the global capital markets department of Zhongtai International from December 2014 to November 2017. Since November 2017, he has been the managing director and head of debt capital market, managing director and head of structured finance of Zhongtai International.

Independent Non-Executive Directors

Mr. Liu Yang, aged 36, has been an independent non-executive Director since March 2015. He also serves as the chairman of the remuneration committee and a member of each of the audit committee and the nomination committee of the Board. He graduated from Xian Jiaotong University with a bachelor degree in bio-medical engineering in July 2004 and graduated from Xiamen University with a master degree in bio-medical engineering in June 2007. He was the project manager and senior manager at GF Securities Company Limited (Guangzhou)*（廣發證券股份有限公司（廣州））from July 2007 to April 2011. He was also the business director of Industrial Securities Company Limited (Fuzhou)*（興業證券股份有限公司（福州））and independent non executive director of Sino Haijing Holdings Limited (stock code:1106) (whose shares are listed on the Main Board of the Stock Exchange) from April 2011 to May 2015 and from 12 August 2014 to 3 November 2014 respectively.

Mr. Liu was a general manager of Fujian Fu Xing Industrial Equity Investment Management Limited* 福建省福能興業股權投資管理有限公司 (Formerly known as Fujian Funeng Wuyi Equity Investment Management Limited* 福建省福能武夷股權投資管理有限公司）from May 2015 to May 2017. Since May 2015, he has been an independent director of Xiamen Academy of Building Research Group Co., Ltd*（建築科學研究院集團股份有限公司）, whose shares are listed on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange. Since July 2017, he also has been an executive director of Tibet Universal Capital Investment Management Co. Ltd*（西藏禹澤投資管理有限公司）.

Biographical Details of Directors

Board of Directors *(Continued)*

Independent Non-Executive Directors *(Continued)*

Mr. Lum Pak Sum, aged 56, has been an independent non-executive Director since December 2014. He also serves as the chairman of the audit committee and a member of each of the remuneration and the nomination committee of the Board. He obtained a master's degree in business administration from The University of Warwick in 1994 and a bachelor's degree in laws from University of Wolverhampton in 2002. He is currently a fellow member of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants.

Mr. Lum was an independent non-executive director of Energy International Investments Holdings Limited (stock code: 353), Bestway International Holdings Limited (stock code: 718), Radford Capital Investments Limited (stock code: 901), Pak Tak International Limited (stock code: 2668), Sinogreen Energy International Group Limited (stock code:1159) and Asia Resources Holdings Limited (stock code: 899), whose shares are listed on the Main Board of the Stock Exchange, for the period from September 2005 to July 2011, from March 2010 to May 2013, from May 2010 to November 2013, from June 2014 to November 2014, from April 2009 to November 2014 and from November 2010 to January 2015, respectively. Mr. Lum was also a non-executive director of Orient Securities International Holdings Limited (stock code: 8001), whose shares are listed on the Growth Enterprise Market ("**GEM Board**") of the Stock Exchange, for the period from January 2014 to June 2015.

Since August 2007, January 2014, August 2016 and May 2015, Mr. Lum has been an independent non-executive director of Great China Properties Holdings Limited (stock code: 21), Beautiful China Holdings Company Limited (stock code: 706), Kwan On Holdings Limited (stock code: 1559), whose shares are listed on the Main Board of the Stock Exchange and i-Control Holdings Limited (stock code: 8355), whose shares are listed on the GEM Board of the Stock Exchange, respectively. He was appointed as an independent non-executive director of Anxian Yuan China Holdings Limited (stock code: 922) and S. Culture International Holdings Limited (stock code: 1255), whose shares are listed on the Main Board of the Stock Exchange in May 2017 and June 2017 respectively. He was the chief executive officer of Roma Group Limited (stock code: 8072), a company listed on the GEM Board of the Stock Exchange from June 2017 to October 2017. He was also appointed as an independent non-executive director of Pearl Oriental Oil Limited (stock code: 632), whose shares are listed on the Main Board of the Stock Exchange in December 2017.

Biographical Details of Directors

Board of Directors *(Continued)*

Independent Non-Executive Directors *(Continued)*

Ms. Wong Yan Ki, Angel, aged 46, has been an independent non-executive Director since November 2016. She also served as the chairlady of the nomination committee and a member of the audit committee and the remuneration committee of the Board. She obtained a Bachelor of Arts degree, majoring in international accounting, from Xiamen University in July 1994, a postgraduate certificate in professional accounting from the City University of Hong Kong in November 2000 and a master degree of business administration from Cheung Kong Graduate School of Business in the PRC in October 2009. Ms. Wong also obtained a certificate in taxation and accounting in the PRC from the China Business Centre of The Hong Kong Polytechnic University in October 2002. Ms. Wong has been admitted as fellow member of the Institute of Financial Accountants in the United Kingdom since October 2003, full member of the Society of Registered Financial Planners in Hong Kong since November 2003, full member of the Singapore Institute of Directors since October 2009, member of the Hong Kong Institute of Directors since November 2014, fellow member (FIPA, Australia) of the Institute of Public Accountants since April 2015, founding member of the Hong Kong Independent Non-Executive Director Association since October 2015 and fellow member (FCPA, Australia) of CPA Australia since May 2017. Ms. Wong was also the honorary secretary from 2007 to 2008 and council member of Institute of Financial Accountants in the United Kingdom from 2007 to 2009, and a part-time professor at Xiamen University from 2006 to 2009.

Ms. Wong worked for Deloitte Touché. Tohmatsu from September 1995 to November 1999. She later served a number of roles at Great East Packaging Holdings Limited from October 1999 to March 2003, including group financial controller, financial controller, finance manager and assistant finance manager. Between April 2003 and December 2007, she held various positions at Benefit Capital Limited including vice president and executive director. From April 2005 to November 2005, she also acted as the chief financial officer of Shengda (Group) Holdings Ltd. Since January 2008, Ms. Wong has been the president and executive director of Advanced Capital Limited, where she provides consultancy services for both listed companies and companies preparing for listing. Ms. Wong was appointed as a non-executive and non-independent director of Duty Free International Limited, a company listed on SESDAQ of the Singapore Exchange Limited (Stock Code: DutyFree) from August 2009 to January 2011, during which she acted as the chairman of the board from February 2010 to January 2011. Ms. Wong was appointed as an independent non-executive director of China Best Group Holdings Limited (Stock Code: 0370), whose shares are listed on the Main Board of the Stock Exchange, from June 2011 to September 2014. She was appointed as an independent non-executive director of Oriental Unicorn Agricultural Group Limited (currently known as China Demeter Investments Limited) (Stock Code: 8120), whose shares are listed on the Growth Enterprise Market of the Stock Exchange from October 2011 to May 2013. She was also appointed as an independent non-executive director of China Shengda Packaging Group Inc. (NASDAQ: CPGI) from August 2014 to September 2015. From March 2013 and December 2015, Ms. Wong has been an independent non-executive director of Hengxing Gold Holding Company Limited (Stock Code: 2303) and China Public Procurement Limited (Stock Code: 1094) respectively, whose shares are listed on the Main Board of the Stock Exchange. Since November 2015, Ms. Wong has been an independent non-executive director of 500.com Limited (NYSE: WBAI). Since July 2017, she has also been an independent non-executive director of MIKO International Holdings Limited（Stock Code:1247), whose shares are listed on the Main Board of the Stock Exchange.

* *For identification purpose only*

Report of the Directors

The Directors are pleased to present to the Shareholders their report together with the audited consolidated financial statements of the Group for the Reporting Period.

Principal Activities

The principal activity of the Company is an investment holding. Particulars of the Company's principal subsidiaries are set out in Note 13 to the consolidated financial statements.

Results and Appropriations

The results for the Reporting Period are set out in the consolidated statement of profit or loss on page 57 of this Annual Report.

An interim dividend of HK$0.005 per ordinary share was paid during the Reporting Period. The Directors do not recommend the payment of final dividend for the Reporting Period.

Business Review

A fair review of the business of the Group during the year and a discussion on the Group's future business development are set out in the section headed, "Management Discussion and Analysis" on pages 6 to 9 of this annual report. Discussions on the social, labour and environmental policies and performance are set out in the "Environmental, Social and Governance Report" on pages 22 to 32 of this annual report.

The above discussions form part of this directors' report.

Principal Risks and Uncertainty

Risk associated with financial instruments of the group

The financial risk management objectives and policies of the Group are set out in Note 3 to the consolidated financial statements.

Key sources of estimation uncertainty

Details of the key sources of estimation uncertainty as at 31 December 2017 are set out in Note 4 to the consolidated financial statements.

Compliance with Laws and Regulations

Strenuous efforts are exerted to ensure compliance with the laws and regulations of the jurisdictions in which the Company operates.

In relation to human resources, the Group provides and maintains statutory benefits for its staff, including but not limited to entitlement to mandatory provident fund, basic medical insurance, work injury insurance, etc. staff is entitled to day-off on public holidays and maternity leave.

Compliance with Laws and Regulations *(Continued)*

At the corporate level, the Group complies with the requirements under the Listing Rules and the Securities and Futures Ordinance, Cap. 571 of the laws of Hong Kong for, among other things, the disclosure of information and corporate governance, and the Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules.

Key Relationships with Employees, Customers and Suppliers

The Group is devoted to maintaining good relationship with its suppliers and supplying quality products and services to our customers. Further discussions on key relationships of the Group with employees, customers and suppliers are set out in the "Environmental, Social and Governance Report" on pages 22 to 32 of this annual report.

Reserves

Details of movements in the reserves of the Group during the Reporting Period are set out in the consolidated statement of changes in equity on page 60.

Donations

Charitable and other donations made by the Group during the Reporting Period amounted to approximately HK$1,016,000.

Material Investment and Acquisition

Save as disclosed in this annual report, the Group had no significant investment and acquisition activities during the Reporting Period.

Bank Borrowings

Details of the bank borrowings of the Group as at 31 December 2017 are set out in Note 26 to the consolidated financial statements.

Property, Plant and Equipment

Movements in property, plant and equipment during the year and details of the Group's property, plant and equipment are set out in Note 14 to the consolidated financial statements.

Investment Properties

Movements in investment properties during the year and details of the Group's investment properties are set out in Note 15 to the consolidated financial statements.

Share Capital

Details of movements during the year in the share capital of the Company are set out in Note 22 to the consolidated financial statements.

Equity-linked Agreements

Save as disclosed in this annual report relating to the "Share Option Scheme", no equity-linked agreements were entered into during the Reporting Period or subsisted at the end of the year.

Permitted Indemnity Provision

Pursuant to article 167 of the Articles of Association, subject to relevant laws, every Director shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

Directors

The Directors during the year and up to the date of this annual report were:

Executive Directors

Mr. Lin Caihuo *(Chairman)*
Mr. Wang Enguang

Non-Executive Director

Mr. Wang ShouLei (Appointed on 10 April 2017)

Independent Non-Executive Directors

Mr. Liu Yang
Mr. Lum Pak Sum
Ms. Wong Yan Ki, Angel

In accordance with article 87 of the Articles of Association, Mr. Lin Caihuo and Mr. Wang Enguang will retire from their office by rotation and, being eligible offer themselves for re-election at the forthcoming annual general meeting (the "**AGM**").

None of the Directors offering themselves for re-election at the AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

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

As at 31 December 2017, the interests and short positions of each Director and CEO in 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 (the "**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]	Total number of shares	Approximate percentage of the total issued Shares
Lin Caihuo ("**Mr. Lin**")	Beneficial owner	910,526,556	910,526,556	58.85%

Notes:

(1) Interests in shares stated above represent long positions.

Save as disclosed above, as at 31 December 2017, none of the Directors and CEO 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.

Arrangements to Purchase Shares or Debentures

At no time during the Reporting Period, was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or other body corporate.

Share Option Scheme

On 25 June 2005, a share option scheme (the "**Share Option Scheme**") was approved and adopted by the Shareholders, under which, options may be granted to any eligible persons (as defined in the Share Option Scheme) to subscribe for Shares subject to the terms and conditions stipulated in the Share Option Scheme. The Company has adopted the Share Option Scheme as an incentive to Directors and eligible employees. The Share Option Scheme has expired on 25 June 2015.

Share Option Scheme *(Continued)*

The subscription price for the ordinary shares under the Share Option Scheme shall be determined by the Board and shall not be less than that the highest of: (i) the closing price of the ordinary shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of that grant, which must be a business day; (ii) the average of the closing prices per ordinary share as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of offer of that option; and (iii) the nominal value of the ordinary shares.

