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)

2018
Interim Report

This report is printed on environmentally friendly paper

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Director

Mr. Wang ShouLei

Independent Non-Executive Directors

Mr. Liu Yang
Mr. Lum Pak Sum
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

COMPANY SECRETARY

Ms. Mak Po Man Cherie *(appointed with effect from 5 September 2018)*
Ms. Wong Nga Yan *(resigned with effect from 9 August 2018)*

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

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

Corporate Information (Continued)

PRINCIPAL BANKERS

Bank of Communication Co., Ltd.,
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

Management Discussion and Analysis

BUSINESS REVIEW

The Group was principally engaged in the manufacturing, trading and transportation businesses during the six months ended 30 June 2018 (the "Current Period"). The Group's revenue from continuing operations was approximately HK$1,672.56 million, a decrease of approximately 66.23% as compared to approximately HK$4,952.44 million for the same period last year. Consequently, the gross profit from continuing operations also decreased to approximately HK$27.00 million (2017 interim: approximately HK$52.45 million), representing a decrease of approximately 48.52%, during the Current Period.

During the Current Period, our activities can be segmented into energy trading, oil tanker transportation and speaker units businesses.

Energy trading business

Suffered by geopolitics and US-China Trade War, the Company faced a challenge on the energy trading business during the Current Period. The revenue from energy trading has decreased to approximately HK$1,620.38 million (2017 interim: approximately HK$4,917.74 million), representing a decrease of approximately 67.05% from the corresponding period in 2017. Its revenue also accounted for approximately 96.88% (2017 interim: approximately 99.30%) of the consolidated revenue from continuing operations. The decrease of revenue was mainly attributable to a decrease in sales orders from customers in view of the price instability in oil market under the uncertain outcome of trade tensions.

To minimize the effects of abovementioned factors, the Company modified the existing energy trading business strategy and devoted extra effort on developing various energy trading products. During the Current Period, approximately 20.06% of revenue (2017 interim: nil) was generated from the new product.

Oil tanker transportation business

During the Current Period, the Group recorded transportation income of approximately HK$22.74 million (2017 interim: approximately HK$11.54 million), representing an increase of approximately 97.05% from the corresponding period in 2017. This segment was commenced since the first quarter of 2017, it is still in the stage of development and it is an insignificant financial effect on the Group during the Current Period. It represents to approximately 1.36% (2017 interim: 0.23%) of the consolidated revenue from continuing operations during the Current Period.

BUSINESS REVIEW *(Continued)*

Speaker units business

The revenue from continuing operations from speaker units business recorded a slightly increase during the Current Period. Its revenue amounted to approximately HK$29.43 million (2017 interim: approximately HK$23.16 million), representing an increase of approximately 27.07%. Nonetheless, its revenue accounted for approximately 1.76% (2017 interim: approximately 0.47%) of the consolidated revenue from continuing operations only. During the Current Period, the Company disposed the entire issued share capital in Crown Million Industries (International) Limited ("冠萬實業(國際)有限公司") (the "Target Company" together with its subsidiaries, collectively the "Target Group"), an indirect wholly-owned subsidiary of the Company, to an independent third party. For further details, please refer to the announcements of the Company dated 30 September 2016, 25 May 2018, 29 May 2018 and 4 June 2018.

In the view of the disposal of the Target Group at the beginning of June 2018, the financial results of these two subsidiaries in June 2018 did not consolidate in the Group.

The Group still maintains speaker business by sales of speaker units for audio consumer electronic products, its financial impact is becoming insignificant to the Group.

The operating costs from continuing operations were approximately HK$14.98 million during the Current Period (2017 interim: approximately HK$15.58 million), representing a decrease of approximately 3.85% as compared with the corresponding period in 2017.

The finance costs from continuing operations were approximately HK$11.60 million during the Current Period, representing an increase of approximately 73.39% as compared with approximately HK$6.69 million for the corresponding period of the previous year. It was mainly due to the interest expenses of additional bank loans and the handling charge in connection with the extension of the maturity date of the HK$100 million 6% notes issued by the Company on 28 April 2017. For further details, please refer to the announcement of the Company dated 26 April 2017.

During the Current Period, the Group recorded a net loss attributable to the Company's equity holders of approximately HK$1.27 million (2017 interim: net profit approximately HK$43.45 million). Apart from the abovementioned factors, the net loss recorded was also due to no material adjustment arising from the revaluation of the Group's investment properties for the six months ended 30 June 2018 (2017 interim: fair value gain approximately HK$26.36 million).

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 June 2018, the Group had cash and cash equivalents of approximately HK$42.40 million (31 December 2017: approximately HK$20.32 million), which were mainly denominated in Hong Kong dollars, US dollars and Renminbi.

As at 30 June 2018, the Group's net current assets were HK$264.60 million (31 December 2017: HK$262.56 million). The Group's current ratio, being the proportion of total current assets to total current liabilities, was approximately 1.3 as compared to approximately 1.24 as at 31 December 2017. The Group had bank and other borrowings of approximately HK$361.30 million (31 December 2017: approximately HK$309.01 million) which were denominated in Renminbi and Hong Kong dollars. The annual interest rates of the bank and other borrowings for the six months ended 30 June 2018 was ranged from approximately 4.437% to approximately 5.22% (31 December 2017: ranged from 4.785% to 5.003%) per annum. The above bank and other borrowings was accounted for as current liabilities of the Group and repayable within one year.

The gearing ratio of the Group increased to approximately 85.67% (31 December 2017: approximately 72.3%). The ratio is computed by dividing total borrowings of approximately HK$361.30 (31 December 2017: approximately HK$309.01 million) by shareholders' equity of approximately HK$421.73 million (31 December 2017: approximately HK$427.59 million).

Capital Resources and Reorganisation

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.

FINANCIAL REVIEW *(Continued)*

Charge on Assets

As at 30 June 2018, the investment properties have been pledged as security for the borrowings of the Group.

