STRONG PETROCHEMICAL HOLDINGS LIMITED
海峽石油化工控股有限公司*

(incorporated in the Cayman Islands with limited liability) Stock Code: 852

2019 Annual Report

* *For identification purposes only*

CONTENTS

Forward-looking statements (the "Statements") contained in this Annual Report (the "Report") relating to the forecast business plans, prospects, financial forecasting, and growth strategies of Strong Petrochemical Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group"). These Statements are based on information currently available to the Group and are stated herein on the basis of the outlook at the time of this Report. They are based on certain expectations, assumptions and premises, some of which are subjective or beyond our control. These Statements may prove to be incorrect and may not be realised in future. Underlying these Statements is a large number of risks and uncertainties. In light of the risks and uncertainties, the inclusion of the Statements in this Report should not be regarded as representations by the board of directors of the Company or the Company that the plans and objectives will be achieved, and investors should not place undue reliance on such Statements.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. WANG Jian Sheng *(Chairman)*
Mr. YAO Guoliang

Independent Non-executive Directors

Ms. CHEUNG Siu Wan
Dr. CHAN Yee Kwong
Mr. DENG Heng

BOARD COMMITTEES

Audit Committee

Ms. CHEUNG Siu Wan *(Chairman)*
Dr. CHAN Yee Kwong
Mr. DENG Heng

Remuneration Committee

Dr. CHAN Yee Kwong *(Chairman)*
Mr. DENG Heng
Mr. WANG Jian Sheng

Nomination Committee

Mr. WANG Jian Sheng *(Chairman)*
Ms. CHEUNG Siu Wan
Mr. DENG Heng

COMPANY SECRETARY

Mr. LAI Yang Chau, Eugene (Practising Solicitor) (Hong Kong)
(resigned on 14 February 2020)
Mr. LAU Leong Ho (Practising Solicitor) (Hong Kong)
(appointed on 14 February 2020)

AUTHORISED REPRESENTATIVES

Mr. WANG Jian Sheng
Mr. YAO Guoliang

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1604, 16th Floor, Far East Finance Centre
16 Harcourt Road
Admiralty
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

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

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of Communications (Hong Kong) Limited
Credit Suisse AG
DBS Bank (Hong Kong) Limited
Rabobank International, Singapore Branch
Societe Generale, Singapore Branch
Standard Chartered Bank (Hong Kong) Limited
United Overseas Bank Ltd., Singapore Branch

WEBSITE

www.strongpetrochem.com

SHARE INFORMATION

The Stock Exchange of Hong Kong Limited
Stock code: 00852

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of Strong Petrochemical Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the last five financial years is set out below:

	2019	2018	2017	2016	2015
Results (HK$'000)					
Revenue	**17,356,253**	22,810,604	12,162,601	8,617,315	11,035,616
Profit before taxation from continuing operations	**124,125**	8,227	20,985	41,396	21,395
Taxation credit (charge)	**57**	(776)	(21)	1,476	(863)
Profit from continuing operations	**124,182**	7,451	20,964	42,872	20,532
Profit from discontinued operations	**–**	–	–	133,049	18,249
Profit for the year	**124,182**	7,451	20,964	175,921	38,781
Consolidated Statement of Financial Position (HK$'000)					
Total assets	**3,872,982**	3,663,110	3,766,064	3,333,558	2,889,153
Total liabilities	**(2,365,018)**	(2,289,159)	(2,387,064)	(2,104,182)	(1,769,993)
Equity	**1,507,964**	1,373,951	1,379,000	1,229,376	1,119,160

CHAIRMAN'S STATEMENT

To all shareholders,

It is my pleasure to present the audited consolidated financial results of the Group for the year ended 31 December 2019 (the "year").

Revenue for the year was approximately Hong Kong dollar ("HK$") 17,356.3 million (2018: approximately HK$22,810.6 million). Profit attributable to owners of the Company for the year was approximately HK$125.0 million (2018: approximately HK$7.5 million).

BUSINESS REVIEW AND PROSPECTS

TRADING OF COMMODITIES

Due to the Organization of the Petroleum Exporting Countries (the "OPEC")'s decision to cut oil production in late 2018 and the tightening of sanction imposed on Iran and Venezuela by the United States of America (the "US"), oil price increased from United States dollar ("US$") 60.24 per barrel ("BBL") in January 2019 to US$74.57 per barrel in late April 2019, which was the highest price of the year. However, oil price fell sharply in May 2019 due to investors' concern over the increasing tension between the People's Republic of China (the "PRC") and the US. Oil price hit the bottom at US$56.23 per barrel in August 2019 and spiked up again due to the concern on Saudi Arabia's outrage after the attack on Saudi Arabia's oil facilities in September 2019. The spike was short lived as Saudi Arabia resumed its oil production quickly. Oil price rose gradually from October 2019 till the end of 2019 as there was significant progress on the negotiation between the PRC and the US.

Caixin China General Manufacturing Purchasing Managers' Index (the "PMI") rose from 48.3 in January 2019 and became positive in March 2019 which was mainly driven by the pickup of local demand. The PMI fell below 50.0 in June 2019 due to decrease in external demand which was partly resulted from addition tariffs imposed by the US on Chinese goods. To reduce the downward pressure of economic growth, the Chinese government has imposed measures such as reduction in taxes and fees. As a result, the Chinese manufacturers regained confidence to expand production. PMI generally increased in the second half of 2019 and became positive since August 2019.