The total number of ordinary shares available for issue under the Share Option Scheme and any other schemes must not exceed 10% of the Shares in issue at the date of Shareholders' approval of the Share Option Scheme.

The total number of securities available for issue under the Share Option Scheme as at the date of this report was 123,200,000 Shares (following adjustment after Share Subdivision on 17 January 2018) which represents approximately 3.98% of issued share capital of the Company as at the date of this report. For details, please refer to the announcement of the Company dated 16 January 2018.

A summary of the share option scheme is set out in Note 24 to the consolidated financial statements. Details of the share options granted, exercised, lapsed and outstanding under the Share Option Scheme during the Reporting Period are as follows:

					Number of share options					
Name	**Date of grant (dd/mm/yyyy)**	**Exercise price** HK$	**Vesting date (dd/mm/yyyy)**	**Exercisable period (dd/mm/yyyy)**	**As at 01/01/2017**	**Granted**	**Exercised**	**Adjustment on share subdivision**	**Lapsed**	**As at 31/12/2017**
Eligible employees[1]	19/6/2015	1.2825	19/06/2015	19/06/2015-18/06/2025	30,800,000	–	–	30,800,000	–	61,600,000

Note:

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

Substantial Shareholders' Interests

As at 31 December 2017, according to the register kept by the Company under Section 336 of the SFO, the corporations or persons (other than a Director or CEO) 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[1]	Approximate percentage of the issued Shares
Lin Aihua ("**Ms. Lin**")[2]	Interest of spouse	910,526,556	58.85%
Qilu International Funds SPC (acting for and on behalf of Zhongtai Dingfeng Classified Fund SP) ("**Qilu**")[3]	Person having a security interest in shares	910,526,556	58.85%
Zhongtai International Asset Management Limited ("**Zhongtai International**")[4]	Investment manager	910,526,556	58.85%
Zhongtai Securities Company Limited ("**Zhongtai Securities**")[5]	Interest of controlled corporations	910,526,556	58.85%
Zhongtai Financial International Limited ("**Zhongtai Financial International**")[5]	Interest of controlled corporations	910,526,556	58.85%
Zhongtai Financial Investment Limited ("**Zhongtai Financial Investment**")[5]	Person having a security interest in shares	910,526,556	58.85%

Notes:

(1) Interests in Shares stated above represent long positions.

(2) Ms. Lin is the spouse of Mr. Lin and therefore by virtue of the SFO, Ms. Lin is deemed or taken to be interest in all the Shares held by Mr. Lin.

(3) The 455,263,278 Shares (which were beneficially owned by Mr. Lin) were charged to Qilu to secure a loan granted to Mr. Lin for his personal use. As a result of the Share Subdivisions on 26 April 2017, the number of Shares charged to Qilu is 910,526,556 Shares.

(4) Zhongtai International is the fund manager of Qilu and therefore by virtue of the SFO, Zhongtai International is deemed or taken to be interested in all the Shares held by Qilu.

Substantial Shareholders' Interests *(Continued)*

Notes: *(Continued)*

(5) The 910,526,556 Shares (which were beneficially owned by Mr. Lin) were charged in favour of Zhongtai Financial Investment as a second-ranking charge pursuant to the share charge agreement dated 28 April 2017 and entered into between Mr. Lin and Zhongtai Financial Investment. As Zhongtai Financial Investment is held as to 100% by Zhongtai Financial International which is in turn held as to 100% by Zhongtai Securities, Zhongtai Financial International and Zhongtai Securities are deemed or taken to be interested in all the Shares charged to Zhongtai Financial Investment by virtue of the SFO.

Save as disclosed above, as at 31 December 2017, no other person (other than a Director or CEO) 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.

Directors' Interests in Transactions, Arrangements or Contracts of Significance

Save as disclosed in the paragraph headed "Connected Transactions and Continuing Connected Transactions", there were no other transactions, arrangements or contracts that are significant in relation to the business of the Group to which the Company or any of its subsidiary was a party and in which a Director or his/her connected entity had a material interest, whether directly or indirectly, subsisted at any time during the Reporting Period.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

Related Party Transactions

Save as disclosed in the paragraph headed "Connected Transactions and Continuing Connected Transactions", the significant related party transactions that did not constitute connected transactions under the Listing Rules made during the Reporting Period were disclosed in Note 31 to the consolidated financial statements.

Competing Interest

During the Reporting Period, Mr. Lin and his spouse had interests in the following business conducted through the companies named below:–

Name of company	Nature of interest	Description of business of the company
Fujian Yuhua Petrochemical Company Limited* (福建裕華石油化工有限公司)	Mr. Lin is the executive director and the general manager Mr. Lin and his spouse indirectly hold 90% and 10% of the equity interest respectively	Petroleum product trade, storage, transportation and distribution business
Fujian Yuhua Energy Company Limited* (福建裕華能源有限公司)	Mr. Lin is the executive director and the general manager Mr. Lin and his spouse indirectly hold 90% and 10% of the equity interest respectively	Wholesale and retail of dangerous chemicals, petroleum products, chemical products and machinery equipment leasing
Fujian Yuhua Group Limited* (福建裕華集團有限公司)	Mr. Lin is the executive director and the general manager Mr. Lin and his spouse respectively hold 90% and 10% of the equity interest	Wholesale and retail of petroleum products, management of real estate investment, development, sales, rental, property management and equity investment, business consulting, and enterprise financial management consulting
Xiamen Oceanstar Shipping Company Limited* (廈門海之星航運有限公司)	Mr. Lin is the executive director and the general manager Mr. Lin and his spouse indirectly hold 90% and 10% of the equity interest respectively	Coastal cargo transportation, inland cargo transportation, ship port services, ship management business and real estate development and operation

Save as disclosed above, none of the Directors or their respective close associates (as defined in the Listing Rules) had an interest in a business, which competed or was likely to compete with the business of the Group during the Reporting Period.

Disclosure pursuant to 13.21 of the Listing Rules

On 26 April 2017, the Company and Zhongtai Financial Investment entered into the subscription agreement ("**Subscription Agreement**"), pursuant to which, the Company conditionally agreed to issue the notes with an aggregate principal amount of HK$100,000,000 with interest rate of 6% per annum, due in 2018 ("**Notes**") to Zhongtai Financial Investment and Zhongtai Financial Investment conditionally agreed to subscribe the Notes from the Company.

In connection with the Subscription Agreement, Mr. Lin, the executive Director, chairman and controlling Shareholder of the Company and Zhongtai Financial Investment entered into the share charge agreement ("**Share Charge Agreement**") on 28 April 2017, whereby Mr. Lin agreed to charge 910,526,556 ordinary shares of HK$0.0025 (equivalent to 1,821,053,112 ordinary shares of HK$0.00125 after the Share Subdivision on 17 January 2018) (representing 58.85% of the issued share capital of the Company as at the date of this annual report) in favour of Zhongtai Financial Investment by way of a second-ranking charge.

It is an event of default under the conditions of the Notes if, among others, (i) Mr. Lin owns or beneficially owns less than 58.85% of the voting shares of the Company; (ii) Mr. Lin is no longer in a position to control the composition of a majority of the Board; or (iii) the shares of the Company charged under the Share Charge Agreement constitute less than 58.85% of the issued shares of the Company.

Upon occurrence of an event of default, the Notes shall become immediately due and payable in accordance with the conditions of the Notes, and Zhongtai Financial Investment is entitled to redeem all the Notes.

For further details, please refer to the announcement of the Company dated 26 April 2017.

Change in Information of Directors pursuant to Rule 13.51B(1) of the Listing Rules

There was no change in information of directors pursuant to Rule 13.51B(1) of the Listing Rules since the date of the publication of the 2017 Interim Report of the Company.

Remuneration Policy

The remuneration policy of the Group is set up by the Remuneration Committee on the basis of market trends and the individuals' merit, qualifications and competence.

The Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics, made recommendations to the Board for all remuneration of the executive Directors and senior management of the Company.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme are set out in Note 24 to the consolidated financial statements.

Purchase, Sale or Redemption of the Company's Securities

None of the Company or any of its subsidiaries had purchased, sold or redeemed any of its listed securities during the Reporting Period.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's Articles of Association although there is no restriction against such rights under the laws in the Cayman Islands.

Connected Transactions and Continuing Connected Transactions

During the Reporting Period, the Group had the following connected transactions, details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

Supply and R&D Agreement

On 8 February 2017, Shinhint Industries Limited ("**SHL**"), an indirect wholly-owned subsidiary of the Company entered into supply and research and development service agreement (the"**Supply and R&D Agreement**") with Tai Sing Industrial Company Limited ("**TSI**") for the period from 1 January 2017 to 31 December 2017. Pursuant to the Supply and R&D Agreement, SHL supplied the speaker units to TSI and TSI provided the research and development service ("**R&D service**") to SHL. Since TSI is indirectly and wholly owned by Mr. Cheung who is a director of certain subsidiaries of the Company, TSI is a connected person of the Company. Accordingly, the Supply and R&D Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The annual caps for the supply of speaker units and the R&D service transactions contemplated under the Supply and R&D Agreement were HK$20 million and HK$2.4 million for the years ended 31 December 2017 respectively.

For details, please refer to the announcement of the Company dated 8 February 2017.

For the Reporting Period, the supply of speaker units by SHL, its subsidiary and fellow subsidiaries to TSI under the Supply Agreement amounted to approximately HK$7.39 million and the provision of R&D service by TSI to SHL amounted to approximately HK$1.85 million.

Oil storage tanks and ancillary facilities agreement

On 8 May 2015, 富華(福建)能源有限公司 (Fujian Fuhua Energy Company Limited*) ("**Fujian Fuhua**") and 福建裕華石油化工有限公司 (Fujian Yuhua Petrochemical Company Limited*) ("**Fujian Yuhua Petrochemical**") entered into an oil storage tanks and ancillary facilities agreement ("**Oil Storage Tanks and Ancillary Facilities Agreement**"), pursuant to which, Fujian Yuhua Petrochemical agreed to provide the crude oil jetty and storage services to Fujian Fuhua or any of its subsidiary(ies) or affiliate(s) for a period commencing from 11 May 2015 and ending on 31 December 2017. Mr. Lin Caihuo, an executive Director, is the director and general manager of Fujian Yuhua Petrochemical and together with his spouse, are the ultimate beneficial owners of Fujian Yuhua Petrochemical. Therefore, Fujian Yuhua Petrochemical is a connected person of the Company under Chapter 14A of the Listing Rules. The annual caps for the transactions contemplated under the Oil Storage Tanks and Ancillary Facilities Agreement for the three financial years ended 31 December 2015, 2016 and 2017 are RMB10 million, RMB10 million and RMB10 million respectively.

Connected Transactions and Continuing Connected Transactions

(Continued)

Oil storage tanks and ancillary facilities agreement *(Continued)*

For details, please refer to the announcement of the Company dated 8 May 2015.

For the Reporting Period, the crude oil jetty and storage services provided by Fujian Yuhua Petrochemical to Fujian Fuhua or any of its subsidiary(ies) or affiliate(s) amounted to approximately RMB3.30 million.

Sale and Purchase Framework Agreement

On 7 September 2015, Yuhua Energy (China) Limited (formerly known as Fortune Winner (Hong Kong) Limited) ("**Yuhua Energy (China)**") and Fujian Yuhua Petrochemical and 福建裕華能源有限公司 (Fujian Yuhua Energy Company Limited*) ("**Fujian Yuhua Energy**") entered into the sale and purchase framework agreement ("**Sale and Purchase Framework Agreement**"), pursuant to which Yuhua Energy (China) conditionally agreed to supply the chemical products to Fujian Yuhua Petrochemical and Fujian Yuhua Energy (or any one or more of their subsidiaries) for the three years ended 31 December 2015, 2016 and 2017. Mr. Lin Caihuo, an executive Director, is also the director and general manager of each of Fujian Yuhua Petrochemical and Fujian Yuhua Energy. In addition, Mr. Lin and his associate(s) wholly-own 福建裕華集團有限公司 (Fujian Yuhua Group Limited*), which in turn wholly-owns Fujian Yuhua Petrochemical and Fujian Yuhua Energy. Therefore, each of Fujian Yuhua Petrochemical and Fujian Yuhua Energy is a connected person of the Company under Chapter 14A of the Listing Rules.

The Sale and Purchase Framework Agreement and the transactions contemplated thereunder and the related annual caps for the amount of RMB100 million, RMB300 million and RMB300 million for the three years ended 31 December 2015, 2016 and 2017 respectively had been approved by the independent Shareholders (namely, Shareholders other than Mr. Lin Caihuo) at an extraordinary general meeting of the Company held on 20 November 2015.