Significant Investments, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

(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)*

Significant Investments, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures *(Continued)*

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

On 25 May 2018, the Group entered into a disposal agreement with an independent third party in relation to disposal of the entire issued share capital in the Target Group. The Target Group is principally engaged in investment holding, producing and trading of home theatre and automotive speaker systems. The consideration will be determined by reference to the net asset value of the Target Group as at the completion date. Pursuant to the disposal agreement, the purchaser shall prepare the closing accounts of the Target Group as at the completion date in accordance with Hong Kong Financial Reporting Standards and audited by an independent auditor. As per the disposal agreement, the amount of the consideration is estimated to be approximately HK$34.2 million (the "Estimated Consideration"), with reference to the estimated net asset value of the Target Group as at 31 May 2018.

The consideration has been determined after arm's length negotiations between the vendor and the purchaser with reference to the net asset value of the Target Group as at the completion date. Further information regarding the potential acquisitions is set out in the announcements of the Company dated 25 May 2018, 26 May 2018 and 4 June 2018

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, Renminbi and US dollars and the exchange rates of such currencies were relatively stable over the Reporting Period, the Group believes that exposure to fluctuation in 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.

Contingent Liabilities

As at 30 June 2018, the Group has no material contingent liabilities.

FINANCIAL REVIEW *(Continued)*

Human Resources

After the completion of the disposal of the entire issued share capital in Crown Million Industries (International) Limited the Group in 4 June 2018, the Group has employed a total of approximately 65 employees as at 30 June 2018 (2017 interim: approximately 1,000) in Hong Kong and the PRC. Staff costs (excluding Directors' emoluments) from continuing operations amounted to approximately HK$ 5 million (2017 interim: approximately HK$3.89 million). The Group recruits and selects applicants for employment on the basis of their qualifications and suitability for the position. It is the Group's policy to recruit the most capable person available for each position. The Group continues to offer competitive remuneration packages and bonuses to eligible staff, based on the performance of the Group and the individual employee.

Prospects

Even the result for the six months ended 30 June 2018 fails to live up to the Company's expectation, the management of the Company has the confidence to improve the Company's profitability by exploring various profitable energy trading products and improving the management of operating costs of the Company. For the oil tanker transportation business, the Company is considering to purchase vessel with a lower age in order to lower the maintenance costs. Please see also the announcement dated 17 August 2018 in relation to the entering into of an agreement to dispose the current oil tanker owned by the Group as discussed below. The Company will continuously attribute the resources on expanding the upstream and downstream of the business. The Group will also explore other investment opportunities that are beneficial to the Shareholders of the Company.

Subsequent Event

On 17 August 2018, Yuhua Energy (Hong Kong) Limited, a wholly owned subsidiary of the Company, entered into the memorandum of agreement with Hongkong Asia International Marine Limited, in relation to the disposal of the vessel at a consideration of US$5.71 million (approximately HK$44.82 million). Delivery of the vessel will be conducted after the Group has fulfilled existing orders. For further details, please refer to the announcement of the Company dated 17 August 2018.

INTERIM DIVIDEND

The board (the "Board") of Directors (the "Directors") of the Company does not recommend the payment of an interim dividend for the six months ended 30 June 2018. (2017: HK$0.005 per Share).

REVIEW OF FINANCIAL STATEMENTS

The audit committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2018 in conjunction with the Directors and senior management of the Group.

By order of the Board
Lin Caihuo
Chairman

Hong Kong, 24 August 2018

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company devotes to the best practices on corporate governance, and has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing (the "Listing Rules") of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the Current Period, except for the following deviation:

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

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

Pursuant to code provision A.6.7 of the Code, independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of Shareholders. Our independent non-executive Directors, Mr. Liu Yang, Mr. Lum Pak Sum and Ms. Wong Yan Ki, Angel were unable to attend the extraordinary general meeting and Mr. Liu Yang was unable to attend the annual general meeting of the Company held on 16 January 2018 and 25 May 2018 respectively due to other commitments.

After the end of the Current Period, Ms. Wong Nga Yan resigned as the Company Secretary of the Company with effect from 9 August 2018. Since then, the Company no longer complied with the requirement under Rule 3.28 of the Listing Rules and, hence, the relevant code provisions in respect of company secretary until the appointment of Ms. Mak Po Man Cherie as the company secretary of the Company with effect from 5 September 2018.

COMPLIANCE WITH THE MODEL CODE

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

AUDIT COMMITTEE

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

The interim results of the Group for the six months ended 30 June 2018 have not been audited. The Audit Committee has reviewed with the Directors and senior management of the Group, the unaudited condensed consolidated financial statements and this interim report of the Group for the six months ended 30 June 2018.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Current Period.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2018, the interests and short positions of the Directors and the chief executives of the Company 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 (Chapter 571, Laws of Hong Kong) ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Director	Capacity	Number of Shares held[(1)]	Approximate percentage of the issued Shares
Lin Caihuo ("Mr. Lin")	Beneficial owner	1,821,053,112	58.85%

Notes:

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

Save as disclosed above, as at 30 June 2018, none of the Directors and the chief executives of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Corporate Governance and Other Information (Continued)

SHARE OPTION SCHEME

On 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 participants (including any executive Directors) to subscribe for shares in the Company subject to the terms and conditions stipulated in the Share Option Scheme. The Share Option Scheme was expired on 25 June 2015.

Details of the movement of the outstanding share options under the Share Option Scheme during the Current Period are as follows:

Name	Date of grant (dd/mm/yyyy)	Exercise price after (before) share subdivision HK$	Vesting date (dd/mm/yyyy)	Exercisable period (dd/mm/yyyy)	Number of share options					
					As at 01/01/2018	Granted	Exercised	Adjustment on share subdivision	Lapsed	As at 30/06/2018
Eligible employees [1]	19/06/2015	0.64125 (1.2825)	19/06/2015	19/06/2015 – 18/06/2025	61,600,000	–	–	61,600,000	–	123,200,000

Note:

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2018, according to the register kept by the Company under section 336 of the SFO, the corporations or persons (other than a Director or chief executive of the Company) had interests of 5% or more in the Shares or underlying Shares which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO were as follows:

Name	Capacity	Number of Shares held[1]	Approximate percentage of the issued Shares
Lin Aihua ("Ms. Lin")[2]	Interest of spouse	1,821,053,112	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	1,821,053,112	58.85%
Zhongtai International Asset Management Limited ("Zhongtai International")[4]	Investment manager	1,821,053,112	58.85%
Zhongtai Securities Company Limited ("Zhongtai Securities")[5]	Interest of controlled corporations	1,821,053,112	58.85%
Zhongtai Financial International Limited ("Zhongtai Financial International")[5]	Interest of controlled corporations	1,821,053,112	58.85%
Zhongtai Financial Investment Limited ("Zhongtai Financial Investment")[5]	Person having a security interest in shares	1,821,053,112	58.85%

SUBSTANTIAL SHAREHOLDERS' INTERESTS *(Continued)*

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 910,526,556 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 Subdivision, the number of Shares charged to Qilu is 1,821,053,112 Shares.