In view of the oil market with uncertain price trend, our crude oil team focused on back-to-back trade arrangement, instead of keeping inventories, which were less risky in nature. During the year, the drop in sales of petroleum products was due to the shrinking profit margin and the declined demand. Nevertheless, we made every endeavor to put effort on the trading business of coal and petrochemicals. Our Singapore office continued to develop its coal trading business in the markets of Thailand, the PRC and Vietnam. The effort paid off, with the increasing trend of revenue generated from trading of coal. The trading volume in petrochemicals increased not just because of the restoration of the PRC customers' confidence in the second half of the year, but also our petrochemicals team's successful expansion of customer base in the PRC. By stepping into the trading business of ferrous metals, we are committed to expand our commodity range and to actively explore potential opportunities in the market.

STORAGE AND OTHER ANCILLARY SERVICES FOR PETROLEUM PRODUCTS AND PETROCHEMICALS AND LEASES

Strong Petrochemical (Nantong) Logistics Company Ltd. ("Strong Nantong"), our indirect wholly-owned subsidiary, operates its storage facilities with 21 storage tanks and a capacity of 139,000 cubic meters in Jiangsu Province, the PRC. In December 2019, Strong Nantong obtained the Pier Operation Permission. During the year, Strong Nantong continued to develop business relationship with long-term core customers by utilising its vehicle discharging system. Due to the competitive edge brought by the vehicle discharging system and the effort of the management, Strong Nantong reported its record high results in net profit in the year. We are optimistic for Strong Nantong's capability to further increase the Group's profitability in coming years.

Huizhou Daya Bay Nicefame Chemical Storage and Trading Co., Ltd. ("Huizhou Nicefame"), our indirect non wholly-owned subsidiary acquired in February 2019, provides storage services of petrochemicals with a capacity of 105,000 cubic meters. Huizhou Nicefame is principally engaged in providing storage services for liquid petrochemicals and other hazardous chemicals. Huizhou Nicefame expanded its business and took the first step to commence trading of petrochemicals during the second half of the year with intention to broaden its revenue base. We expect that Huizhou Nicefame can achieve an increase in revenue which is benefited by the synergy of its original storage business and the trading business.

PROSPECTS

In March 2019, Quality Global Holdings Limited ("Quality Global"), an indirect wholly-owned subsidiary of the Company, has conditionally agreed to acquire the entire share capital of Copower Properties Investments Company Limited ("Copower Properties") which owns properties in Hong Kong, at a consideration of HK$78.0 million. The transaction was extended till 30 June 2020 since some of the conditions precedent could not be fulfilled. We are optimistic about the growth potential of such investment properties. We expect that the properties will generate a stable and recurrent lease income for the Group.

In April 2019, Fujian Hong Kong Petrochemical Limited ("Fujian Petrochemical"), an indirect wholly-owned subsidiary of the Company, was established in Quanzhou City, Fujian Province, the PRC. Fujian Petrochemical is principally engaged in manufacturing of petrochemicals and trading of petrochemicals. Fujian Petrochemical commenced its trading business in July 2019 while the construction of the petrochemicals manufacturing plant is expected to begin in the second quarter of 2020. We expect that the plant will start its operation in late 2021. We are confident that the synergy of our manufacturing, trading and storage businesses can create inestimable business values to the Group.

In order to further expand our trading business to other commodities, the Group has made an entrance to the ferrous metals industry by exploring the market cautiously and hiring experienced staff for the initiation of the new trading business. Our Singapore office has commenced the trading of iron ore in September 2019. Since trading of ferrous metals is a new business area to the Group, we will put strenuous efforts to overcome forthcoming challenges and strive for profits.

In early 2020, the outbreak and continuous spread of the COVID-19 posed adverse impact to the global economy. The disruption to economic activities, suspension of airline routes and restricted transportation between cities seriously stroke the demand for energy products, especially in the PRC. By coincidence, two of the major oil producers, Saudi Arabia and Russia failed to reach an agreement to reduce oil production and the outburst of forthcoming oil war panics the global oil market. International oil prices dropped significantly in March 2020. In view of the current oil market situation, a decision was made by the participating countries in the 9th (Extraordinary) OPEC and non-OPEC ministerial meeting on 10 April 2020 to cut overall crude oil production starting on 1 May 2020 until the end of 30 April 2022. These global incidents have impacts on the trading activities of the Group. We will closely monitor the movements of international oil prices and the fast-paced changes in the external environment. Despite 2020 will probably be a very challenging year to the Group, we will keep a close eye on the market changes and adopt effective business strategies to minimise the impact. Also, we will continue to explore potential business partnerships and opportunities to enhance the Group's performance and create value for our shareholders.

APPRECIATION

Finally, on behalf of the board of directors of the Company ("Directors", collectively, the "Board"), I would like to express my sincere thanks and appreciation to our shareholders and business partners for their continued trust and support to the Group. May I also salute our colleagues and my fellow Directors for their hard work and dedication throughout the year.

Wang Jian Sheng
Chairman

Hong Kong, 15 April 2020

BUSINESS REVIEW

TRADING OF COMMODITIES

Fluctuation in oil price, excessive oil output capacity, together with the global economic instability in 2019, brought adverse impact to our trading business of commodities. Decrease in revenue comparing to last year was an expected outcome due to adverse market condition. In 2019, our trading strategy on crude oil continued to apply by focusing on back-to-back trade arrangement which was considered less risky when oil price was volatile. The drop in revenue generated from trading of crude oil was mainly resulted from the declined demand in the PRC market and the drop in oil price under the depression of trade war between the PRC and the US. The trading business of petroleum products was severely impacted by the low demand in the PRC and Vietnam. As a result, the trading volume of petroleum products recorded an inevitable sink. As a smooth progress towards the long-term development of coal trading, revenue generated from trading of coal increased by approximately 78%. Meanwhile, thanks to the successful expansion of customer base in the PRC, our petrochemicals team had resulted a steady growth in both records of trading revenue and trading volume. With an aim to diversify the types of commodities, our Singapore office commenced the trading of ferrous metals in the fourth quarter of 2019 which further broadened our revenue base.