For details, please refer to the announcements of the Company dated 7 September 2015 and 20 November 2015 and the circular of the Company dated 3 November 2015.

During the Reporting Period, there was no transaction conducted under the Sale and Purchase Framework Agreement.

Connected Transactions and Continuing Connected Transactions

(Continued)

Pursuant to Rule 14A.56 of the Listing Rules, the auditor of the Company (the "**Auditor**") have been engaged to report on the above continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Auditor had issued an unqualified letter to the Board containing their findings and conclusions in respect of the above continuing connected transactions, in which they have confirmed that nothing has come to their attention that caused them to believe that the above continuing connected transactions in the Reporting Period (i) had not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing such transactions; and (iv) had exceeded the annual cap amount for the year ended 31 December 2017.

All the independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that those transactions had been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Major Customers and Suppliers

During the Reporting Period, sales to the Group's five largest customers accounted for approximately 63.6% of the Group's sales for the year and sales to the Group's largest customer included therein accounted for approximately 35.8%.

During the Reporting Period, purchase from the Group's five largest suppliers accounted for approximately 55.0% of the Group's total purchases for the year and purchase from the Group's largest supplier included therein accounted for approximately 26.8%.

None of the Directors, their close associates or any shareholder (which to the knowledge of the Directors own more than 5% of the Company's share capital) had an interest in the major customers or suppliers noted above.

Important Events after the Balance Sheet Date

Save as disclosed in this annual report, there was no important event affecting the Group that had occurred since the end of 31 December 2017.

Public Float

As at the latest practicable date prior to the issue of this annual report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

Five-Year Financial Summary

A summary of the consolidated results and the assets and liabilities of the Group for the last five financial years is set out on page 126.

Closure of Register of Members

For the purposes of determining the Shareholders' eligibility to attend and vote at the annual general meeting of the Company to be held on 25 May 2018 (Friday) (the "**2017 AGM**"), the register of members of the Company will be closed from 21 May 2018 (Monday) to 25 May 2018 (Friday), both days inclusive. During the closure period, no transfer of Shares will be registered. To be eligible to attend and vote at the 2017 AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 18 May 2018 (Friday).

Auditor

Messrs. Deloitte Touche Tohmatsu ("**Deloitte**") had acted as the Auditor for the year ended 31 December 2013. Deloitte has tendered its resignation as the Auditor with effect from 21 November 2014. Messrs. Cheng & Cheng Limited ("**Cheng & Cheng**") has been appointed as the Auditor with effect from 21 November 2014 to fill the casual vacancy following the resignation of Deloitte.

Cheng & Cheng had acted as the Auditor for the years ended 31 December 2014 and 2015. Cheng & Cheng has retired with effect from 27 May 2016. Messrs. PricewaterhouseCoopers ("**PwC**") has been appointed as the Auditor with effect from 27 May 2016 following the retirement of Cheng & Cheng.

The consolidated financial statements of the Company for the Reporting Period have been audited by PwC who will retire and, being eligible, offer themselves for re-appointment at the AGM. A resolution will be submitted to the AGM for the re-appointment of PwC as the Auditor.

On behalf of the Board

Lin Caihuo
Chairman

Hong Kong, 23 March 2018

* *For identification purposes only*

Independent Auditor's Report

羅兵咸永道

To the Shareholders of Yuhua Energy Holdings Limited
(incorporated in Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Yuhua Energy Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 57 to 125, which comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("**the Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Revenue from energy trading – principal or agent
- Valuation of investment properties

Key Audit Matter	**How our audit addressed the Key Audit Matter**
1. Revenue from energy trading – principal or agent	
Refer to note 2.24(a) (Summary of significant accounting policies) and note 5 (Segment information) of the consolidated financial statements.	We inquired and assessed management's analysis of the determination of revenue recognition based on gross amount, collaborating with the evidences obtained from the understanding of the energy trading business model and the transaction flows, and reviewed the terms of the sales contracts with major customers and the purchase contracts with major suppliers.

Key Audit Matters *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter

*1. **Revenue from energy trading – principal or agent** (Continued)*

During the year ended 31 December 2017, the Group recognized revenue from energy trading amounted to HK$9,433.0 million. The Group recognized the revenue at gross amount as a principal, since:

- The Group was responsible for fulfilling the terms of sales and purchase agreements and dealing with any disputes relating to the sales and purchase transactions, separately;
- Goods were shipped from suppliers to an agreed destination where customers could pick up directly. For energy domestic trading, the risks related to the goods were transferred from suppliers to the Group and then to customers, when the goods are accepted by the Group and customers at the pick up place, respectively. For energy international trading, the risks related to the goods were transferred from suppliers to the Group and then to customers, when the goods were shipped at the shipping point, respectively;
- The transaction prices were determined separately based on negotiations with customers and suppliers; and
- The Group bore the credit risk of the sales considerations of energy trading, and the considerations were received in the form of gross amount instead of sales commission.

We evaluated and validated management's key controls in sales and purchase processes relating to the trading transactions, all the way through to payment for purchases and reconciliations with settlements of trade receivables.

We tested revenue recorded on sample basis by examining the relevant supporting documents including the goods delivery notes, certificates of ownership, bills of landing, sales invoices and bank slips of the trading transactions.

Based on the procedures performed, we found the judgement applied by management in determining the Group as principal during the energy trading business was supported by the evidences we gathered.

Key Audit Matters *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
1. Revenue from energy trading – principal or agent *(Continued)*	
In summary, the Group was primarily responsible for fulfilling the sales agreements, had the discretion in determining selling prices, assumed inventory risk and took credit risk of the trading transactions. We focused on this area due to the significant judgement involved in the assessment of managements' determination of principal or agent for the purpose of revenue recognition of the energy trading transactions.	
2. Valuation of investment properties	
Refer to note 2.7 (Summary of significant accounting policies) of the consolidated financial statements. Management has estimated the fair value of the Group's investment properties to be HK$122.0 million at 31 December 2017, resulting in a fair value gain of HK$9.2 million (net of tax) recorded in the consolidated statement of profit or loss for the year ended 31 December 2017. Independent external valuations were obtained in respect of the investment properties of the Group in order to support management's estimates. We focused on this area due to that fair value gain was material to the Group, and the valuations were dependent on certain key assumptions that require significant management judgement, including market selling price and fair market rents.	We evaluated the independent external valuers' competence, capabilities and objectivity. We assessed the methodologies used and the appropriateness of the key assumptions based on our knowledge of the property industry and using our in-house valuation experts. We checked the accuracy and relevance of the input data used on a sample basis. Based on the procedures performed, we found the methodologies used in preparing the valuations were appropriate and the key assumptions were supported by the available evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(Continued)*

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Dou Wang, Angel.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2018

Consolidated Statement of Profit or Loss

For the year ended 31 December 2017

	NOTE	2017 HK$'000	2016 HK$'000
Revenue	5	**10,030,287**	5,915,428
Cost of sales	6	**(9,877,153)**	(5,804,897)
Gross profit		**153,134**	110,531
Distribution expenses	6	**(12,162)**	(4,188)
Administrative expenses	6	**(68,567)**	(66,126)
Other income	8	**3,037**	856
Other gains – net	9	**7,068**	2,814
Operating profit		**82,510**	43,887
Finance income	10	**715**	51
Finance expenses	10	**(17,918)**	(8,782)
Finance expenses– net	10	**(17,203)**	(8,731)
Profit before income tax		**65,307**	35,156
Income tax expense	11	**(18,454)**	(10,786)
Profit for the year, all attributable to owners of the Company		**46,853**	24,370
			(Restated)
Earnings per share attributable to owners of the Company for the year			
Basic earnings per share (in cents per share)	12	**3.03**	1.58
Diluted earnings per share (in cents per share)	12	**3.03**	1.58

The notes on pages 62 to 125 are an integral part of these consolidated financial statements

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	NOTE	**2017** **HK$'000**	2016 HK$'000
Profit for the year		**46,853**	24,370
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss			
– Currency translation differences		**33,222**	(22,878)
Total comprehensive income for the year, all attributable to owners of the Company		**80,075**	1,492

The notes on pages 62 to 125 are an integral part of these consolidated financial statements

Consolidated Statement of Financial Position

As at 31 December 2017

	NOTE	2017 HK$'000	2016 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	14	**49,598**	5,972
Investment properties	15	**122,005**	–
Intangible assets	16	**978**	978
Prepayment for non-current assets	17	**231**	103,779
Rental deposits		**611**	571
Deferred income tax assets	27	**284**	280
		173,707	111,580
Current assets			
Inventories	19	**65,765**	33,855
Trade and other receivables and prepayments	20	**1,166,975**	677,196
Cash and cash equivalents	21	**20,323**	54,668
Restricted cash	21	**103,360**	44,717
		1,356,423	810,436
Total assets		**1,530,130**	922,016
Equity			
Equity attributable to owners of the Company			
Share capital	22	**3,868**	3,868
Other reserves	23	**203,161**	163,937
Retained earnings		**220,558**	187,443
Total equity		**427,587**	355,248
Liabilities			
Non-current liabilities			
Deferred income tax liabilities	27	**8,683**	4,113
Current liabilities			
Trade and other payables	25	**780,843**	358,514
Current income tax liabilities		**4,004**	4,029
Borrowings	26	**309,013**	200,112
		1,093,860	562,655
Total liabilities		**1,102,543**	566,768
Total equity and liabilities		**1,530,130**	922,016

The notes on pages 62 to 125 are an integral part of these consolidated financial statements.

The financial statements on pages 57 to 125 were approved by the Board of Directors on 23 March 2018 and were signed on its behalf.

Lin Caihuo
Director

Wang Enguang
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	NOTE	Attributable to owners of the Company			
		Share capital HK$'000	**Other reserves** HK$'000	**Retained profits** HK$'000	**Total equity** HK$'000
Balance at 1 January 2016		3,868	191,731	158,157	353,756
Comprehensive income					
Profit for the year		–	–	24,370	24,370
Other comprehensive loss					
Currency translation differences		–	(22,878)	–	(22,878)
Total comprehensive income/(loss)		–	(22,878)	24,370	1,492
Transactions with owners in their capacity as owners					
Employees share option scheme:					
– Lapse of share options	24	–	(8,224)	8,224	–
Appropriation to statutory reserves	23	–	3,308	(3,308)	–
Balance at 31 December 2016		3,868	163,937	187,443	355,248
Comprehensive income					
Profit for the year		–	–	46,853	46,853
Other comprehensive income					
Currency translation differences		–	33,222	–	33,222
Total comprehensive income		–	33,222	46,853	80,075
Transactions with owners in their capacity as owners					
Dividends paid	28	–	–	(7,736)	(7,736)
Appropriation to statutory reserves	23	–	6,002	(6,002)	–
Balance at 31 December 2017		3,868	203,161	220,558	427,587

The notes on pages 62 to 125 are an integral part of these consolidated financial statements

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Cash flows from operating activities			
Cash used in operations	29(a)	**(36,446)**	(21,448)
Income tax paid		**(14,020)**	(12,796)
Net cash used in operating activities		**(50,466)**	(34,244)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**2**	30
Purchases of property, plant and equipment		**(49,600)**	(346)
Prepayment for non-current assets		**(223)**	(4,571)
Net cash used in investing activities		**(49,821)**	(4,887)
Cash flows from financing activities			
Proceeds from bank borrowings		**730,944**	572,387
Repayments of bank borrowings		**(734,124)**	(500,838)
Proceeds from issuance of notes payable		**94,653**	–
Repayment of finance lease liabilities		**–**	(22)
Dividends paid		**(7,736)**	–
Interest paid		**(17,921)**	(8,684)
Net cash generated from financing activities		**65,816**	62,843
Net (decrease)/increase in cash and cash equivalents		**(34,471)**	23,712
Cash and cash equivalents at beginning of year		**54,668**	30,948
Effect of foreign exchange rate changes		**126**	8
Cash and cash equivalents at end of year		**20,323**	54,668

The notes on pages 62 to 125 are an integral part of these consolidated financial statements.

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, including mainly trading of fuel oil and kerosene, speaker manufacturing and sales, and oil tanker transportation business. The Group has operations mainly in Hong Kong and Mainland China.

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

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

These consolidated financial statements were approved for issue by the Board of Directors on 23 March 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

2.1.1 Compliance with HKFRS and HKCO

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") and requirements of the Hong Kong Companies Ordinance (Cap. 622).

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.2 Historical cost convention

The financial statements have been prepared on a historical cost basis, except for investment properties, which are measured at fair value.