(4) Zhongtai International is the fund management 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.

(5) The 1,821,053,112 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 30 June 2018, no other person (other than a Director or chief executive of the Company) had registered an interest or short position in the Shares, underlying Shares which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

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 (which was subsequently extended to 28 October 2018) ("Notes") to Zhongtai Financial Investment and Zhongtai Financial Investment conditionally agreed to subscribe the Notes from the Company.

DISCLOSURE PURSUANT TO 13.21 OF THE LISTING RULES *(Continued)*

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 the Company of HK$0.0025 each (equivalent to 1,821,053,112 ordinary shares of HK$0.00125 each 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 interim 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 constitutes 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 repayable 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.

UPDATE ON DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Mr. Lum Pak Sum was resigned as independent non-executive director of Pearl Oriental Oil Limited, a company listed on the main board of the Stock Exchange (stock code: 632) on 29 June 2018.

Ms. Wong Yan Ki, Angel was resigned as independent non-executive director of Miko International Holdings Limited, a company listed on the main board of the Stock Exchange (stock code: 1247) and China Public Procurement Limited, a company listed on the main board of the Stock Exchange (stock code: 1094) on 16 July 2018 and 29 July 2018 respectively.

Save as disclosed in this interim report, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2018

	Note	Unaudited Six months ended 30 June 2018 HK$'000	 2017 Restated HK$'000 (Note 18)
Continuing operations			
Revenue	6	**1,672,559**	4,952,438
Cost of sales		**(1,645,562)**	(4,899,984)
Gross profit		**26,997**	52,454
Distribution expenses		**(1,780)**	(2,832)
Administrative expenses		**(13,198)**	(12,743)
Other income		**536**	34
Other gains – net		**269**	26,288
Operating profit	6, 7	**12,824**	63,201
Finance income		**537**	467
Finance expenses		**(11,595)**	(6,686)
Finance expenses — net		**(11,058)**	(6,219)
Profit before income tax		**1,766**	56,982
Income tax expense	8	**(5,708)**	(17,876)
(Loss)/profit from continuing operations		**(3,942)**	39,106
Profit from discontinued operation	18	**2,676**	4,344
(Loss)/profit for the period, all attributable to owners of the Company		**(1,266)**	43,450

Interim Condensed Consolidated Statement of Profit or Loss (Continued)

For the six months ended 30 June 2018

	Note	**Unaudited Six months ended 30 June 2018 HK$'000**	2017 Restated HK$'000 *(Note 18)*
(Loss)/earnings per share for profit from continuing operations attributable to owners of the Company			
Basic and diluted (loss)/earnings per share (in cents per share)	*9*	**(0.13)**	1.26
(Loss)/earnings per share attributable to owners of the Company			
Basic and diluted (loss)/earnings per share (in cents per share)	*9*	**(0.04)**	1.40

The notes on pages 24 to 59 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2018

	Unaudited Six months ended 30 June	
	2018	2017
		Restated
	HK$'000	HK$'000
		(Note 18)
(Loss)/profit for the period	**(1,266)**	43,450
Other comprehensive (loss)/income for the period		
Items that may be reclassified to profit or loss		
— Currency translation differences	**(4,595)**	14,209
Total comprehensive (loss)/income for the period, all attributable to owners of the Company	**(5,861)**	57,659
Total comprehensive (loss)/income for the period arises from:		
Continuing operations	**(9,258)**	51,468
Discontinued operation	**3,397**	6,191
	(5,861)	57,659

The notes on pages 24 to 59 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2018

	Note	Unaudited 30 June 2018 HK$'000	Audited 31 December 2017 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	**44,520**	49,598
Investment properties	11	**120,965**	122,005
Intangible assets	11	**978**	978
Prepayment and deposits		**154**	842
Deferred income tax assets	15	**–**	284
		166,617	173,707
Current assets			
Inventories		**4,241**	65,765
Trade and other receivables and prepayments	12	**991,462**	1,166,975
Cash and cash equivalents		**42,400**	20,323
Restricted cash		**102,479**	103,360
		1,140,582	1,356,423
Total assets		**1,307,199**	1,530,130
EQUITY			
Equity attributable to owners of the Company			
Share capital	13	**3,868**	3,868
Other reserves		**199,172**	203,161
Retained profits		**218,686**	220,558
Total equity		**421,726**	427,587

Interim Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2018

	Note	Unaudited 30 June 2018 HK$'000	Audited 31 December 2017 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	*15*	**9,495**	8,683
Current liabilities			
Trade and other payables	*17*	**396,166**	780,843
Contract liabilities		**114,241**	–
Current income tax liabilities		**4,276**	4,004
Borrowings	*16*	**361,295**	309,013
		875,978	1,093,860
Total liabilities		**885,473**	1,102,543
Total equity and liabilities		**1,307,199**	1,530,130