STORAGE AND OTHER ANCILLARY SERVICES FOR PETROLEUM PRODUCTS AND PETROCHEMICALS AND LEASES

Strong Nantong, our indirect wholly-owned subsidiary, provides storage services with 21 storage tanks and a capacity of 139,000 cubic meters. Strong Nantong is principally engaged in providing storage services for gas oil and diesel fuel. The total throughput increased from approximately 1,272,000 metric tons ("MT") in 2018 to approximately 1,799,000 MT in 2019. During the year, Strong Nantong has built up more solid business relationships with long-term core customers which maintained a stable source of income from the storage business.

Huizhou Nicefame, our indirect non wholly-owned subsidiary, operates its storage facilities with a capacity of 105,000 cubic meters and is principally engaged in providing storage service for liquid petrochemicals and other hazardous chemicals. During the year, due to the continuous effort on providing quality services and the benefits of synergy effect of its storage and trading businesses, Huizhou Nicefame has resulted a satisfactory financial performance of boosted revenue and positive cash flows. Huizhou Nicefame has focused on maintaining business relationship with existing petrochemicals storage customers and aimed to expand its customer base.

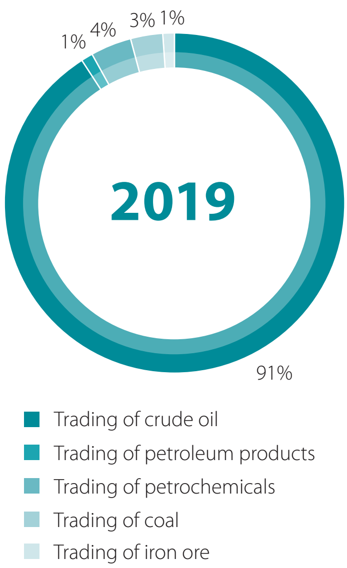
FINANCIAL REVIEW

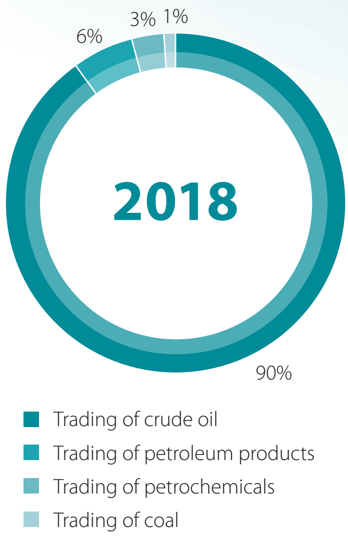
REVENUE

Trading of commodities

The Group is principally engaged in the trading of commodities. The revenue from trading business of the Group was approximately HK$17,288.2 million (2018: approximately HK$22,810.6 million) for the year. Approximately 91% (2018: 90%) of the Group's revenue from trading business was generated from trading of crude oil for the year, while the revenue generated from trading of petroleum products was approximately 1% (2018: 6%) and the revenue generated from trading of petrochemicals was approximately 4% (2018: 3%). Revenue generated from trading of coal was approximately 3% (2018: 1%). The trading of iron ore was commenced in September 2019 which generated approximately 1% of the Group's revenue from trading business.

Analysis of revenue in percentage to total revenue from trading business by types of commodities:





The trading volume of crude oil decreased from 37,219,278 BBL in the last year to 30,167,689 BBL for the year since the overall demand in crude oil from the PRC customers decreased. Due to the weak demand in petroleum products in the PRC and Vietnam, the trading volume of petroleum products decreased from 288,896 MT in the last year to 23,225 MT for the year. The trading volume of petrochemicals increased from 124,868 MT in the last year to 147,567 MT for the year because of the expansion of customer base in the PRC. The market expansion in the PRC and Vietnam drove the trading volume of coal to increase from 603,140 MT in the last year to 1,351,131 MT for the year. The initial trading of iron ore during the year contributed a trading volume of 175,753 MT.

		Year ended 31 December					
		2019			2018		
Products	Unit	**Number of contracts**	**Sales quantity**	**Revenue HK$'000**	Number of contracts	Sales quantity	Revenue HK$'000
Trading of commodities							
Crude oil	BBL	**33**	**30,167,689**	**15,715,380.7**	41	37,219,278	20,405,367.1
Petroleum products	MT	**8**	**23,225**	**106,476.9**	34	288,896	1,401,891.1
Petrochemicals	MT	**190**	**147,567**	**826,931.7**	205	124,868	708,998.0
Coal	MT	**14**	**1,351,131**	**523,499.1**	8	603,140	294,347.7
Iron ore	MT	**1**	**175,753**	**115,891.3**	–	–	–
Total		**246**		**17,288,179.7**	288		22,810,603.9

Storage and other ancillary services for petroleum products and petrochemicals and leases

Revenue generated from the provision of general storage and other ancillary services for petroleum products and petrochemicals was approximately HK$53.8 million for the year. Approximately 76% of the Group's revenue from storage business was generated from general storage services, while approximately 24% was generated from other ancillary services such as pipeline transmission, waste treatment and vehicle loading.

Revenue generated from leases was approximately HK$14.2 million for the year.