2.1.3 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following amendments to standards relevant to the Group have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2017:

– Amendments to HKAS 7, 'Statement of cash flows'. It introduced an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financial activities.

– Amendments to HKFRS 12, 'Disclosure of interest in other entities'. It clarified that the disclosure requirement of HKFRS 12 is applicable to interest in entities classified as held for sale except for summarise financial information (para B17 of HKFRS 12).

– Amendments to HKAS 12, 'Income taxes'. It clarified how to account for deferred tax assets related to debt instruments measured at fair value.

The adoption of these amendments did not have any material impact on the Group's financial statements for the current period or any prior periods, except that the amendments to HKAS 7 required disclosure of changes in liabilities arising from financial activities, see Note 29(b).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.3 Changes in accounting policy and disclosures (Continued)

(b) New standards and interpretations not yet adopted

Certain new accounting standards and amendments to standards and interpretations have been published that are not mandatory for 31 December 2017 reporting year and have not been early adopted by the Group. These new standards and amendments to standards and interpretations are set out below:

Standards and amendments	**Effective for annual periods beginning on or after**
HKFRS 9 'Financial instruments'	1 January 2018
HKFRS 15 'Revenue from contracts with customers'	1 January 2018
HKFRS 16 'Leases'	1 January 2019
HKFRS 17 'Insurance contracts'	1 January 2021
Amendment to HKFRS 2 'Classification and Measurement of Share-based Payment Transactions'	1 January 2018
Amendment to HKFRS 4 'Insurance contracts'	1 January 2018
Amendment to HKFRS 9 'Financial instruments'	1 January 2018
Amendment to HKFRS 15 'Revenue from contracts with customers'	1 January 2018
Amendment to HKFRS 40 'Investment property'	1 January 2018
HK(IFRIC) 22 'Foreign currency transactions and advance consideration'	1 January 2018
HK(IFRIC) 23 'Uncertainty over income tax treatments'	1 January 2019
Annual improvements project – 2014 – 2016 projects	1 January 2018
Amendments to HKFRS 10 and HKAS 28 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined

Management is currently assessing the effects of applying these new standards and amendments on the Group's financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below. The Group does not expect to adopt these new standards and amendments until their effective dates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.3 Changes in accounting policy and disclosures (Continued)

HKFRS 9, 'Financial instruments'

Nature of change

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets as the Group does not have:

- Debt instrument that are classified as available-for-sale financial assets;
- Debt instrument classified as held-to-maturity and measured at amortised cost;
- Equity investment measured at fair value through profit or loss.

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group does not have any hedge instruments. Therefore, the Group does not expect any impact on the new hedge accounting rules.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group does not expect material change to the loss allowance for trade debtors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.3 Changes in accounting policy and disclosures *(Continued)*

HKFRS 9, 'Financial instruments' *(Continued)*

Impact *(Continued)*

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Date of adoption by the Group

Must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

HKFRS 15, 'Revenue from contracts with customers'

The HKICPA has issued a new standard for the recognition of revenue, which will be effective for the financial period beginning on or after 1 January 2018. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and related literature.

Nature of change

The new standard establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an 'earnings processes to an 'asset-liability' approach based on transfer of control. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

Management has assessed the effects of applying the new standard on the Group's financial statement and conclude that except for the new requirement on disclosure, there will be no material impact on the Group's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.3 Changes in accounting policy and disclosures *(Continued)*

HKFRS 15, 'Revenue from contracts with customers' *(Continued)*

Date of adoption by the Group

The standard is mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

HKFRS 16, 'Leases'

Nature of change

The new standard, which will be effective for the financial period beginning on or after 1 January 2019, will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The new standard will affect primarily the accounting for the Group's operating leases. As at 31 December 2017, the Group has non-cancellable operating lease commitments of HK$82,871,000 (Note 30(b)). However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows. Some of these commitments may be covered by the exception for short-term and low-value leases.

Management is still assessing the financial impact. Based on the preliminary assessment result, the Group does not expect a material impact on the Group's financial statements.

Date of adoption by the Group

The standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Principles of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Company's board of directors that makes strategic decisions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("**the functional currency**"). The functional currency of majority companies of the Group is Renminbi ("**RMB**"). The consolidated financial statements are presented in HK dollars, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

All foreign exchange gains and losses are presented in statement of profit or loss within 'Other gains – net', unless they are related to borrowings which are presented in 'finance expenses'.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Property, plant and equipment

Property, plant and equipment including plant and machinery, moulds, furniture, fixtures and office equipment, motor vehicles and leasehold improvement is stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

– Plant and machinery	5-10 years
– Oil tanker	20 years
– Moulds	3 years
– Furniture, fixtures and office equipment	3-5 years
– Leasehold improvements	Shorter of 5 years or remaining lease term
– Motor vehicles	4-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other gains – net' in the statement of profit or loss.

2.7 Investment properties

Investment properties, principally office buildings, are held for long-term rental yields and are not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, they are carried at fair value. Changes in fair values are presented in profit or loss as part of 'Other gains – net'.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Intangible assets

Club membership

Club membership with indefinite useful life is carried at cost less subsequent accumulated impairment losses, if any (Note 2.10).

2.9 Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.11 Financial assets

(a) Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition. See Note 18 for details about each type of financial asset.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The Group's loans and receivables comprise of trade and other receivables, rental deposits and cash and cash equivalents (Notes 2.15 and 2.16).

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Financial assets *(Continued)*

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Details on how the fair value of financial instruments is determined are disclosed in Note 3.3.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.13 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "**loss event**") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost of finished goods and work in progress comprises direct materials, direct labour, and an appropriate proportion of variable and fixed overhead expenditure (based on normal operating capacity). Costs of purchased inventory are determined after deducting rebates and discounts. Costs are assigned to individual items of inventory based on first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

2.15 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected within 12 months after the report period (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. See Note 2.11 for further information about the Group's accounting for trade receivables and Note 2.13 for a description of the Group's impairment policies.

2.16 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.17 Share capital

Ordinary shares are classified as equity (Note 22).

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are classified as current liabilities if payment is due within 12 months after the reporting period (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.19 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.20 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are expensed in the period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Current and deferred income tax *(Continued)*

(b) Deferred income tax *(Continued)*

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.22 Employee benefits

The Group participates in defined contribution retirement schemes administered by local governments in different cities of the PRC (the "**Central Schemes**"). The Group and the employees are required to make cash contributions calculated at certain percentages of the employees' basic salaries to the Central Schemes. The assets of the schemes are held separately from those of the Group in independently administered funds.

The Group also operates the mandatory provident fund scheme (the "**MPF Scheme**") for its Hong Kong staff. The MPF Scheme is a defined contribution retirement benefit scheme administered by independent trustees. Contributions from the employer are vested in the employees as soon as they are paid to relevant MPF Scheme but all benefits derived from the mandatory contributions must be preserved until the employee reaches the retirement age of 65 subject to a few exceptions. The assets of the schemes are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred. The Group has no further payment obligations once the contributions have been made.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Share-based payments

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the statement of profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium account accordingly.

2.24 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of energy trading products

Revenue is recognised when the risks and rewards of ownership of the goods have been transferred to customer, which is usually at the date when goods are delivered to the location as agreed on the sales contract and the certificates of ownership are handed over to customer, or when goods are shipped at the shipping point.

Revenue is measured at the amount receivable under the sales contract.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.24 Revenue recognition *(Continued)*

(b) *Sales of speaker units*

Revenue is recognised when the risks and rewards of ownership of the goods have been transferred to customer, which is usually at the date when the goods are delivered to customer and the customer has accepted the products, the collectability of the related receivables is reasonably assured and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Revenue is based on the price specified in the sales contracts.

(c) *Revenue from oil tanker transportation service*

Revenue from transportation service is recognised in the accounting period in which the services are rendered and is recognised based on the percentage of completion of the shipment service as at the report date. The percentage of completion of a shipment service is estimated based on the days of a voyage completed as at the report date to the total days of the voyage.

Revenue is based on the price specified in the contract. Estimate of revenue and cost or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

(d) *Rental income*

Rental income from investment properties is recognised in the consolidated statement of profit or loss on a straight-line basis over the term of the lease.

(e) *Interest income*

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.25 Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the group is a lessor is recognised in income on a straight-line basis over the lease term (Note 15). The respective leased assets are included in the balance sheet based on their nature.

2.26 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.27 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) *Market risk*

(i) *Foreign exchange risk*

The Group operates in PRC and Hong Kong and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar (US$). Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. To mitigate the impact of exchange rate fluctuations, the Group continually assesses and monitors the exposure to foreign exchange risk. The management will consider hedging significant foreign currency exposure should the need arise.

As at 31 December 2017, the Group did not have material assets and liabilities that are denominated in a currency other then the functional currency of the Group. As HK dollar is currently pegged to US dollar, the management considers that the exposure to exchange rate fluctuation in respect of US dollar is limited. No sensitivity analysis is presented.

(ii) *Fair value interest rate risk*

Except for cash at bank and restricted cash (Note 21), the Group has no other significant interest-bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates. Management does not anticipate significant impact on interest-bearing assets resulted from the changes in interest rates because the interest rates of bank deposits are not expected to change significantly.

The Group's interest rate risk mainly arises from short-term borrowings. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises. The management considers that the Group's exposure to interest rate fluctuations is insignificant.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk

As at 31 December 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's credit risk is primarily attributable to its trade debtors. The Group is exposed to concentration of credit risk as a substantial portion of its trade debtors is generated from a limited number of customers. The top five customers of the Group accounted for about 81% (2016: 93%) of the Group's trade debtors as at 31 December 2017, of which an aggregate carrying amount of HK$12,209,000 (2016: HK$48,321,000) which are past due but not impaired at the end of reporting period. These relate to a number of independent customers for whom there is no recent history of default. The assessment on impairment on debtors is set out in Note 20.

In order to minimise the credit risk, the Group manages its credit risk by closely monitoring the granting of credit period and credit limit and follow-up action is taken to recover overdue debts. The Group reviews the recoverable amount of each individual trade debtor at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparts are banks with high credit-ratings and reputable banks in Hong Kong and PRC.

(c) Liquidity risk

The Group regularly monitors its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate credit lines from banks to meet its liquidity requirements in the short and longer term. The Group finances its working capital requirements through a combination of funds generated from operations and bank borrowings. As at 31 December 2017, the Group had available unutilised short-term bank loan facilities amounting to HK$299,075,000 (2016: HK$224,706,000).

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk (Continued)

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	At 31 December	
	2017	2016
	HK$'000	HK$'000
Less than 1 year		
Borrowings	**309,013**	200,112
Interest payable	**4,368**	3,282
Trade and other payables (excluding non-financial liabilities)	**564,385**	313,654
	877,766	517,048

3.2 Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. In addition, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, cash and cash equivalents and equity attributable to the owners of the Company, comprising issued share capital, share premium, reserves and retained earnings.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

(a) Financial assets and liabilities

The fair value of the following financial assets and liabilities approximate their carrying amount as at the balance sheet dates of 31 December 2017 and 31 December 2016 due to their short term maturity:

- Trade and other receivables (excluding prepayments to suppliers and export tax rebate receivables)
- Cash and cash equivalents
- Rental deposits
- Trade and other payables (excluding advances from customers, payroll and welfare payables and taxes payables)
- Borrowings

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

(a) Financial assets and liabilities (Continued)

(i) Fair value hierarchy

The Group has classified its financial instruments into the three levels prescribed under the accounting standards.

	Note	**Level 3** HK$'000
At 31 December 2017		
Investment properties – leased office	15	122,005
Total non-financial assets		122,005

There was no non-financial assets or liability recognised or measured at fair value as at 31 December 2016.

(b) Non-financial assets and liabilities

(ii) Valuation techniques used in determine level 3 fair value

As at 31 December 2017, the valuations of the investment properties was carried out by Xiamen Chengdehang of Assets and Real Estate Land Evaluation Co., Ltd (廈門誠德行資產與房地產土地評估有限公司). The Group reviews the valuations performed by the independent valuer for financial reporting purposes. Discussions of valuation processes and results are held between management and the independent valuer at least annually.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

(b) Non-financial assets and liabilities (Continued)

(iii) Valuation inputs and relationship to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements.

Unobservable inputs*	Inputs 2017	Relationship of unobservable inputs to fair value
Risk-adjusted discount rate	3%	The higher the discount rate, the lower the fair value
Expected vacancy rate	9.26%	The higher the expected vacancy rate, the lower the fair value
Rental growth rate	2.5%	The higher the rental growth rate, the higher the fair value
Market sales price	RMB17,800/m^2 to RMB20,046/m^2	The higher the market sales price, the higher the fair value

* There were no significant inter-relationships between unobservable inputs that materially affect fair values.