The notes on pages 24 to 59 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	Unaudited			
	Attributable to owners of the Company			
	Share capital	**Other reserves**	**Retained profits**	**Total equity**
	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2018	3,868	203,161	220,558	427,587
Loss for the period	–	–	(1,266)	(1,266)
Currency translation differences	–	(4,595)	–	(4,595)
Total comprehensive loss for the period ended 30 June 2018	–	(4,595)	(1,266)	(5,861)
Appropriation to statutory reserves	–	606	(606)	–
Balance at 30 June 2018	3,868	199,172	218,686	421,726
Balance at 1 January 2017	3,868	163,937	187,443	355,248
Profit for the period	–	–	43,450	43,450
Currency translation differences	–	14,209	–	14,209
Total comprehensive income for the period ended 30 June 2017	–	14,209	43,450	57,659
Appropriation to statutory reserves	–	4,977	(4,977)	–
Balance at 30 June 2017	3,868	183,123	225,916	412,907

The notes on pages 24 to 59 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	Note	Unaudited Six months ended 30 June **2018** **HK$'000**	 2017 HK$'000 (Note 18)
Cash flows from operating activities			
Cash used in operations		**(30,672)**	(397)
Income tax paid		**(4,384)**	(7,291)
Net cash used in operating activities		**(35,056)**	(7,688)
Cash flows from investing activities			
Purchases of property, plant and equipment	*11*	**(373)**	(42,094)
Prepayment for non-current assets		**(173)**	(199)
Proceeds from disposal of subsidiaries	*18*	**12,236**	–
Net cash generated from/(used) in investing activities		**11,690**	(42,293)
Cash flows from financing activities			
Proceeds from issue of notes payable	*16*	**–**	94,653
Proceeds from bank borrowings	*16*	**262,918**	479,318
Repayments of bank borrowings	*16*	**(209,050)**	(459,730)
Interest paid		**(8,472)**	(5,363)
Net cash generated from financing activities		**45,396**	108,878
Net increase in cash and cash equivalents		**22,030**	58,897
Cash and cash equivalents at beginning of the period		**20,323**	54,668
Effect of foreign exchange rate changes		**47**	159
Cash and cash equivalents at end of the period		**42,400**	113,724

The notes on pages 24 to 59 form an integral part of this interim condensed consolidated financial information.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2018

1 GENERAL INFORMATION

Yuhua Energy Holdings Limited ("the Company") was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The addresses of the registered office is Cricket Square Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, and the principal place of business is 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, oil tanker transportation and speaker manufacturing and sale businesses. During the six months ended 30 June 2018, the Group disposed of two subsidiaries in the manufacturing and sales of consumer and automotive speaker systems business of the speaker manufacturing and sale segment to a third party ("the Disposal"). The Disposal was completed on 4 June 2018. Information about this discontinued operation is provided in Note 18. Subsequent to the Disposal, the Group retains the business of trading of audio speaker for audio consumer electronic products.

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

This interim condensed consolidated financial information was approved for issue by the Board of Directors on 24 August 2018.

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2018 has been prepared in accordance with HKAS 34, 'Interim financial reporting'. The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") except for the adoption of new standards and amendments as disclosed in Note 3.

This interim condensed consolidated financial information was unaudited but have been reviewed by the Audit Committee of the Company.

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2017, as described in those annual financial statements.

(a) New and amended standards adopted by the Group

The following new standards and amendments relevant to the Group became applicable for the first time for the financial year beginning on or after 1 January 2018. The Group had to change its accounting policies as a result of adopting the following standards:

— HKFRS 9 Financial Instruments, and

— HKFRS 15 Revenue from Contracts with Customers

The impact of the adoption of these standards and the new accounting policies are disclosed below.

HKFRS 9 was generally adopted without restating comparative information with the exception of certain aspects of hedge accounting. There was no impact on the consolidated financial statements for the year ended 31 December 2017.

The Group adopted HKFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption (if any) will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

3 ACCOUNTING POLICIES *(Continued)*

(a) New and amended standards adopted by the Group *(Continued)*

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more details below.

Consolidated statement of financial position (extract)	31 December 2017 As originally presented	HKFRS 15	1 January 2018 Restate
	HK$'000	HK$'000	HK$'000
Current liabilities			
Trade and other payables	780,843	(198,585)	582,258
Contract liabilities	–	198,585	198,585

(i) HKFRS 9, 'Financial Instruments'

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

There is no impact on the Group's accounting for financial assets and liabilities. As the Group has trade receivables for sales of products and services that are subject to HKFRS 9's new expected credit loss model, and the Group was required to revise its impairment methodology under HKFRS 9 for these receivables.

The Group applies the HKFRS 9 simplified approach to measure the expected credit losses which uses a lifetime expected loss allowance for all trade receivables from initial recognition. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and aging analysis. On that basis, the loss allowance as at 1 January 2018 have no change after reassessment.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, no impairment loss was identified.

3 ACCOUNTING POLICIES *(Continued)*

(a) New and amended standards adopted by the Group *(Continued)*

(ii) HKFRS 15, 'Revenue from Contracts with Customers'

The Group has adopted HKFRS 15 'Revenue from Contracts with Customers' from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The Group adopted HKFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption (if any) will be recognised in retained earnings as at 1 January 2018 and that comparatives will not be restated. The following adjustments were made to the amounts recognised in the balance sheet at the date of initial application on 1 January 2018:

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

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

The timing and accounting treatments of revenue recognition are the same before and after adopting the HKFRS 15. Other than certain reclassification of contract liabilities, the adoption of HKFRS 15 did not result in any impact to the financial statements.

3 ACCOUNTING POLICIES *(Continued)*

(a) New and amended standards adopted by the Group *(Continued)*

(iii) Accounting policies effective from 1 January 2018 due to the adoption of HKFRS 9 and HKFRS 15

Financial assets – impairment

From 1 January 2018, the Group assesses the expected credit losses associated with its financial assets on a forward looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Revenue recognition – sales from trading of energy products

Revenue is recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no more unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the location as agreed on the sales contract and the certificates of ownership are handed over to customer, or when products are shipped at the shipping point. The risks of obsolescence and loss have been transferred to the customers when either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognised when the products are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Revenue recognition – sale of speaker units

Revenue is recognised when the products are delivered to customer and the customer has inspected and accepted the products.