FAIR VALUE CHANGES ON DERIVATIVE FINANCIAL INSTRUMENTS

The Group has established trading teams as well as daily management oversight, which manages the overall physical cargo price exposure and controls this through offsetting oil derivative contracts according to the Group's risk management policy. As part of our rigorous control process, a daily reporting system is adopted for all physical and derivative contracts. Such risk control system enables effective and timely management of the Group's exposure to market risk.

During the year, the Group reported an aggregate gain on fair value changes on derivative financial instruments of approximately HK$26.3 million (2018: aggregate loss of approximately HK$281.5 million).

GROSS PROFIT

The overall gross profit of the Group for the year increased to approximately HK$331.1 million (2018: approximately HK$245.3 million). The increase in gross profit was primarily a result of the increase in profit margin benefited from the ability to charge for higher cargo premium for crude oil trading.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company for the year was approximately HK$125.0 million (2018: approximately HK$7.5 million).

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its daily operations from internally generated cash flows (the "Internal Funds") and banking facilities. As at 31 December 2019, the Group had deposits placed with brokers, pledged bank deposits, and bank balances and cash of approximately HK$77.2 million (2018: approximately HK$112.5 million), approximately HK$17.1 million (2018: approximately HK42.2 million) and approximately HK$358.1 million (2018: approximately HK$204.3 million) respectively. The total of deposits placed with brokers, pledged bank deposits, and bank balances and cash (collectively, the "Liquidity Resources") were approximately HK$452.4 million (2018: approximately HK$359.0 million). Most of the Liquidity Resources were denominated in US$.

The equity attributable to owners of the Company increased by approximately HK$118.1 million to approximately HK$1,491.6 million as at 31 December 2019 (2018: approximately HK$1,373.5 million).

As at 31 December 2019, the Group had bank and other borrowings, represented by trust receipt loans, short-term loans and a long-term loan, of approximately HK$1,006.5 million (2018: approximately HK$14.8 million). As at 31 December 2019, the Group's gearing ratio was approximately 26% (2018: 0%) mainly because of the trust receipt loans and the loans of Huizhou Nicefame, the non wholly-owned subsidiary of Nicefame Global Limited ("Nicefame Global") which was acquired by the Group during the year. The purpose of the loans of Huizhou Nicefame was to support the storage business of Huizhou Nicefame. The gearing ratio was calculated as the Group's total borrowings divided by total assets.

The Group will mainly use the Internal Funds to repay the due debts and relevant interests, in case of any shortfalls, the Group will consider to avail itself of new loans by utilising unused banking facilities to finance the repayment of the principal and interest in a timely manner.

As at 31 December 2019, the Group has banking facilities of US$1,085.0 million and Renminbi ("RMB") 35.0 million (equivalent to approximately HK$8,502.1 million in total) from several banks.

The majority of the Group's sales and purchases are denominated in US$. The Group considers its foreign currency exposure mainly arising from the exposure of exchange between US$ and HK$ with limited exposure to Singapore Dollar, Euro and RMB. Since the exchange rate of US$ against HK$ is relatively stable during the year, the exposure on foreign exchange is insignificant.

CONTINGENT LIABILITIES

Save as disclosed in note 46 to the consolidated financial statements, the Group did not have any significant contingent liabilities.

CAPITAL COMMITMENTS

Save as disclosed in note 40 to the consolidated financial statements, the Group did not have any other significant capital commitments as at 31 December 2019.

MATERIAL ACQUISITIONS AND DISPOSALS, AND FUTURE PLANS FOR MATERIAL INVESTMENTS

The success of the Group will depend, inter alia, on the realisation of the expected synergies, cost control, and growth opportunities and potentials upon integration of the acquired businesses. The Group concentrates on its core business and cautiously expands the scale and geographical spread of its business through organic growth and investment in selective acquisitions with great potential. There can be no assurance that a failure to operate the acquired businesses successfully and thereby not achieving the expected financial benefits, may not adversely affect the Group's financial position and results.

As announced on 21 December 2018, Green Concept Global Limited ("Green Concept"), an indirect wholly-owned subsidiary of the Company, acknowledged and accepted the notice of exercise of right of first refusal (the "Notice") under the shareholders' agreement dated 7 September 2017 in connection with GSR GO Scale Capital Advisors, Ltd. ("GSR GO") and entered into between Green Concept and Mr. Sonny Wu ("Mr. Wu"), the other shareholder of GSR GO and other parties. The Notice was delivered by Mr. Wu, pursuant to which the 36 voting shares owned by Green Concept in GSR GO, representing approximately 49.3% shareholding in GSR GO, would be disposed to a company (the "Purchaser") designated by Mr. Wu, an independent third party of the Group, at a consideration of US$10.0 million (equivalent to approximately HK$78.0 million) (the "GSR GO Disposal"). The GSR GO Disposal was completed on 30 May 2019 and GSR GO ceased to be a joint venture of the Company since then. As announced on 18 July 2019, Green Concept, the Purchaser and Mr. Wu entered into a supplemental agreement to the GSR GO Disposal for an extension of settlement date for completion (the "Supplemental Agreement"). Pursuant to the Supplemental Agreement, the date of settlement for completion of the outstanding consideration of US$10.0 million (equivalent to approximately HK$78.0 million) by the Purchaser to Green Concept shall be extended to no later than 30 May 2020, with a choice to extend one calendar year to no later than 30 May 2021, subject to the approval of Green Concept. Details of the GSR GO Disposal have been disclosed in the Company's abovementioned announcement. We plan to use the net proceeds from the GSR GO Disposal on pursuing investment opportunities in business development in future.