(iv) Fair value measurements using significant unobservable inputs (level 3)

The changes in level 3 items for the year ended 31 December 2017 for recurring fair value measurements are set out in Note 15.

There were no transfers among Level 1, Level 2 and 3 during the year.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Revenue recognition of energy trading business – principal or agent

The Group is engaged in energy trading, mainly the trading of fuel oil and kerosene. The Group negotiates transaction prices with suppliers and customers separately. The goods are shipped from suppliers to an agreed destination where the customers can pick up directly. Determination of principal or agent for revenue recognition purpose involves significant judgement. The Group recognises revenue from trading of energy at gross amount as a principal based on the below fact pattern and judgement:

- The Group is responsible for fulfilling the terms of sales and purchase agreements and dealing with any disputes relating to the sales and purchase transactions, separately;

- Goods were shipped from suppliers to an agreed destination where customers could pick up directly. For energy domestic trading, the risks related to the goods were transferred from suppliers to the Group and then to customers, when the goods are accepted by the Group and customers at the pick up place, respectively. For energy international trading, the risks related to the goods were transferred from suppliers to the Group and then to customers, when the goods were shipped at the shipping point, respectively;

- The transaction prices were determined separately based on negotiations with customers and suppliers; and

- The Group bore the credit risk of the sales considerations of energy trading, and the considerations were received in the form of gross amount instead of sales commission.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(b) Allowance for inventories

A significant portion of the Group's inventories in the speaker business is subject to frequent technological changes. The management reviews the inventory age listing on a periodic basis to identify slow-moving and obsolete inventories and makes allowance for obsolete items. The management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. If the market conditions were to deteriorate and more obsolete and slow-moving inventory items were to be identified, additional allowances may be required. As at 31 December 2017, the carrying amount of inventories was HK$65,765,000 (2016: HK$33,855,000), net of allowance for inventories of HK$477,000 (2016: HK$542,000).

(c) Impairment of trade and other receivables

The Group's management determines the provision for impairment of trade and other receivables. This estimate is based on the credit history of its customers and current market conditions. Management reassesses the provision on a regular basis by reviewing the settlement of receivable balances based on past credit history and any prior knowledge of debtor insolvency and market volatility.

(d) Current tax and deferred tax

The Group is subject to income taxes in the PRC and in Hong Kong. Significant judgement is required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and provisions in the period in which such determination is made.

Deferred income tax assets and liabilities are determined using tax rates that are expected to apply when the related deferred income tax assets are realised or the deferred income tax liabilities are settled. The expected applicable tax rate is determined based on the enacted tax laws and regulations and the actual situation of the Group. The management of the Group will revise the expectation where the intending tax rate is different from the original expectation.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(e) Estimation of the fair values of investment properties

The Group's leased office investment properties are initially measured at cost, and subsequently are carried at fair value. Changes in fair value are recorded in profit or loss. The Group engages external independent and qualified valuer to determine the fair value of the Group's investment properties at the end of every financial year. The valuation of the Group's investment properties is derived by making reference to recent comparable sales transactions available in the relevant property market ("**Market Approach**") and by discounting a projected cash flow series associated with the properties using risk-adjusted discount rates ("**Income Approach**"). The Group has adopted the average results of the Income Approach and the Market Approach.

The valuations were dependent on certain key assumptions that require significant management judgement, including market selling price and fair market rents.

During the year ended 31 December 2017, a fair value gain of HK$12,286,000 was recognized in 'Other gains – net' (Note 9).

Further information about the valuation of investment properties is provided in Note 3.3(b).

5. SEGMENT INFORMATION

The Company's board of directors is the Group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the board of directors for the purposes of allocating resources and assessing performance.

The board of directors considers the business from business lines perspective, and assesses the performance of the Group in three business lines, energy trading which comprises mainly the trading of fuel oil and kerosene, speaker manufacturing and oil tanker transportation.

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

The Group's deferred income tax assets, intangible assets, prepayment for non-current assets and investment properties are not considered to be segment assets and the Group's liabilities, borrowings, deferred income tax liabilities, and current income tax liabilities are not considered to be segment liabilities for reporting to the board of directors as they are managed on a central basis.

5. SEGMENT INFORMATION *(Continued)*

Segment information is as follows:

	2017				2016		
	Energy trading HK$'000	**Speaker manufacturing HK$'000**	**Oil tanker transportation HK$'000**	**Total HK$'000**	Energy trading HK$'000	Speaker manufacturing HK$'000	Total HK$'000
Segment results							
Year ended 31 December							
Segment revenue							
– Revenue from external customers	**9,433,035**	**567,639**	**29,613**	**10,030,287**	5,433,950	481,478	5,915,428
Segment profit	**57,112**	**14,392**	**5,022**	**76,526**	26,991	25,810	52,801
Fair value gain on investment properties				**12,286**			–
Unallocated operating expenses				**(6,302)**			(8,914)
Operating profit				**82,510**			43,887
Finance expenses – net				**(17,203)**			(8,731)
Profit before income tax				**65,307**			35,156
Income tax expense				**(18,454)**			(10,786)
Profit for the year				**46,853**			24,370
Other segment information							
Depreciation charge	**994**	**1,005**	**2,099**	**4,098**	1,083	2,922	4,005
Capital expenditure	**3,966**	**737**	**45,795**	**50,498**	–	346	346
Assets							
As at 31 December							
Segment assets	**1,090,231**	**270,480**	**45,201**	**1,405,912**	590,212	225,623	815,835
Unallocated assets				**720**			1,144
Deferred income tax assets				**284**			280
Intangible assets				**978**			978
Prepayment for non-current assets				**231**			103,779
Investment properties				**122,005**			–
Total				**1,530,130**			922,016
Liabilities							
As at 31 December							
Segment liabilities	**540,628**	**187,951**	**48,989**	**777,568**	207,244	142,324	349,568
Unallocated liabilities				**3,275**			8,946
Borrowings				**309,013**			200,112
Current income tax liabilities				**4,004**			4,029
Deferred income tax liabilities				**8,683**			4,113
Total				**1,102,543**			566,768

5. SEGMENT INFORMATION *(Continued)*

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

	2017 HK$'000	2016 HK$'000
China	9,506,565	5,568,626
Belgium	478,474	224,744
Japan	8,752	6,620
Germany	5,897	17,591
US	4,144	16,214
Canada	2,955	8,406
Other countries	23,500	73,227
Total	10,030,287	5,915,428

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

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

	2016 HK$'000
Revenue from customer attributable to energy trading Company C	603,552

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

	2017 HK$'000	2016 HK$'000
China mainland	127,096	107,909
Hong Kong	45,716	2,820
	172,812	110,729

6. EXPENSES BY NATURE

	2017 HK$'000	2016 HK$'000
Changes in inventories of finished goods and work in progress	**(33,527)**	(2,252)
Cost of goods sold	**9,352,520**	5,392,098
Raw materials and consumables used	**453,664**	339,176
Employee benefit expense (Note 7)	**99,014**	85,553
Port disbursement and refueling figures	**19,131**	–
Operating lease payments	**11,997**	10,693
Storage fees	**10,128**	3,852
Customs & excise and other taxes	**9,825**	5,598
Utilities	**4,476**	4,490
Depreciation (Notes 14)	**4,098**	4,005
Research and development cost	**3,271**	3,153
Repairs and maintenance expenses	**3,206**	2,636
Legal and professional fees	**2,632**	8,075
Auditors' remuneration – annual report	**1,480**	1,480
Auditors' remuneration – others	**521**	747
(Reversal of inventory write-down)/inventory write-down	**(100)**	145
Other expenses	**15,546**	15,762
Total cost of sales, distribution expenses and administrative expenses	**9,957,882**	5,875,211

7. EMPLOYEE BENEFIT EXPENSE

	2017 HK$'000	2016 HK$'000
Wages and salaries	**91,414**	78,750
Social security and retirement benefit cost	**6,404**	5,148
Other staff welfare	**1,196**	1,655
Total employee benefit expense	**99,014**	85,553

7. EMPLOYEE BENEFIT EXPENSE *(Continued)*

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2016: one) director whose emoluments are reflected in the analysis shown in Note 33. The emoluments payable to the remaining four (2016: four) individuals during the year are as follows:

	2017 HK$'000	2016 HK$'000
Salaries, allowances and benefits	**9,061**	9,092
Retirement benefit scheme contributions	**56**	56
Bonuses	**–**	120
	9,117	9,268

The emoluments fell within the following bands:

	Number of individuals 2017	Number of individuals 2016
Emolument bands (in HK dollar)		
Within HK$1,000,000	**2**	2
HK$1,000,000 – HK$1,500,000	**1**	1
Over HK$2,500,000	**1**	1

8. OTHER INCOME

	2017 HK$'000	2016 HK$'000
Government grant related to income	**2,884**	856
Rental income from investment properties	**153**	–
	3,037	856

9. OTHER GAINS – NET

	2017	2016
	HK$'000	HK$'000
Fair value gains on investment properties (Notes 15)	**12,286**	–
Net foreign exchange (loss)/gain	**(4,915)**	6,013
Loss on disposal of property, plant and equipment	**(49)**	(3,180)
Other losses	**(254)**	(19)
	7,068	2,814

10. FINANCE INCOME AND EXPENSES

	2017	2016
	HK$'000	HK$'000
Interest expense:		
– Bank borrowings	**(10,322)**	(8,782)
– Notes payable	**(7,596)**	–
Finance expenses	**(17,918)**	(8,782)
Interest income	**715**	51
Finance income	**715**	51
Finance expenses – net	**(17,203)**	(8,731)

11. INCOME TAX EXPENSE

	2017 **HK$'000**	2016 HK$'000
Current income tax:		
Current income tax on profits for the year – Hong Kong	**1,271**	2,609
Overprovision in prior years – Hong Kong	**(3,631)**	–
	(2,360)	2,609
Current income tax on profits for the year – PRC	**15,549**	8,435
Underprovision/(Overprovision) in prior years – PRC	**787**	(1,585)
	16,336	6,850
Total current income tax	**13,976**	9,459
Deferred income tax (Note 27)	**4,478**	1,327
Income tax expense	**18,454**	10,786

Hong Kong profits tax has been provided for at the rate of 16.5% (2016:16.5%) on the estimated assessable profits of the Group's subsidiaries in Hong Kong for the year.

Taxation on PRC income has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the PRC in which the Group operates. The Company's subsidiaries incorporated in the PRC are subject to Corporate Income Tax ("**CIT**") at the rate of 25% (2016: 25%) except for Dongguan Shinhint Audio Technology Limited which are subject to CIT at the rate of 15% (2016: 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 October 2015 to October 2018.

11. INCOME TAX EXPENSE *(Continued)*

Pursuant to the PRC Enterprise Income Tax Law and its detailed implementation rules, the profits of the PRC subsidiaries of the Group derived since 1 January 2008 will be subject to withholding tax upon the distribution of such profits to foreign investors. Deferred income tax liabilities have been provided for at the applicable tax rate of 10% in this regard based on the expected dividends to be distributed from the Group's PRC subsidiaries in the foreseeable future in respect of the profits generated since 1 January 2008 (Note 27).

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2017	2016
	HK$'000	HK$'000
Profit before income tax	**65,307**	35,156
Tax calculated at domestic tax rates applicable to profits in the respective countries	**18,090**	8,958
Tax effects of:		
– Expenses not deductible for tax purpose	**1,095**	300
– Tax losses for which no deferred income tax asset was recognised	**2,090**	1,872
– Overprovision in prior years	**(2,844)**	(1,585)
– Withholding tax on unremitted earnings	**575**	1,607
– Others	**(552)**	(366)
Income tax expense	**18,454**	10,786

12. EARNINGS PER SHARE

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

	2017	2016
	HK$'000	HK$'000
Earnings for the purpose of calculation of basic and diluted earnings per share	**46,853**	24,370
	'000	'000 (Restated)
Weighted average number of ordinary shares at 31 December for the purpose of basic and diluted earnings per share	**1,547,258**	1,547,258
Earnings per share		
– Basic earnings per share (in cents per share)	**3.03**	1.58
– Diluted earnings per share (in cents per share)	**3.03**	1.58

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year. The weighted average numbers of ordinary shares for calculating basic earnings per share for the twelve months ended 31 December 2016 had been retrospectively adjusted to reflect the share subdivision with effect from 27 April 2017 (Note 22).