3 ACCOUNTING POLICIES *(Continued)*

(a) New and amended standards adopted by the Group *(Continued)*

(iii) Accounting policies effective from 1 January 2018 due to the adoption of HKFRS 9 and HKFRS 15 (Continued)

Revenue recognition – oil tanker transportation services

Revenue is recognised in the accounting period in which the services are rendered and is recognised based on the actual service provided up to the end of the reporting period as a proportion of the total services to be provided for a voyage. This is determined based on the actual days spent relative to the total expected days of a voyage.

Presentation of assets and liabilities related to contracts with customers

Reclassifications of advances from customers, that were previously included in trade and other payables, to contract liabilities with customers were made as at 1 January 2018 to be consistent with the terminology used under HKFRS 15.

(b) New standards and interpretations not yet adopted

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on or after 1 January 2018 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
HK (IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

3 ACCOUNTING POLICIES *(Continued)*

(b) New standards and interpretations not yet adopted *(Continued)*

(i) HKFRS 16, 'Leases'

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.

The new standard will affect primarily the accounting for the Group's operating leases. As at 30 June 2018, the Group has non-cancellable operating lease commitments of HK$3,967,000. 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.

4 ESTIMATES

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

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and fair value interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2017.

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

5.2 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 30 June 2018, the Group had available unutilised short-term bank loan facilities of HK$296,675,000 (2017: HK$299,075,000).

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

5.2 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.

	Less than 1 year HK$'000
Unaudited at 30 June 2018	
Borrowings	361,295
Interest payable	7,281
Trade and other payables	395,099
	763,675

	Less than 1 year HK$'000
Audited at 31 December 2017	
Borrowings	309,013
Interest payable	4,368
Trade and other payables	564,385
	877,766

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

5.3 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 30 June 2018 and 31 December 2017 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 payroll and welfare payable and taxes payable)
- Borrowings

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

5.3 Fair value estimation *(Continued)*

(b) Non-financial assets and liabilities

(i) Fair value hierarchy

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

	Fair value measurements at 30 June 2018		
	Quoted prices in active markets for identical assets (Level 1) HK$'000	**Significant other observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**
Recurring fair value measurements:			
Investment properties *(Note 11)*	**–**	**–**	**120,965**

	Fair value measurements at 30 June 2017		
	Quoted prices in active markets for identical assets (Level 1) HK$'000	Significant other observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000
Recurring fair value measurements:			
Investment properties *(Note 11)*	–	–	129,131

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

Management evaluates the fair value of the investment properties periodically. An independent valuer is involved at least annually. Management reviews the valuations performed by the independent valuer and discusses the valuation processes and results.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

5.3 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	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	RMB16,333/m^2 to RMB19,826/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 periods ended 30 June 2018 and 30 June 2017 for recurring fair value measurements are set out in Note 11.

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

6 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: (i) energy trading which comprises mainly the trading of fuel oil and kerosene, (ii) oil tanker transportation services and (iii) audio speaker trading business (speaker units manufacturing and trading business prior to 4 June 2018).

The Board of Directors assesses the performance of the operating segments based on a measure of segment results, excluding finance income/(expenses), fair value gains/(losses) on investment properties and the Company's incomes and expenses. Finance income/(expenses), fair value gains/(losses) on investment properties and the Company's incomes and expenses are not allocated to segments, as these types of activity are driven by the central function and the related income/(expenses) are undividable between the segments.

The Company's assets, deferred income tax assets, intangible assets, prepayment for non-current assets and investment properties are not considered to be segment assets and the Company'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.

6 SEGMENT INFORMATION *(Continued)*

Segment information is as follows:

	Unaudited Six months ended 30 June	
	2018	2017
		Restated
	HK$'000	HK$'000
		(Note 18)
Revenue from external customers		
Energy trading	**1,620,382**	4,917,740
Oil tanker transportation	**22,744**	11,537
Speaker trading	**29,433**	23,161
Total continuing operations	**1,672,559**	4,952,438
Discontinued operation *(Note 18)*	**229,868**	198,776
Total	**1,902,427**	5,151,214
Timing of revenue recognition		
At a point in time	**1,879,683**	5,139,677
Over time	**22,744**	11,537
Total	**1,902,427**	5,151,214
Segment profit/(loss)		
Energy trading	**10,016**	38,773
Oil tanker transportation	**9,944**	2,302
Speaker trading	**(4,528)**	(1,373)
Total continuing operations	**15,432**	39,702
Discontinued operation *(Note 18)*	**3,768**	6,228
Total	**19,200**	45,930

6 SEGMENT INFORMATION *(Continued)*

	Unaudited 30 June 2018 HK$'000	Audited 31 December 2017 HK$'000
Segment assets		
Energy trading	**1,059,957**	1,090,231
Oil tanker transportation	**43,754**	45,201
Speaker trading	**80,954**	270,480
Total	**1,184,665**	1,405,912
Segment liabilities		
Energy trading	**460,028**	540,628
Oil tanker transportation	**22,507**	48,989
Speaker trading	**20,472**	187,951
Total	**503,007**	777,568

6 SEGMENT INFORMATION *(Continued)*

A reconciliation of total segment profit to net profit is provided as follows:

	Unaudited Six months ended 30 June	
	2018	2017 Restated
	HK$'000	HK$'000 *(Note 18)*
Segment profit from continuing operations	**15,432**	39,702
Unallocated operating (expenses)/gains	**(2,608)**	23,499
Operating profit from continuing operations	**12,824**	63,201
Finance income	**537**	467
Finance expenses	**(11,595)**	(6,686)
Profit before income tax from continuing operations	**1,766**	56,982
Income tax expense	**(5,708)**	(17,876)
(Loss)/profit from continuing operations	**(3,942)**	39,106
Profit from discontinued operation *(Note 18)*	**2,676**	4,344
(Loss)/profit for the period	**(1,266)**	43,450

6 SEGMENT INFORMATION *(Continued)*

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

	Unaudited 30 June 2018 HK$'000	Audited 31 December 2017 HK$'000
Total segment assets	**1,184,665**	1,405,912
Unallocated assets	**437**	720
Deferred income tax assets	**-**	284
Intangible assets	**978**	978
Prepayment for non-current assets	**154**	231
Investment properties	**120,965**	122,005
Total assets	**1,307,199**	1,530,130

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

	Unaudited 30 June 2018 HK$'000	Audited 31 December 2017 HK$'000
Total segment liabilities	**503,007**	777,568
Unallocated liabilities	**7,400**	3,275
Borrowings	**361,295**	309,013
Current income tax liabilities	**4,276**	4,004
Deferred income tax liabilities	**9,495**	8,683
Total liabilities	**885,473**	1,102,543

7 OPERATING PROFIT

An analysis of the amounts presented as operating items in the financial information is given below.