In February 2019 and March 2019, Excellent Harvest Holdings Ltd. ("Excellent Harvest"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "Sale and Purchase Agreement") and a supplemental sale and purchase agreement (the "Excellent Harvest Supplemental Agreement") respectively with an independent third party. Pursuant to the Sale and Purchase Agreement and the Excellent Harvest Supplemental Agreement, Excellent Harvest acquired 51% equity interest in Nicefame Global at a consideration of US$3.0 million (equivalent to approximately HK$23.4 million). Nicefame Global owns 90% equity interest in Huizhou Nicefame which is principally engaged in operating its petrochemicals storage facilities in Huizhou City, Guangdong Province, the PRC. This transaction was completed in February 2019 and Huizhou Nicefame became an indirect non wholly-owned subsidiary of the Company. In June 2019, Huizhou Nicefame commenced its trading of petrochemicals.

MANAGEMENT DISCUSSION AND ANALYSIS

As announced on 5 March 2019, Quality Global, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Copower Enterprise Group Limited ("Copower Enterprise"), an independent third party of the Group, pursuant to which Quality Global has conditionally agreed to acquire and Copower Enterprise has conditionally agreed to sell the entire share capital of Copower Properties at a consideration of HK$78.0 million. Copower Properties is principally engaged in property investment. As announced on 3 May 2019, 6 May 2019 and 13 March 2020, the transaction was extended till 30 June 2020 since some of the conditions precedent could not be fulfilled. The Group is in the process of completing the transaction.

Fujian Petrochemical, an indirect wholly-owned subsidiary of the Company, was established in Quanzhou City, Fujian Province, the PRC in April 2019 with principal activities of manufacturing and trading of petrochemicals. Fujian Petrochemical has been in the process of setting up a petrochemicals manufacturing plant in Fujian Province of the PRC since late 2019. The expected commencement date of operation of the plant is late 2021. In July 2019, Fujian Petrochemical commenced its trading business.

Srithai Capital Limited, an associate of the Company in which the Company held 49% equity interest indirectly and a company incorporated in Thailand, was under the company closing process during the year. The liquidation registration procedure was completed in December 2019.

During the year, the Group did not have any significant investments. Save as disclosed above and in notes 19 and 44 to the consolidated financial statements, there were no other plans for material investments of capital assets as at the date of this report, nor other material acquisitions and disposals of subsidiaries during the year.

EMPLOYEES

Due to the acquisition of Nicefame Global and its subsidiary in February 2019, the number of employees of the Group increased to 140 as at 31 December 2019 (2018: 80). The Group's remuneration packages are maintained at competitive level and are determined on the basis of performance, qualification and experience of individual employee.

We recognise the importance of a good relationship with our employees by providing competitive remuneration packages which commensurate with the prevailing market practice to our employees, including provident fund, life and medical insurances, discretionary bonus, share options, and training for human resources upskilling.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. WANG Jian Sheng ("Mr. Wang"), aged 66, is an executive Director and the chairman of the Company (the "Chairman") since February 2008. He has been a member of the remuneration committee of the Company (the "Remuneration Committee") and the chairman of the nomination committee of the Company (the "Nomination Committee") since November 2008 and March 2012 respectively. In October 2000, Mr. Wang invested in the Group and acted as a substantial shareholder. At the same time, he joined the Group as a supervisor. He graduated from Henan University of Science and Technology, previously known as Luoyang Industrial College, with a bachelor degree in metallic materials and heat process. He is responsible for overseeing the function of the Board, formulating major corporate and business strategies, and identifying business goals and the related business plan at the high level. Mr. Wang owns the entire issued share capital of Sino Century Holdings Limited ("Sino Century") which in turn holds 50% shareholding in Forever Winner International Ltd. ("Forever Winner"), a shareholder of the Company holding 1,041,746,000 shares of the Company. Furthermore, since Mr. Wang and Mr. Yao Guoliang ("Mr. Yao") jointly control Forever Winner which in turn holds 1,041,746,000 shares of the Company, Mr. Wang and Mr. Yao are deemed as parties acting in concert. Therefore, as Mr. Yao currently beneficially owns approximately 5.89% equity interest in the Company, Mr. Wang shall be deemed to hold the same equity interest in the Company.