For the year ended 31 December 2017 and 2016, the Company's share options granted (Note 24) 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 twelve months ended 31 December 2017) 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.

13. SUBSIDIARIES

The following is a list of the principal subsidiaries of the Group at 31 December 2017:

Company	Place of incorporation	Principal activities	Particulars of issued share capital	Proportion of shareholding (%)
Direct subsidiaries:				
Huiyuan Developments Limited	British Virgin Islands	Investment holding	US$1	100
Shinhint Industrial Holdings Limited ("**Shinhint Industrial**")	British Virgin Islands	Investment holding	US$1	100
Indirect subsidiaries:				
Blessing Garden Limited	British Virgin Islands	Investment holding	US$1	100
Chuang Hui Group limited	British Virgin Islands	Investment holding	US$1	100
Silver Lane Global Limited	British Virgin Islands	Investment holding	US$1	100
Shinhint Industries Limited	Hong Kong	Investment holding	HK$5,000,000	100
Crown Million Industries (International) Limited	Hong Kong	Investment holding and trading of speaker units	HK$10,000	100
Fully Sino Industrial Limited	Hong Kong	Investment holding	HK$1	100
Max Achieve Holdings Limited	Hong Kong	Trading of speaker units	HK$1	100
Perfect Goal Holdings Limited	Hong Kong	Investment holding	HK$1	100
Yuhua Energy (Hong Kong) Limited (Formerly known as Yuhua Energy (Holdings) Limited)	Hong Kong	Oil tanker transportation	HK$1	100
Yuhua Tankers Corporation Limited	Hong Kong	General trading and investment	HK$1	100
Yuhua Energy (China) Limited (Formerly known as Fortune Winner (Hong Kong) Limited)	Hong Kong	Trading of energy products	HK$1	100
DongGuan Shinhint Audio Technology Limited* (東莞成謙音響科技有限公司)	PRC	Manufacturing of speaker units	HK$10,000,000	100

13. SUBSIDIARIES *(Continued)*

Company	Place of incorporation	Principal activities	Particulars of issued share capital	Proportion of shareholding (%)
Fujian Yuhua Assets Management Co., Ltd.* (裕華資產管理(廈門)有限公司)	PRC	Asset Management	US$5,000,000	100
Qianhai Yuhua Energy (Shenzhen) Co., Ltd.* (前海裕華能源(深圳)有限公司)	PRC	Trading of energy products	RMB200,000,000	100
Shinhint Technology (Shenzhen) Limited* (成謙科技(深圳)有限公司) (Deregistered in April 2017)	PRC	Research and development	HK$4,750,000	100
Yuhua Dongshan Energy Co., Ltd.* (裕華東山能源有限公司)	PRC	Trading of energy products	RMB20,000,000	100
Yuhua Energy Holdings Group (Fujian) Co., Ltd.* (裕華能源控股集團(福建)有限公司) (Formerly known as Fuhua (Fujian) Energy Co., Ltd*) (前稱富華(福建)能源有限公司)	PRC	Trading of energy products	HK$1,500,000,000	100
Yuhua Energy (Xiamen) Co., Ltd.* (裕華能源(廈門)有限公司)	PRC	Trading of energy products	RMB150,000,000	100
Yuhua Energy (Zhangzhou) Limited* (裕華能源(漳州)有限公司)	PRC	Trading of energy products	RMB1,000,000,000	100
Yuhua Finance Lease (Xiamen) Co., Ltd.* (裕華融資租賃(廈門)有限公司)	PRC	Finance Lease	US$50,000,000	100
Yuhua (Shanghai) Trading Co., Ltd.* (裕華(上海)貿易有限公司)	PRC	Oil trade center	RMB100,000,000	100

None of the subsidiaries of the Group had issued any debt securities at the end of the reporting period or at any time during both years.

* *For identification purpose only*

14. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery HK$'000	Moulds HK$'000	Furniture fixtures and office equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2016						
Cost	9,026	4,007	12,142	12,423	3,166	40,764
Accumulated depreciation	(4,728)	(2,905)	(9,288)	(9,765)	(823)	(27,509)
Net book amount	4,298	1,102	2,854	2,658	2,343	13,255
Year ended 31 December 2016						
Opening net book amount	4,298	1,102	2,854	2,658	2,343	13,255
Additions	85	50	211	–	–	346
Disposal (Note 29)	(1,359)	(869)	(982)	–	–	(3,210)
Depreciation charge (Note 6)	(632)	(210)	(627)	(1,892)	(644)	(4,005)
Currency translation differences	(192)	(26)	(124)	(30)	(42)	(414)
Closing net book amount	2,200	47	1,332	736	1,657	5,972
At 31 December 2016						
Cost	5,413	318	7,311	11,740	3,098	27,880
Accumulated depreciation	(3,213)	(271)	(5,979)	(11,004)	(1,441)	(21,908)
Net book amount	2,200	47	1,332	736	1,657	5,972

	Plant and machinery HK$'000	**Oil tanker HK$'000**	**Moulds HK$'000**	**Furniture fixtures and office equipment HK$'000**	**Leasehold improvements HK$'000**	**Motor vehicles HK$'000**	**Total HK$'000**
Year ended 31 December 2017							
Opening net book amount	**2,200**	**–**	**47**	**1,332**	**736**	**1,657**	**5,972**
Additions	**62**	**45,795**	**204**	**581**	**235**	**595**	**47,472**
Disposal (Note 29)	**(20)**	**–**	**–**	**(31)**	**–**	**–**	**(51)**
Depreciation charge (Note 6)	**(480)**	**(2,099)**	**(33)**	**(303)**	**(449)**	**(734)**	**(4,098)**
Currency translation differences	**155**	**–**	**3**	**96**	**–**	**49**	**303**
Closing net book amount	**1,917**	**43,696**	**221**	**1,675**	**522**	**1,567**	**49,598**
At 31 December 2017							
Cost	**5,784**	**45,795**	**524**	**8,110**	**12,679**	**3,785**	**76,677**
Accumulated depreciation	**(3,867)**	**(2,099)**	**(303)**	**(6,435)**	**(12,157)**	**(2,218)**	**(27,079)**
Net book amount	**1,917**	**43,696**	**221**	**1,675**	**522**	**1,567**	**49,598**

Depreciation expenses for the year ended 31 December 2017 of HK$2,769,000 (2016: HK$2,524,000) and HK$1,329,000 (2016: HK$1,481,000) have been charged in 'cost of sales' and 'administrative expenses', respectively.

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

As at 31 December 2017, there was no property, plant and equipment pledged as security.

15. Investment properties

	2017	2016
	HK$'000	HK$'000
Investment properties – at fair value		
Opening balance at 1 January	**–**	–
Transfer from prepayment for non-current assets (Note 17)	**99,208**	–
Capitalised subsequent expenditure	**3,026**	–
Net gain from fair value adjustment (Note 9)	**12,286**	–
Currency translation differences	**7,485**	–
Closing balance at 31 December	**122,005**	–

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

The amounts recognised in profit or loss for investment properties are as follows:

	2017	2016
	HK$'000	HK$'000
Rental income (Note 8)	**153**	–
Direct operating expenses	**(84)**	–
Fair value gain recognised in other gains – net (Note 9)	**12,286**	–

The investment properties have been pledged as security for the borrowings of the Group as disclosed in Note 26.

Some of the investment properties are leased to tenants under long-term operating leases with rentals payable monthly. Minimum lease payments receivable under non-cancellable operating leases of investment properties not recognised in the financial statements are as follows:

	2017	2016
	HK$'000	HK$'000
Within one year	**341**	–
Later than one year but not later than 5 years	**681**	–
	1,022	–

16. INTANGIBLE ASSETS

	2017 HK$'000	2016 HK$'000
Club membership		
Cost and carrying amount	**978**	978

The club membership represents debentures of a golf club held on a long-term basis. It is considered by the management of the Group as having an indefinite useful life. It will not be amortised until the useful life is determined to be finite upon reassessment of the useful life annually by the management.

As at 31 December 2017, the club membership was tested for impairment by comparing its carrying amount with its recoverable amount, which was determined based on fair value less costs of disposal in the market. The management of the Group determined that no impairment loss was necessary (2016: nil).

17. PREPAYMENT FOR NON-CURRENT ASSETS

	2017 HK$'000	2016 HK$'000
Prepayments for purchase of:		
Investment properties (a)	–	99,208
Oil tanker (b)	–	4,571
Office software and others	**231**	–
	231	103,779

(a) On 7 September 2015, a subsidiary of the Group, Yuhua Energy (Xiamen) Co., Ltd., entered into an acquisition agreement with Xiamen Oceanstar Shipping Company Limited*（廈門海之星航運有限公司）, a company beneficially owned by Mr. Lin Caihuo, the Chairman of the Company, regarding the acquisition of certain office floors with area of 6,344 sqm located in Xiamen city of Fujian province, the PRC, at a consideration of RMB88,741,660 (equivalent to approximately HK$99,208,000). The consideration was fully paid by the Group in December 2015 and recorded as prepayment for non-current assets. The acquisition was completed in June 2017 and the prepayment was reclassified to investment properties (Note 15).

* *For identification purpose only*

17. PREPAYMENT FOR NON-CURRENT ASSETS *(Continued)*

(b) On 15 November 2016, a subsidiary of the Group, Yuhua Energy (Hong Kong) Limited, entered into an acquisition agreement with Great Lakes Shipping Maritime Inc., a third party, regarding the acquisition of an oil tanker named MT ZHU MIN VICTORIA from the third party at a consideration of US$5,800,000 (equivalent to approximately HK$45,795,000). As at 31 December 2016, the consideration paid by the Group amounting to HK$4,571,000 was recorded as prepayment for non-current assets. The acquisition was completed in February 2017 and the prepayment was reclassified to property, plant and equipment (Note 14).

18. FINANCIAL INSTRUMENTS BY CATEGORY

	2017	2016
	HK$'000	HK$'000
Assets as per balance sheet		
Loans and receivables		
Trade and other receivables (excluding prepayments to suppliers and export tax rebate receivables)	**260,966**	144,595
Cash and cash equivalents	**20,323**	54,668
Restricted cash	**103,360**	44,717
Rental deposits	**611**	571
	385,260	244,551

	2017	2016
	HK$'000	HK$'000
Liabilities as per balance sheet		
Other financial liabilities at amortised cost		
Borrowings	**309,013**	200,112
Trade and other payables (excluding advances from customers, payroll and welfare payables and taxes payables)	**565,730**	313,953
	874,743	514,065

19. INVENTORIES

	2017 HK$'000	2016 HK$'000
Raw materials	**11,598**	13,215
Work in progress	**8,212**	3,656
Finished goods	**45,955**	16,984
	65,765	33,855

The cost of inventories recognised as expense and included in 'cost of sales' amounted to HK$9,772,557,000 (2016: HK$5,729,167,000), which included reversal of inventory write-down of HK$100,000 (2016: inventory write-down of HK$145,000) (Note 6).

20. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2017 HK$'000	2016 HK$'000
Trade receivables from third parties	**258,071**	138,309
Trade receivables from related parties (Note 31(c))	**133**	4,675
Less: allowance for impairment of trade receivables	**–**	–
Trade receivables – net	**258,204**	142,984
Prepayments to suppliers	**896,204**	528,365
Export tax rebate receivables	**9,805**	4,236
Other receivables and deposits	**2,762**	1,611
Total	**1,166,975**	677,196

20. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(Continued)*

The Group's trade receivables are mainly related to the Speaker manufacturing business. The Group normally allows a credit period of 30 days to 90 days (2016: 30 days to 90 days) to its customers and may further extend the credit period to selected customers depending on their trade volume and settlement history. At 31 December 2017 and 2016, the ageing analysis of trade receivables based on invoice date was as follows:

	2017	2016
	HK$'000	HK$'000
Within 30 days	**99,877**	55,251
31 to 60 days	**101,832**	38,218
61 to 90 days	**56,381**	49,318
91 to 120 days	**114**	197
	258,204	142,984

As at 31 December 2017, trade receivables of HK$15,875,000 (2016: HK$49,872,000) were past due but not impaired. The Group does not hold any collateral over these balances. The balances that were past due but not impaired related to a number of independent customers that have a good trade record with the Group. Based on the past experience, the management estimated that the carrying amounts can be fully recovered, as there has not been a significant change in credit quality and there has been substantial settlement after the end of the reporting period. Accordingly, the Group considers the amounts are recoverable, therefore, no impairment loss is considered necessary. The ageing analysis of these trade receivables is as follows:

	2017	2016
	HK$'000	HK$'000
Overdue by:		
Within 30 days	**14,982**	49,575
31 to 60 days	**779**	297
61 to 90 days	**114**	–
	15,875	49,872

The Group's prepayments to suppliers are mainly related to the Energy trading business. The Group pays prepayment to suppliers to secure the supply of fuel oil and kerosene. The prepayments are normally utilised within a period of 30 to 90 days (2016: 30 to 60 days).

20. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(Continued)*

The carrying amounts of the Group's trade and other receivables and prepayments are denominated in the following currencies:

	2017 HK$'000	2016 HK$'000
RMB	**965,395**	547,503
US dollar	**198,743**	122,045
HK dollar	**2,837**	7,648
	1,166,975	677,196

21. CASH AND BANK BALANCES

	2017 HK$'000	2016 HK$'000
Cash and cash equivalents		
Cash on hand and at bank	**20,323**	54,668
Restricted cash		
Deposits at banks	**103,360**	44,717
Total of cash and bank balances	**123,683**	99,385

The cash and cash equivalents are denominated in the following currencies:

	2017 HK$'000	2016 HK$'000
US dollar	**11,274**	20,136
RMB	**4,486**	24,636
HK dollar	**4,516**	9,855
Other currencies	**47**	41
	20,323	54,668

The restricted cash as at 31 December 2017 of HK$103,360,000 (2016: HK$44,717,000) were restricted deposits held at bank as deposit and pledge for bills payables of the Group (Note 25).

22. SHARE CAPITAL

	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.0025 each:		
Authorised:		
As at 31 December 2016 and 31 December 2017	8,000,000,000	20,000
Issued and fully paid:		
As at 1 January 2016 and 31 December 2016	773,629,352	3,868
Share subdivision	773,629,352	–
As at 31 December 2017	1,547,258,704	3,868

Pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company held on 26 April 2017, each of the issued and unissued shares of par value of HK$0.005 in the share capital of the Company was subdivided into two subdivided shares of par value of HK$0.0025 each with effect from 27 April 2017. Accordingly, the number of issued ordinary shares of the Company was increased from 773,629,352 shares to 1,547,258,704 shares since 27 April 2017.

23. OTHER RESERVES

	Share premium HK$'000	Special reserve HK$'000	Statutory reserve HK$'000	Exchange reserve HK$'000	Share option reserve HK$'000	Total HK$'000
At 1 January 2016	151,656	4,950	5,263	(11,257)	41,119	191,731
Currency translation differences	–	–	–	(22,878)	–	(22,878)
Employees share option scheme:						
– Lapse of share options	–	–	–	–	(8,224)	(8,224)
Appropriation to statutory reserves	–	–	3,308	–	–	3,308
At 31 December 2016	151,656	4,950	8,571	(34,135)	32,895	163,937
At 1 January 2017	151,656	4,950	8,571	(34,135)	32,895	163,937
Currency translation differences	–	–	–	33,222	–	33,222
Appropriation to statutory reserves	–	–	6,002	–	–	6,002
At 31 December 2017	151,656	4,950	14,573	(913)	32,895	203,161

23. OTHER RESERVES *(Continued)*

Statutory reserves comprise statutory surplus reserve of the subsidiary companies in the PRC. The Company's subsidiaries incorporated in the PRC are required to make appropriations to statutory reserves from their profit for the year after offsetting accumulated losses carried forward from prior years as determined under the PRC accounting regulations and before distribution to shareholders. The percentages to be appropriated to such statutory reserve are determined according to the relevant regulations in the PRC at rate of 10% or at the discretion of the board of directors of the PRC subsidiaries, and further appropriation is optional when the accumulated fund is 50% or more of the registered capital of the subsidiaries.

24. SHARE-BASED PAYMENTS

On 25 June 2005, a share option scheme (the "**Share Option Scheme**") was approved and adopted by the shareholders of the Company. The particulars of the Share Option Scheme are as follows:

Purpose

To enable the Company to grant options to selected eligible participants as incentives or rewards for their contributions to the Group.

Eligible Participants

Eligible participants of the Share Option Scheme include any director or officer or full time or part time employee of or any person who has accepted an employment offer (whether full time or part time) and other persons and parties as defined in the scheme document.

Total number of ordinary shares available for issue

The total number of ordinary shares available for issue under the Share Option Scheme and any other schemes must not exceed 10% of the shares of the Company in issue at the date of shareholders' approval of the Share Option Scheme.

Maximum entitlement of each eligible participant

The maximum number of ordinary shares in respect of which options may be granted to each eligible participant in any 12-month period up to the date of grant is not permitted to exceed 1% of the ordinary shares in issue at the date of grant without prior approval from the Company's shareholders.

Period within which the ordinary shares must be taken up under a share option

Within 10 years from the date of grant of the share option or such shorter period as the board of directors of the Company determines at the time of grant.

24. SHARE-BASED PAYMENTS *(Continued)*

Fair value of share options and assumptions

On 19 June 2015, options to acquire 38,500,000 ordinary shares of the Company were issued. The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model. The major inputs to the binomial lattice model were as follows:

Share price (Before various share subdivisions since 19 June 2015: HK$5.13)	HK$1.28
Exercise price (Before various share subdivisions since 19 June 2015: HK$5.13)	HK$1.28
Expected volatility	59.31%
Option life	10 years
Expected dividends	–
Risk-free interest rate	1.7751%

The fair value of the options granted on 19 June 2015 was estimated to be HK$49,343,000 which had been charged as employee benefit expense to year 2015.

Details of the movement of the outstanding share options issued under the Share Option Scheme are as follows:

For the year ended 31 December 2017

					Number of share options		
Category of participants	**Date of grant**	**Exercise price after (before) share subdivision**	**Vesting date**	**Exercisable period**	**As at 01/01/2017**	**Adjustment on share** (a)	**As at 31/12/2017**
Employees	19/06/2015	HK$1.2825 (HK$2.565)	19/06/2015	19/06/2015 – 18/06/2025	30,800,000	30,800,000	61,600,000

For the year ended 31 December 2016

					Number of share options		
Category of participants	**Date of grant**	**Exercise price after (before) share subdivision**	**Vesting date**	**Exercisable period**	**As at 01/01/2016**	**Adjustment on share** (b)	**As at 31/12/2016**
Employees	19/06/2015	HK$2.565 (HK$5.13)	19/06/2015	19/06/2015 – 18/06/2025	38,500,000	7,700,000	30,800,000

24. SHARE-BASED PAYMENTS *(Continued)*

Fair value of share options and assumptions *(Continued)*

(a) Pursuant to the subdivision of ordinary shares of the Company effective 27 April 2017 as mentioned in Note 22, the number of shares and the exercise price related to the share options granted on 19 June 2015 were adjusted accordingly to 61,600,000 shares and HK$1.2825 respectively.

(b) The employees' share options lapsed when the relevant employees would be resigned from the Group during the year.

25. TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	HK$'000
Trade payables to third parties	**279,567**	118,160
Trade payables to related parties (Note 31(c))	**6**	420
Trade payables	**279,573**	118,580
Bills payables	**193,178**	78,256
Advances from customers	**198,585**	24,902
Payroll and welfare payables	**16,528**	19,659
Amount due to related parties (Note 31(c))	**74,875**	104,048
Other payable and accrued expenses	**18,104**	13,069
	780,843	358,514

The bills payables as at 31 December 2017 were secured by (i) restricted bank deposits of the Group amounting to HK$103,360,000 (2016: HK$44,717,000) (Note 21), (ii) properties owned by the Chairman and a related company beneficially owned by the Chairman, (iii) guarantees provided by the Chairman and his spouse, the Company, a subsidiary of the Group and a related company beneficially owned by the Chairman.

25. TRADE AND OTHER PAYABLES *(Continued)*

At 31 December 2017, the ageing analysis of the trade payables (including bills payables) based on invoice date were are follows:

	2017	2016
	HK$'000	HK$'000
Within 30 days	**136,316**	50,506
31 to 60 days	**151,272**	38,789
61 to 90 days	**50,249**	99,345
91 to 120 days	**134,576**	7,131
Over 120 days	**338**	1,065
	472,751	196,836

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	2017	2016
	HK$'000	HK$'000
RMB	**598,302**	248,809
HK dollar	**150,008**	102,956
US dollar	**32,210**	6,216
JPY	**–**	393
EUR	**323**	140
	780,843	358,514

26. BORROWINGS

	2017	2016
	HK$'000	HK$'000
Current		
Bank borrowings (a)		
– secured	**136,677**	119,620
– unsecured	**74,171**	80,492
	210,848	200,112
Notes payable (b)	**98,165**	–
Total borrowings	**309,013**	200,112

26. BORROWINGS *(Continued)*

(a) Bank borrowings

The secured bank borrowings as at 31 December 2017 were secured by (i) investment properties of the Group (Note 15), (ii) properties owned by a related company beneficially owned by the Chairman, (iii) guarantees provided by the Chairman and two related company beneficially owned by the Chairman.

The secured bank borrowings as at 31 December 2016 were secured by (i) the construction in process asset of a related company beneficially owned by the Chairman, (ii) guarantees provided by the Chairman and two related companies beneficially owned by the Chairman.

The unsecured bank borrowings as at 31 December 2017 were supported by guarantees provided by the Chairman and two related company beneficially owned by the Chairman. The unsecured bank borrowings as at 31 December 2016 were supported by guarantees provided by the Chairman and his spouse and two related companies beneficially owned by the Chairman.

The outstanding bank borrowings of the Group carry interest at effective interest rate ranging from 4.785% to 5.003% (2016: 4.785% to 5.22%) per annum and are repayable in accordance with the payment schedules.

As at 31 December 2017 and 31 December 2016, all of the Group's bank borrowings were repayable within one year, and are denominated in the following currencies:

	2017 **HK$'000**	2016 HK$'000
RMB	**210,848**	200,112

The Group has the following undrawn bank borrowing facilities:

	2017 **HK$'000**	2016 HK$'000
Fixed rate:		
– Expiring within one year	**299,075**	224,706

26. BORROWINGS *(Continued)*

(b) Notes payable

On 26 April 2017, the Company and Zhongtai Financial Investment Limited ("**Zhongtai**") entered into a subscription agreement, pursuant to which, the Company issued notes with an aggregate principal amount of HK$100,000,000, with interest rate of 6% per annum and due on 28 April 2018. The notes were supported by the Chairman providing a personal guarantee and the pledged his 910,526,556 ordinary shares of the Company (representing 58.85% of the issued share capital of the Company as at 31 December 2017) in favour of Zhongtai.

The amortized cost of the note payable was HK$98,165,000 as at 31 December 2017.

27. DEFERRED INCOME TAX

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

	2017	2016
	HK$'000	HK$'000
Deferred income tax assets:		
– To be recovered after more than 12 months	**213**	199
– To be recovered within 12 months	**71**	81
	284	280
Deferred income tax liabilities:		
– To be recovered after more than 12 months	**(5,505)**	(4,113)
– To be recovered within 12 months	**(3,178)**	–
	(8,683)	(4,113)
Deferred income tax liabilities – net	**(8,399)**	(3,833)

27. DEFERRED INCOME TAX *(Continued)*

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Provisions for inventory write-down HK$'000	Provisions for long-term service HK$'000	Tax losses HK$'000	Total HK$'000
Deferred income tax assets				
At 1 January 2016	–	–	–	–
Credit to profit or loss (Note 11)	81	199	–	280
At 31 December 2016	81	199	–	280
(Charge)/Credit to profit or loss (Note 11)	(15)	–	3,676	3,661
Currency translation differences	5	14	–	19
At 31 December 2017	71	213	3,676	3,960

	Changes in fair value of investment property HK$'000	Withholding tax HK$'000	Acceleration depreciation difference HK$'000	Total HK$'000
Deferred income tax liabilities				
At 1 January 2016	–	(2,506)	–	(2,506)
Charge to profit or loss (Note 11)	–	(1,607)	–	(1,607)
At 31 December 2016	–	(4,113)	–	(4,113)
Charge to profit or loss (Note 11)	(3,071)	(575)	(4,493)	(8,139)
Currency translation differences	(107)	–	–	(107)
At 31 December 2017	(3,178)	(4,688)	(4,493)	(12,359)

27. DEFERRED INCOME TAX *(Continued)*

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realization of the related tax benefit through future taxable profits is probable. As at 31 December 2017, the Group had unutilised tax loss carried forward to offset future taxable profits of HK$29,556,000 (2016:HK$17,283,000), which was not recongised as deferred income tax asset, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

28. DIVIDENDS

	2017 HK$'000	2016 HK$'000
Ordinary shares		
Interim dividend for the year ended 31 December 2017 of HK$0.005 (2016: nil) per fully paid share	**7,736**	–

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: nil).