	Unaudited Six months ended 30 June	
	2018	2017
		Restated
	HK$'000	HK$'000
		(Note 18)
Continuing operations		
Employee benefit expense	**5,995**	4,820
Labor service cost	**3,156**	2,824
Depreciation of property, plant and equipment *(Note 11)*	**1,636**	1,620
Net foreign exchange (gain)/loss	**(35)**	73
Fair value gains on investment properties *(Note 11)*	**–**	(26,360)
Government grant related to income	**(372)**	(34)

8 INCOME TAX EXPENSE

	Unaudited Six months ended 30 June	
	2018	2017
		Restated
	HK$'000	HK$'000
		(Note 18)
Current income tax		
– Hong Kong profits tax	**–**	223
– PRC income tax	**4,920**	9,987
Deferred income tax	**1,892**	9,567
	6,812	19,777
Income tax expenses is attributable to:		
Profit from continuing operations	**5,708**	17,876
Profit from discontinued operation *(Note 18)*	**1,104**	1,901
	6,812	19,777

8 INCOME TAX EXPENSE *(Continued)*

Pursuant to the enactment of two-tiered profit tax rates by the Inland Revenue Department from the year of assessment 2018/19 onwards, the Group's first HK$ 2 million of assessable profits under Hong Kong profits tax during the year ended 31 December 2018 is subject to a tax rate of 8.25%. The Group's remaining assessable profits above HK$2 million will continue to be subject to a tax rate of 16.5%. Hong Kong profits tax had been provided for at the rate of 16.5% on the estimated assessable profits of the Group's company in Hong Kong in 2017.

Taxation on Mainland China income has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in Mainland China in which the Group operates. The Company's subsidiaries incorporated in Mainland China are subject to Corporate Income Tax ("CIT") at the rate of 25% (2017: 25%).

Pursuant to the PRC Corporate Income Tax Law and its detailed implementation rules, the profits of the Group's Mainland China subsidiaries 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 Mainland China subsidiaries in the foreseeable future in respect of the profits generated since 1 January 2008 (Note 15).

9 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share for the six months ended 30 June 2018 is based on the loss attributable to owners of the Company for the period of HK$1,266,000 (2017: profit of HK$43,450,000) and the weighted average number of shares of 3,094,516,000 (2017: 3,094,516,000 (restated)) shares in issue during the period.

	Unaudited Six months ended 30 June	
	2018	2017 Restated
	HK$'000	HK$'000 *(Note 18)*
(Loss)/earnings attributable to owners of the Company used in calculating basic (loss)/earnings per share:		
From continuing operations	**(3,942)**	39,106
From discontinued operation	**2,676**	4,344
	(1,266)	43,450
	shares '000	shares '000 Restated
Issued ordinary shares at 1 January	**1,547,258**	1,547,258
Effect of share subdivision	**1,547,258**	1,547,258
Weighted average number of ordinary shares at 30 June for the purpose of basic (loss)/earnings per share	**3,094,516**	3,094,516
Basic (loss)/earnings per share (in cents per share)		
From continuing operations	**(0.13)**	1.26
From discontinued operation	**0.09**	0.14
	(0.04)	1.40

9 (LOSS)/EARNINGS PER SHARE *(Continued)*

(a) Basic (loss)/earnings per share *(Continued)*

The weighted average numbers of ordinary shares for the purpose of calculating basic earnings per share for the six months ended 30 June 2017 had been retrospectively adjusted to reflect the share subdivision with effect from 17 January 2018 *(Note 13)*.

(b) Diluted (loss)/earnings per share

For the six months ended 30 June 2018, the Company's share options have no dilutive effect on the (loss)/earnings per share. Calculations are done to determine the number of shares that could have been acquired at fair value (determined by using average market share price of the Company's shares for the six months ended 30 June 2018) 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.

10 DIVIDENDS

The Board of Directors did not propose any interim dividend for the period ended 30 June 2018 (2017: An interim dividend of HK$7,736,000 was proposed on 25 August 2017).

11 PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS

	Property, plant and equipment HK$'000	Investment properties HK$'000	Intangible assets HK$'000
Six months ended 30 June 2018 — Unaudited			
Net book value			
Opening amount as at 1 January 2018	49,598	122,005	978
Additions	373	–	–
Transfer from prepayment for non-current assets	234	–	–
Disposals	(1,437)	–	–
Depreciation and amortisation	(2,431)	–	–
Discontinued operations — sale of subsidiaries *(Note 18)*	(1,907)	–	–
Currency translation differences	90	(1,040)	–
Closing amount as at 30 June 2018	44,520	120,965	978
Six months ended 30 June 2017 — Unaudited			
Net book value			
Opening amount 1 January 2017	5,972	–	978
Additions	42,094	90	–
Transfer from prepayment for non-current assets	4,571	99,208	–
Fair value gains	–	26,360	–
Disposals	(22)	–	–
Depreciation and amortisation	(2,021)	–	–
Currency translation differences	132	3,473	–
Closing amount 30 June 2017	50,726	129,131	978

12 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	Unaudited 30 June 2018 HK$'000	Audited 31 December 2017 HK$'000
Trade receivables from third parties	**220,964**	258,204
Less: allowance for impairment of trade receivables	**–**	–
Trade receivables — net	**220,964**	258,204
Prepayments to suppliers	**751,204**	896,204
Export tax rebate receivables	**–**	9,805
Other receivables, deposits and prepayments	**19,294**	2,762
	991,462	1,166,975