Mr. YAO Guoliang, aged 54, is an executive Director and the chief executive officer of the Company (the "CEO") since February 2008. In November 1999, Mr. Yao founded the Group, and has been a director and a trader of the Group since then. He graduated from University of International Business and Economics with a bachelor degree in economics. He has more than 30 years of experience in handling crude oil trading and associated hedging activities. Leveraging on his extensive experience in the oil industry, Mr. Yao is responsible for formulating our corporate and business strategies, business development and management, trade solicitation as well as hedging implementation. In addition to be the direct and beneficial owner of 124,984,000 shares of the Company, Mr. Yao also owns the entire issued share capital of Jin Yao Holdings Ltd. ("Jin Yao") which in turn holds 50% shareholding in Forever Winner, a shareholder of the Company holding 1,041,746,000 shares of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. CHEUNG Siu Wan ("Ms. Cheung"), aged 53, is an independent non-executive director of the Company (an "INED") since 1 January 2012. Ms. Cheung has been the chairman of the audit committee of the Company (the "Audit Committee") and a member of the Nomination Committee since 1 January 2012 and 16 March 2012 respectively. Ms. Cheung graduated from City University of Hong Kong with a Bachelor of Arts in Business Studies in 1988, Hong Kong University of Science and Technology with a Master of Science in Accounting in 1995 and Lingnan University of Hong Kong with a Master of Arts in Practical Philosophy in 2017. Ms. Cheung has extensive experience in China tax services. Ms. Cheung joined KPMG Hong Kong in 1996, and from 2004 to 2011, she was a partner of KPMG China. Ms. Cheung served as a member of Steering Team of Association of Chartered Certified Accountants ("ACCA") Southern China from May 2008 to March 2017, of which from May 2009 to April 2011, as the chairman of Steering Team of ACCA Southern China. Ms. Cheung was also a member of Steering Team of ACCA Shanghai from March 2010 to March 2013 and a member of the China Expert Forum of ACCA China since 2016. From April 2009 to March 2013, Ms. Cheung acted as a member of the Accountancy Training Board of Vocational Training Council and became a member of the Working Group of Seminars of the Accountancy Training Board from April 2013 onwards. Ms. Cheung is a member of the Customer Liaison Group for SMEs of the Trade and Industry Department since 2017. Ms. Cheung is a part-time teacher of University of Macau and a lecturer of Xiamen National Accounting Institution. Ms. Cheung is a fellow member of the Hong Kong Institute of Certified Public Accountants and the ACCA. Ms. Cheung has been an independent non-executive director of Activation Group Holdings Limited (stock code: 9919) whose shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the "HKEx") since 19 December 2019.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Dr. CHAN Yee Kwong ("Dr. Chan"), aged 57, is an INED since 1 July 2017. Dr. Chan has been the chairman of the Remuneration Committee and a member of the Audit Committee since 1 July 2017. Dr. Chan holds BBA, MBA and PhD in business from the Chinese University of Hong Kong. He further holds LLB and LLM degrees in Law from the University of London. Dr. Chan acquired his Barrister qualification from the Honourable Society of the Middle Temple. Dr. Chan is a professor of marketing of Auckland University of Technology. He has been appointed as a subject specialist (Marketing) by the Hong Kong Council for Accreditation of Academic and Vocational Qualifications since 2008. He is currently serving as an academic assessor for the Hong Kong Vocational Training Council (Technological and Higher Education Institute of Hong Kong). In addition to academic research, Dr. Chan was engaged in consultancy projects for such organisations as the Hongkong Electric Company, Limited, Sa Sa International Holdings Limited and the Direct Selling Association of Hong Kong Limited.

Mr. DENG Heng ("Mr. Deng"), aged 50, is an INED since 1 January 2018. Mr. Deng has been a member of the Audit Committee, the Remuneration Committee and the Nomination Committee since 1 January 2018. Mr. Deng graduated from China Agricultural University with a Bachelor of Science in 1992 and Beijing Jiaotong University with a Master of Business Administration. He currently serves as the Overseas Committee Member of All-China Federation of Returned Overseas Chinese and the Secretary General of Cross-Strait China Culture Communication Foundation. Mr. Deng has extensive experience in corporate management and social activities. He had worked at COFCO Corporation ("COFCO") from 1996 to 2008, including serving as the Managing Director of a member company within COFCO in London for more than 7 years.

SENIOR MANAGEMENT

Mr. ZHUANG Jia ("Mr. Zhuang"), aged 54, is the deputy general manager of the Group. He is responsible for the trading, shipping and business development of the Group and overseeing the petrochemicals trading business. He is also a trader of the Group. His duties include negotiating with suppliers and customers on terms and pricing of trades, considering and executing hedging strategies, and monitoring open positions of derivative financial instruments of the Group. Mr. Zhuang obtained his bachelor of engineering degree from East China University of Science and Technology, previously known as East China Institute of Chemical Technology, in the PRC, majoring in petroleum processing in 1988. He has more than 30 years of experience in the oil industry. After university graduation, he joined Sinochem Shanghai as a salesman in the petroleum department and was involved in the hedging activities from April 1993 to February 1994. During the period from March 1994 to January 1997, he was seconded to SCHECO (Hong Kong) Co., Limited, an overseas branch of Sinochem Shanghai, as trading manager and later promoted to deputy general manager. After the secondment, he returned to Sinochem Shanghai and accepted the position as a manager in the import department until March 1998. Prior to joining the Group in March 2007, he had been the trading manager for ICC Chemical Corporation (Shanghai Office) for more than 8 years and was responsible for trading petrochemicals.

Mr. SUN Lei ("Mr. Sun"), aged 32, is the deputy general manager of Strong Petrochemical Limited (Macao Commercial Offshore) ("Strong Macao"). Mr. Sun obtained his bachelor of logistics engineering and management degree from the Hong Kong Polytechnic University in 2010. He obtained a master degree in transport policy and planning from the University of Hong Kong in 2011. Mr. Sun joined the Group in 2011 and was responsible for trading crude oil, petroleum products and petrochemicals. He is currently responsible for the trading activities of Strong Macao.

Mr. Francis TAN Boon Chye ("Mr. Tan"), aged 66, is the general manager and a director of Strong Petroleum Singapore Private Ltd. ("Strong Singapore"). Mr. Tan is a member of the Institute of Petroleum (London) since 1984. Mr. Tan has over 35 years of experience in the oil industry from cargo and blending operations, shipping and chartering, oil broking (middle distillates) to oil trading. Mr. Tan is responsible for the overall oil operations of Strong Singapore since he joined the Group in 2009.

Ms. KUANG Tingting ("Ms. Kuang"), aged 49, is the managing director of Strong Singapore. Ms. Kuang obtained a Master of International Business Management from University of Hamburg, Germany, and she has more than 25 years of trading experience in the oil industry, both in crude oil and oil products. Her working experience in Sinochem and Equinor provided her with global perspective, and she had lead the crude oil trading business of Equinor Asia Pacific from 2013 to mid-2018. Ms. Kuang joined the Group in July 2018 and is responsible for the trading activities of Strong Singapore.