29. CASH FLOW INFORMATION

(a) Cash used in operation

	2017 HK$'000	2016 HK$'000
Profit before income tax	**65,307**	35,156
Adjustments for:		
– Depreciation of property, plant and equipment (Note 6)	**4,098**	4,005
– Fair value gain on investment properties (Note 9)	**(12,286)**	–
– Loss on disposal of property, plant and equipment (Note 9)	**49**	3,180
– (Reversal of inventory write-down)/inventory write-down (Note 6)	**(100)**	145
– Finance expenses (Note 10)	**17,918**	8,782
Operating cash flows before movements in working capital	**74,986**	51,268
– (Increase)/decrease in inventories	**(31,845)**	1,230
– Increase in restricted cash (Note 21)	**(58,643)**	(44,717)
– Increase in prepayments to supplier	**(341,006)**	(237,726)
– (Increase)/decrease in trade and other receivables	**(119,806)**	60,278
– Increase in trade and other payables	**439,868**	148,219
Cash used in operations	**(36,446)**	(21,448)

29. CASH FLOW INFORMATION *(Continued)*

(a) Cash used in operation *(Continued)*

In the statement of cash flows, proceeds from sale of property, plant and equipment comprise:

	2017 **HK$'000**	2016 HK$'000
Net book amount (Note 14)	**51**	3,210
Loss on disposal of property, plant and equipment (Note 9)	**(49)**	(3,180)
Proceeds from disposal of property, plant and equipment	**2**	30

(b) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the years presented.

	Bank borrowings (current) HK$'000	**Notes payable (current)** HK$'000	**Total** HK$'000
As at 31 December 2016	200,112	–	200,112
Cash flows	(3,180)	94,653	91,473
Interests expenses amortisation	–	3,512	3,512
Currency translation differences	13,916	–	13,916
As at 31 December 2017	210,848	98,165	309,013

30. COMMITMENTS

(a) Capital commitments

Significant capital expenditure contracted for at the end of the year but not yet recognised as liabilities is as follows:

	2017 HK$'000	2016 HK$'000
Property, plant and equipment		
– Purchase of an oil tanker	–	40,669
Intangible assets		
– System software update	368	–
	368	40,669

(b) Operating lease commitments – as lessee

At the end of the year, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2017 HK$'000	2016 HK$'000
Within 1 year	10,988	15,007
Later than 1 year and no later than 5 years	41,945	40,304
Later than 5 years	29,938	28,754
	82,871	84,065

(c) Marketing expenses

	2017 HK$'000	2016 HK$'000
Contractual obligation for future marketing expenses		
Within 1 year	2,400	–
Later than 1 year and no later than 5 years	1,400	–
	3,800	–

31. SIGNIFICANT RELATED PARTY TRANSACTIONS

The controlling shareholder of the Company is Mr. Lin Caihuo who owns beneficially 910,526,556 shares, representing 58.85% shareholding of the Company.

Related parties are parties that have the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions, 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.

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following significant related party transactions during the year ended 31 December 2017:

(a) Related parties

Name of related parties	Relationship
Tai Sing Industrial Company Limited (泰升實業有限公司)("**Tai Sing**")	Beneficially owned by a director of certain speaker subsidiaries of the Company.
Fujian Yuhua Petrochemical Company Limited* (福建裕華石油化工有限公司) ("**Fujian Yuhua**")	Beneficially owned by Mr. Lin Caihuo, the Chairman.
Xiamen Oceanstar Shipping Company Limited* (廈門海之星航運有限公司) ("**Xiamen Oceanstar**")	Beneficially owned by Mr. Lin Caihuo, the Chairman.

* *For identification purpose only*

31. SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

(b) Related party transactions

The significant transactions carried out with related parties during the year were as follows:

	Transactions	2017 HK$'000	2016 HK$'000
Tai Sing (i)	– Sales of goods	**7,393**	11,497
	– Purchase of materials	**108**	–
	– Technical service expense	**1,848**	1,680
	– Operating lease payment	**1,440**	1,440
Fujian Yuhua (ii)	– Lease oil storage tanks and ancillary facilities related expenses	**3,950**	3,852
Xiamen Oceanstar	– Transportation services expenses	**–**	303

(i) Sales of goods to and purchase of materials from Tai Sing were conducted in the normal course of business at prices and terms not less than those charged to and contracted with other third party customers. The service expense and operation lease payment were conducted on mutually agreed terms based on estimated market price.

(ii) Oil storage tanks and ancillary facilities related expenses paid was based on estimated market price.

(c) Related party balances

The balances with related parties as at the year end were as follows:

	2017 HK$'000	2016 HK$'000
Prepayment for non-current assets (Note 17)		
– Xiamen Oceanstar	**–**	99,208
Trade receivables (Note 20)		
– Tai Sing	**133**	4,675

31. SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

(c) Related party balances *(Continued)*

	2017 **HK$'000**	2016 HK$'000
Amounts due to related parties (Note 25)		
– The Chairman	**70,925**	104,048
– Fujian Yuhua	**3,950**	–
	74,875	104,048
Trade payable (Note 25)		
– Tai Sing	**6**	420

The amount due to the Chairman of HK$70,925,000 (2016: HK$104,048,000) represented advances from Mr. Lin Caihuo, the Chairman, to support the working capital requirements of the Group and the purchases of properties, plant and equipment of the Group. The amounts with related parties are all unsecured, interest free.

(d) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2017 **HK$'000**	2016 HK$'000
Salaries and other short-term benefits	**1,934**	1,760

The remuneration of directors and key management is recommended by the remuneration committee for approval by the board of directors having regard to the performance of individuals and market trends.

32. SUMMARY FINANCIAL INFORMATION OF THE COMPANY

(a) Statement of financial position of the Company

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
Assets		
Non-current assets		
Investment in subsidiaries	**125,760**	109,039
Amounts due from subsidiaries – non-current	**433,586**	346,685
	559,346	455,724
Current assets		
Cash and cash equivalents	**720**	1,143
Total assets	**560,066**	456,867
Equity		
Share capital	**3,868**	3,868
Other reserves	**292,198**	292,198
Retained earnings	**32,108**	26,619
Total equity	**328,174**	322,685
Liabilities		
Current liabilities		
Amount due to subsidiaries	**130,453**	125,236
Other payables	**3,274**	8,946
Borrowings	**98,165**	–
Total liabilities	**231,892**	134,182
Total equity and liabilities	**560,066**	456,867

The statement of financial position of the Company was approved by the Board of Directors on 23 March 2018 and was signed on its behalf.

Lin Caihuo
Director

Wang Enguang
Director

32. SUMMARY FINANCIAL INFORMATION OF THE COMPANY

(Continued)

(b) Reserve movement of the Company

	Share premium HK$'000	Special reserve HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2016	151,656	107,647	41,119	20,206	320,628
Loss for the year	–	–	–	(1,811)	(1,811)
Employees share option scheme:					
– Lapse of share options	–	–	(8,224)	8,224	–
At 31 December 2016	151,656	107,647	32,895	26,619	318,817
At 1 January 2017	151,656	107,647	32,895	26,619	318,817
Profit for the year	–	–	–	13,225	13,225
Dividends paid	–	–	–	(7,736)	(7,736)
At 31 December 2017	151,656	107,647	32,895	32,108	324,306

(c) Contingencies of the Company

The Company provided guarantee for the letter of credit payables (included in trade payables) of a subsidiary of the Company in the amount of HK$29,627,000 with a guarantee ceiling of HK$601,000,000, and guarantee for the bills payables of another subsidiary of the Company in the amount of RMB50,000,000 (equivalent to HK$59,815,000) with a guarantee ceiling of RMB50,000,000 (Note 25).

33. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

Name	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Other emoluments HK$'000	Total HK$'000
For the year ended 31 December 2017:						
Executive directors						
Lin Caihuo	–	1,200	–	–	–	1,200
Wang Enguang	–	200	–	–	–	200
Non-executive directors						
Wang Shoulei (Note (i))	174	–	–	–	–	174
Independent non-executive directors						
Lum Pak Sum	120	–	–	–	–	120
Liu Yang	120	–	–	–	–	120
Wong Yan Ki, Angel	120	–	–	–	–	120
Total	534	1,400	–	–	–	1,934
For the year ended 31 December 2016:						
Executive directors						
Lin Caihuo	–	1,200	–	–	–	1,200
Wang Enguang	–	200	–	–	–	200
Independent non-executive directors						
Lum Pak Sum	120	–	–	–	–	120
Liu Yang	120	–	–	–	–	120
Wong Yan Ki, Angel (Note (ii))	20	–	–	–	–	20
Zhang Jiping (Note (iii))	100	–	–	–	–	100
Total	360	1,400	–	–	–	1,760

Notes:

(i) Appointed on 10 April 2017.

(ii) Appointed on 1 November 2016.

(iii) Resigned on 1 November 2016.

33. BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits during the year (2016: nil).

(c) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2017, the Company did not pay consideration to any third parties for making available directors' services (2016: nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 31 December 2017, there is no loans, quasi-loans and other dealing arrangements in favour of directors, or controlled bodies corporate by and connected entities with such directors (2016: nil).

(e) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in the consolidated financial statements, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2016: nil).

34. EVENTS AFTER THE REPORTING PERIOD

Except for the events after the reporting period which have been disclosed elsewhere in the consolidated financial statements, the other material subsequent events of the Group are as follows.

(a) Proposed share subdivision

On 6 December 2017, the Board of the Company proposed to subdivide every one existing issued and unissued share of the Company of a par value of HK$0.0025 each into two subdivided shares of a par value of HK$0.00125 each. Pursuant to the ordinary resolution passed at the extraordinary general meeting of the Company held on 16 January 2018. The share subdivision became effective from 17 January 2018. Accordingly, the number of issued ordinary shares of the Company was increased from 1,547,258,704 shares to 3,094,517,408 shares since 17 January 2018.

(b) Framework Agreements in Relation to Potential Acquisitions

On 7 February 2018, a subsidiary of the Company entered into 2 non-binding framework agreements: i) the subsidiary of the Company (as purchaser) entered into a non-binding framework agreement (the "**Hengran Framework Agreement**") with certain existing shareholders (the "**Hengran Vendors**") of Kunshan Zhongyou Hengran Petroleum Company Limited*（昆山中油恒燃石油燃氣有限公司）("**Hengran**"), and the subsidiary of the Company may purchase 90% of shareholdings of Hengran; and ii) the subsidiary of the Company (as purchaser) entered into a non-binding framework agreement (the "**Daocheng Framework Agreement**", together with the Hengran Framework Agreement are collectively referred to as the "**Framework Agreements**") with certain existing shareholders (the "**Daocheng Vendors**") of Kunshan Daocheng Transportation Company Limited*（昆山道誠物流有限公司）("**Daocheng**"), and the subsidiary of the Company may purchase 100% of shareholdings of Daocheng. The discussions on the above potential acquisitions are still on-going but no formal or definitive agreement between the Group and the potential vendors has been entered into.

* *For identification purpose only*

Financial Summary

	Year ended 31 December				
	2013 HK$'000	2014 HK$'000	2015 HK$'000	2016 HK$'000	**2017** **HK$'000**
RESULTS					
Continuing operations:					
Revenue	433,643	551,117	4,735,523	5,915,428	**10,030,287**
Profit/(Loss) for the year from continuing operations	510	5,275	(10,172)	24,370	**46,853**
Discontinued operations:					
Profit/(Loss) for the year	5,073	2,297	–	–	**–**
Profit/(Loss) for the year	5,583	7,572	(10,172)	24,370	**46,853**
Attributable to:					
Owners of the Company	5,583	7,572	(10,172)	24,370	**46,853**
Non-controlling interests	–	–	–	–	**–**
	5,583	7,572	(10,172)	24,370	**46,853**

	At 31 December				
	2013 HK$'000	2014 HK$'000	2015 HK$'000	2016 HK$'000	**2017** **HK$'000**
ASSETS AND LIABILITIES					
Total assets	620,151	466,558	733,243	922,016	**1,530,130**
Total liabilities	(359,206)	(199,121)	(379,487)	(566,768)	**(1,102,543)**
Shareholders' funds	260,946	267,437	353,756	355,248	**427,587**
Equity attributable to owners of the Company	260,946	267,437	353,756	355,248	**427,587**
Non-controlling interests	–	–	–	–	**–**
	260,946	267,437	353,756	355,248	**427,587**