The Group's trade receivables are mainly related to the energy trading business. The Group normally allows a credit period of 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. As at 30 June 2018 and 31 December 2017, the aging analysis of trade receivables based on date of revenue recognition was as follows:

	Unaudited 30 June 2018 HK$'000	Audited 31 December 2017 HK$'000
0–90 days	**213,190**	258,090
90–180 days	**7,660**	114
over 180 days	**114**	–
	220,964	258,204

13 SHARE CAPITAL

Ordinary shares, issued and fully paid:

	Number of shares	Share capital
		HK$'000
Unaudited		
Opening balance 1 January 2018	1,547,258,704	3,868
Share subdivision	1,547,258,704	–
At 30 June 2018	3,094,517,408	3,868
Unaudited		
Opening balance 1 January 2017	773,629,352	3,868
Share subdivision	773,629,352	–
At 30 June 2017	1,547,258,704	3,868

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

14 SHARE OPTIONS SCHEME

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

The total number of ordinary shares available for issue under the Share Option Scheme and any other schemes must not exceed 10% of the shares of the Company in issue at the date of shareholders' approval of the Share Option Scheme. The Share Option Scheme was valid from 25 June 2005 to 25 June 2015. The vesting periods and exercisable period of the options granted are determined by the Board of Directors of the Company at the date of grant and no option may be exercised more than 10 years from the date of grant.

14 SHARE OPTIONS SCHEME *(Continued)*

On 19 June 2015, options to acquire 23,100,000 shares of the Company at an executive price of HK$5.13 per share ("Options") were granted to employees under the Share Option Scheme.

The number of shares and the exercise price related to the share options granted on 19 June 2015 were subsequently adjusted pursuant to various subdivision of ordinary shares of the Company on 8 July 2015, 27 April 2017 and 17 January 2018. Certain of the employees' share options are lapsed when employees resign from the Group.

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

For the period from 1 January 2018 to 30 June 2018:

					Number of share option				
	Grant date	Exercise price HK$	Vesting date	Exercisable period	As at 01/01/2018 HK$'000	Granted HK$'000	Adjustment on share HK$'000	Exercised HK$'000	As at 30/06/2018 HK$'000
Employees	19/06/2015	0.64125 (1.2825)	19/06/2015	19/06/2015– 18/06/2025	61,600,000	–	61,600,000	–	123,200,000

14 SHARE OPTIONS SCHEME *(Continued)*

For the period from 1 January 2017 to 30 June 2017

	Grant date	Exercise price	Vesting date	Exercisable period	Number of share option				
					As at 01/01/2017	Granted	Adjustment on share	Exercised	As at 30/06/2017
		HK$			HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Employees	19/06/2015	1.2825 (2.565)	19/06/2015	19/06/2015-18/06/2025	30,800,000	–	30,800,000	–	61,600,000

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 following assumptions were used to calculated the fair value of the Options:

	19 June 2015
Grant day share price (Before various share subdivisions since 19 June 2015: HK$5.13)	HK$0.64125
Exercise price (Before various share subdivisions since 19 June 2015: HK$5.13)	HK$0.64125
Expected volatility	59.31%
Option life	10 years
Expected dividends	–
Risk-free interest rate	1.7751%

Volatility is referring to Bloomberg from the average of the historical volatility of daily return of stock of the Company. Changes in the subjective input assumptions could materially affect the fair value estimate.

15 DEFERRED INCOME TAX

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

	Unaudited Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Deferred income tax assets:		
– to be recovered after more than 12 months	**–**	205
– to be recovered within 12 months	**–**	54
	–	259
Deferred income tax liabilities:		
– to be recovered after more than 12 months	**(6,344)**	(6,961)
– to be recovered within 12 months	**(3,151)**	(6,698)
	(9,495)	(13,659)

15 DEFERRED INCOME TAX *(Continued)*

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

	Unaudited			
	Provision for inventory write-down HK$'000	**Provision for long-term services** HK$'000	**Tax loss** HK$'000	**Total** HK$'000
Deferred income tax assets				
At 1 January 2018	71	213	3,676	3,960
(Charge)/credit to profit or loss	18	(57)	(1,700)	(1,739)
Discontinued operations — sale of subsidiaries *(Note 18)*	(91)	(163)	–	(254)
Currency translation differences	2	7	–	9
At 30 June 2018	–	–	1,976	1,976
At 1 January 2017	81	199	–	280
(Charge)/credit to profit or loss	(27)	6	4,147	4,126
At 30 June 2017	54	205	4,147	4,406

15 DEFERRED INCOME TAX *(Continued)*

	Unaudited			
	Changes in fair value of investment property	**Withholding tax**	**Acceleration depreciation difference**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Deferred income tax liabilities				
At 1 January 2018	(3,178)	(4,688)	(4,493)	(12,359)
(Charge)/credit to profit or loss	–	(207)	54	(153)
Discontinued operations — sale of subsidiaries *(Note 18)*	–	1,014	–	1,014
Currency translation differences	27	–	–	27
Closing balance at 30 June 2018	(3,151)	(3,881)	(4,439)	(11,471)
Opening balance at 1 January 2017	–	(4,113)	–	(4,113)
Charge to profit or loss	(6,698)	(2,468)	(4,527)	(13,693)
Closing balance at 30 June 2017	(6,698)	(6,581)	(4,527)	(17,806)

16 BORROWINGS

	Unaudited 30 June 2018 HK$'000	Audited 31 December 2017 HK$'000
Current		
– Bank borrowings (i)	**262,918**	210,848
– Notes payable (ii)	**98,377**	98,165
	361,295	309,013

(i) The bank borrowings as at 30 June 2018 were secured by (i) investment properties of the Group (Note 11), (ii) properties owned by a related company beneficially owned by Mr. Lin Caihuo ("Mr. Lin"), the chairman of the Board, (iii) guarantees provided by Mr. Lin and two related company beneficially owned by Mr. Lin, and (iv) Mr. Lin's life insurance policy.

(ii) 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, due on 28 April 2018 to Zhongtai. In connection with the subscription agreement, Mr. Lin provided a personal guarantee and pledged his holding of 1,821,053,112 ordinary shares of the Company (representing 58.85% of the issued share capital of the Company as at the date of this interim report) in favour of Zhongtai.