CORPORATE GOVERNANCE REPORT

The Board has pleasure to present the Corporate Governance Report of the Company for the year ended 31 December 2019. The Company is committed to strict adherence to the high corporate governance standards. The Board believes it is fundamental and essential to fulfill public and corporate responsibilities, develop the Group sustainably, enhance shareholders' value and safeguard interests of stakeholders.

The Company has adopted and is fully compliant with all the provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2019, with the exception of the following deviation:

Pursuant to Code Provision A.6.7 of the CG Code, generally independent non-executive directors and other non-executive directors should attend the general meetings to gain and develop a balanced understanding of the views of shareholders. Ms. Cheung Siu Wan and Mr. Deng Heng, the INEDs, were unable to attend the annual general meeting of the Company (the "AGM") held on 28 May 2019 due to other prior business engagements.

THE BOARD

RESPONSIBILITIES

The Board is responsible for the overall management, which assumes the responsibility for leadership and control of the Company, and the Directors are collectively responsible for promoting the success of the Company by directing and supervising its affairs, overseeing the achievement of strategic plans, and monitoring its long term performance to enhance shareholders' value. The management of the Company (the "Management") is delegated with authority and responsibility for the day-to-day operations of the Group under the leadership of the Board.

The role of the Chairman, Mr. Wang Jian Sheng, is separated from that of the CEO, Mr. Yao Guoliang. Their respective responsibilities are clearly defined and segregated to reinforce their independence and accountability.

The Chairman is responsible for providing leadership and governance to the Board and ensuring that the Board and its committees function effectively. He approves strategies and policies of the Group and supervises the Management on their implementation to ensure value creation and maximisation for shareholders. He takes part in cultivating and maintaining good relationships with strategic associates and creating a favorable environment for the development of the Group's businesses.

The CEO is responsible for leading the day-to-day operations of the Group's businesses to achieve its business and financial targets. Acting as the principal manager, he develops operating plans and strategies to the Board and ensures the effective implementation of the strategies and policies adopted and prioritised by the Board supported with effective and competent Management built and maintained by him. He maintained ongoing dialogue with the Chairman and all Directors to keep them timely and appropriately informed of all major changes and business development.

Directors have full and timely access to information of the Group as the Chairman ensures that the Management will supply the Board and its committees with all relevant information in a timely manner, as well as the advices and services of the company secretary of the Company (the "Company Secretary"), with a view to ensuring that Board procedures and all applicable rules and regulations are followed. The Directors may make further enquiries if in their opinion it is necessary or appropriate to request for further information. They also have unrestricted access to the advices and services of the Company Secretary, who is held responsible for providing Directors with Board papers and related materials and ensuring that all proper Board procedures are followed and that all applicable laws and regulations are complied with. When needed and upon making reasonable request to the Board, the INEDs may seek independent professional advice at the Company's expense in assisting them to carry out their duties. Insurance cover has been appropriately arranged to the Directors in connection with the performance of their responsibilities.

The presence of three INEDs is considered by the Board to be a reasonable balance between executive and non-executive Directors. The Board is of the opinion that such balance can provide adequate checks and balances for safeguarding the interests of shareholders and of the Group.

All INEDs are engaged with a fixed term of one year service with the Company and may be terminated by either party giving not less than one month's prior written notice. Shareholders may propose a candidate for election as Director in accordance with the Company's articles of association. All Directors appointed to fill a vacancy are subject to re-election at the first general meeting of shareholders after appointment in accordance with Article 86(3) of the Company's articles of association. In accordance with Article 87 of the Company's articles of association, every Director shall be subject to retirement by rotation at least once every three years.

The Company has received written annual confirmations from all INEDs as to their independence as required under the Listing Rules. All INEDs are absence from involvement in daily management of the Company or any relationships or circumstances which would interfere their independence.

The INEDs bring a wide range of business and financial expertise, experiences and independent judgment to the Board. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all INEDs make various contributions to the effective direction of the Company.

BOARD DIVERSITY POLICY

In order to achieve a diversity of perspectives among members of the Board, the Company has adopted the board diversity policy (the "Board Diversity Policy") throughout the year and has made it available on the website of the Company for better transparency and governance. It is the policy of the Company to consider a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, when determining the composition of the Board.

The Company will also take into account factors based on its own business model and specific needs from time to time. The appointments of all members of the Board will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Nomination Committee will review the Board Diversity Policy from time to time to ensure its continued effectiveness.

DELEGATION BY THE BOARD

The day-to-day management, administration and operation of the Company are delegated to the CEO and the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers. The Board has the full support of the CEO and the senior management to discharge its responsibilities.

All committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, have specific terms of reference clearly defining the authorities and responsibilities of the respective committees. All committees are required by their terms of reference to report to the Board in relation to their decisions, findings or recommendations, and in certain specific situations, to seek the Board's approval before taking any actions.

The Board reviews, on an annual basis, all delegations by the Board to different committees to ensure that such delegations are appropriate and continue to be beneficial to the Company as a whole.

BOARD COMPOSITION, BOARD AND COMMITTEE MEETINGS

As at 31 December 2019, the Board comprises two executive Directors and three INEDs. Their biographical details are set out in the section of this annual report headed "Biographical Details of Directors and Senior Management" and are posted on the Company's website. The Company has met the requirements of the Listing Rules relating to the appointment of at least three INEDs with at least one of whom is with appropriate professional qualifications or accounting or related financial management expertise throughout the year. All Directors give sufficient time and attention to the affairs of the Group.