On 28 April 2018, the Company renewed the subscription agreement with Zhongtai and extended the maturity to 28 October 2018.

The amortized cost of the note payable was HK$98,377,000 as at 30 June 2018.

17 TRADE AND OTHER PAYABLES

	Unaudited 30 June 2018 HK$'000	Audited 31 December 2017 HK$'000
Trade payables to third parties	**141,274**	279,567
Trade payables to related parties	**–**	6
Trade payables	**141,274**	279,573
Bills payables (i)	**191,531**	193,178
Advances from customers	**–**	198,585
Payroll and welfare payables	**3,560**	16,528
Amounts due to related parties	**51,594**	74,875
Other payable and accrued expenses	**8,207**	18,104
	396,166	780,843

(i) The bills payables as at 30 June 2018 were secured by (i) restricted bank deposits of the Group amounting to HK$102,479,000 (2017: HK$103,360,000), (ii) properties owned by Mr. Lin and a related company beneficially owned by Mr. Lin, and (iii) guarantees provided by Mr. Lin and his spouse, a subsidiary of the Group and a related company beneficially owned by Mr. Lin.

17 TRADE AND OTHER PAYABLES *(Continued)*

As at 30 June 2018 and 31 December 2017, the aging analysis of trade payables (including bills payable of trading in nature) based on invoice date was as follows:

	Unaudited 30 June 2018 HK$'000	Audited 31 December 2017 HK$'000
0–30 days	**99,320**	136,316
31–60 days	**41,013**	151,272
61–90 days	**3,987**	50,249
91–120 days	**143,625**	134,576
Over 120 days	**44,860**	338
	332,805	472,751

18 DISCONTINUED OPERATION

(a) Description

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

The Target Group was sold on 4 June 2018 (the "Completion Date") for an estimated cash consideration of HK$34,134,000. No gain or loss was resulted from the Disposal. The results of the Target Group are presented in this interim condensed consolidated financial information as a discontinued operation.

(b) Financial performance and cash flow information

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

18 DISCONTINUED OPERATION *(Continued)*

(b) Financial performance and cash flow information *(Continued)*

	Unaudited Six months ended 30 June 2018 HK$'000	2017 HK$'000
Revenue	**229,868**	198,776
Cost of sales	**(209,187)**	(175,837)
Gross profit	**20,681**	22,939
Distribution expenses	**(1,455)**	(1,315)
Administrative expenses	**(12,053)**	(14,643)
Other income	**18**	460
Other losses — net	**(3,423)**	(1,213)
Operating profit	**3,768**	6,228
Finance income	**12**	17
Finance expenses	**–**	–
Finance expenses — net	**12**	17
Profit before income tax	**3,780**	6,245
Income tax expense	**(1,104)**	(1,901)
Profit from discontinued operation	**2,676**	4,344
Currency translation differences from discontinued operations	**721**	1,847
Other comprehensive income from discontinued operations	**721**	1,847
Net cash outflow from operating activities	**(7,778)**	(3,478)
Net cash outflow from investing activities	**(340)**	(292)
Net cash inflow from financing activities	**–**	–
Net decrease in cash from discontinued operation	**(8,118)**	(3,770)

18 DISCONTINUED OPERATION *(Continued)*

(c) Result of the disposal of the Target Group

	Unaudited 30 June 2018 HK$'000	Audited 31 December 2017 HK$'000
Cash received or receivable as consideration	**34,134**	–
Carrying amount of net assets sold	**(34,134)**	–
Gain on sale before and after income tax	**–**	–

The consideration was determined by reference of the net asset value of the Target Group as at the Completion Date. As at 30 June 2018 and the date of this interim condensed consolidated financial information, the consideration has been 50% paid according to the Disposal Agreement.

19 CONTINGENT LIABILITIES

As at 30 June 2018, the Group had no significant contingent liability (31 December 2017: Nil).

20 CAPITAL COMMITMENTS

The Group had capital commitments in respect of system software update amounted to HK$241,307 as at 30 June 2018 (31 December 2017: Purchase of an oil tanker of HK$377,405).

21 RELATED-PARTY TRANSACTIONS

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

Except for disclosed elsewhere in this interim condensed consolidated financial information, during the period the Group had the following significant related party transactions:

(a) Compensation of key management personnel

The remuneration of Directors and other members of key management during the period was as follows:

	Unaudited Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Salaries and other short-term benefits	**1,000**	934

(b) Related party transactions

Name of related parties	Nature of transaction	Unaudited Six months ended 30 June	
		2018	2017
		HK$'000	HK$'000
Tai Sing Industrial Company Limited (泰升實業有限公司) (i)	Sales of goods	**2,450**	3,328
	Technical service expense	**1,200**	840
	Operating lease payments	**864**	720
Xiamen Sea Star Shipping Co., Ltd. (廈門海之星航運有限公司) (ii)	Area discrepancy compensation for acquisition of investment properties	**–**	90

21 RELATED-PARTY TRANSACTIONS *(Continued)*

(b) Related party transactions *(Continued)*

(i) A related company beneficially owned by a Director of certain subsidiaries of the Company. Sales of goods to Tai Sing Industrial Company Limited 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 services expense and operating lease payments were conducted on mutually agreed terms.

(ii) A related company beneficially owned by Mr. Lin. The acquisition price of the properties and transportation services expenses paid was based on estimated market price.

22 EVENTS AFTER THE REPORTING PERIOD

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

Disposal of a vessel

On 17 August 2018, Yuhua Energy (Hong Kong) Limited, a wholly owned subsidiary of the Company, entered into a memorandum of agreement with Hongkong Asia International Marine Limited ("the Buyer") in relation to the disposal ("the Disposal") of Yuhua Star, the oil tanker of the Group ("the Vessel") at a consideration of US$5,710,000 (approximately HK$44,820,000). Delivery of the Vessel will be conducted after the Group has fulfilled existing orders. As at the date of this interim condensed consolidated financial information, the Disposal has not been completed and the Vessel has not been delivered to the Buyer.