The Board meets at least four times each year and more frequently as the needs of the business demand. The Company's memorandum and articles of association provide for participation at meetings via telephone and other electronic means. Apart from the Board meetings, the Board would from time to time devote separate sessions to consider and review the Group's strategy and business activities. The attendance of the Directors at the Board meetings during the year is set out in the table under the section of "Meetings Held and Attendance" below.

PRACTICES AND CONDUCT OF MEETINGS

The annual meeting schedule and the agenda of each meeting are made available to Directors in advance.

Notice of regular Board meetings is served to all Directors at least 14 days before the meetings, so that Directors are given an opportunity to include matters in the agenda for discussion. For other Board and committee meetings, reasonable notice is given.

The Company Secretary assists the Chairman in preparing the agenda for the meeting and ensures that all applicable rules and regulations in connection with the meetings are observed and complied with. Papers for Board meetings or committee meetings together with all relevant information are sent to all Directors or committee members at least 3 days before each meeting to enable them to make informed decisions with adequate data. The Board and each Director also have direct and independent access to the Management whenever necessary.

According to the current Board practice, any material transaction involving a conflict of interest with a substantial shareholder or a Director will be considered and dealt with by the Board at a duly convened Board meeting. The Company's articles of association also contains provisions requiring the Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

BOARD COMMITTEES

The Board has established three committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, to oversee particular aspects of the Company's affairs. Specific responsibilities of each committee are described below. All committees have defined terms of reference which are of no less exacting terms than those set out in the CG Code.

AUDIT COMMITTEE

The Audit Committee comprises three INEDs who possess relevant business and financial management experience. The Company Secretary acts as the secretary of the Audit Committee. None of the members is employed by or otherwise affiliated with the former or existing auditor of the Company. The Audit Committee is chaired by Ms. Cheung Siu Wan, one of the INEDs having professional qualifications, and accounting and financial management skills to understand financial statements and contribute to the corporate governance of the Company under the Listing Rules.

The Audit Committee has undertaken a review of all the non-audit services provided by Messrs. Deloitte Touche Tohmatsu during the financial year ended 31 December 2019, and is satisfied that such services would not affect the independence of Messrs. Deloitte Touche Tohmatsu as the Company's external auditor. The Audit Committee has recommended to the Board that Messrs. Deloitte Touche Tohmatsu be nominated for reappointment as external auditor of the Company at the forthcoming AGM.

The terms of reference of the Audit Committee are posted on the Company's website and include the following:

Relationships with the Company's auditor

(i) To act as the key representative body for overseeing the Company's relation with the external auditor, and to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and to consider any questions of their resignation or dismissal.

(ii) To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable accounting standard, and to discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences.

(iii) To develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed.

Review of the Company's financial information

(iv) To monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Audit Committee should focus particularly on:

(a) any changes in accounting policies and practices;

(b) major judgmental areas;

(c) significant adjustments resulting from audit;

(d) the going concern assumptions and any qualifications;

(e) compliance with accounting standards; and

(f) compliance with the Main Board Listing Rules and legal requirements in relation to financial reporting.

(v) Regarding to (iv) above:

(a) members of the Audit Committee should liaise with the Board and senior management and the Audit Committee must meet, at least twice a year, with the Company's auditor; and

(b) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditor.

Oversight of the Company's financial reporting system, risk management and internal control systems

(vi) To review the Company's financial controls, and unless expressly addressed by a separate risk committee, or by the Board itself, to review the Company's risk management and internal control systems.

(vii) To identify the risk of the Group and decide on risk levels and risk appetite.

(viii) To approve major decisions affecting the Group's risk profile or exposure and give such guidelines as it considers appropriate.

(ix) To consider the effectiveness of decision making processes in crisis and emergency situations.

(x) To discuss the risk management and internal control system with the Management to ensure that the Management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

(xi) To consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and the Management's response to these findings.

(xii) Where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness.

(xiii) To review the Group's financial and accounting policies and practices.

(xiv) To review the external auditor's management letter, any material queries raised by the auditor to the Management about accounting records, financial accounts or systems of control and the Management's response.

(xv) To ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter.

(xvi) To report to the Board on the matters set out herein.

(xvii) To consider other topics, as defined by the Board.

(xviii) To review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters, and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

During the year ended 31 December 2019, the Audit Committee held two meetings and reviewed the preliminary interim and annual results, and internal controls of the Group, and performed the duties and responsibilities under the terms of reference and as set out in the CG Code.

The Audit Committee reviews the Group's risk management policies annually. A high level review of internal controls of the Group was performed at the end of the year. The Audit Committee will continue to examine the Group's systems and policies for assessing and taking action to contain the different types of risks in its various operations as part of the Audit Committee's ongoing review of the adequacy of the Group's internal controls.

The Audit Committee has full access to and has co-operated with the Management and it has been given the resources required for it to discharge its functions properly. It has full discretion to invite any Director and executive officer to attend its meetings. The Audit Committee has also met with the external auditor, without the presence of the Management during the year.

In addition, the Audit Committee keeps under constant review changes to the Hong Kong Financial Reporting Standards with the assistance of the external auditor to assess their application to the accounting policies adopted by the Group and, where applicable, their effective adoption by the Group.

All the recommendations of the Audit Committee to the Management and the Board were accepted and implemented.

Subsequent to the financial year end, the Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2019, including the accounting principles and practices adopted by the Group, and recommended them to the Board for approval.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three members whereas the majority of the members must be INEDs. Currently, the Remuneration Committee is chaired by Dr. Chan Yee Kwong, an INED. The Company Secretary acts as the secretary to the Remuneration Committee.

The Remuneration Committee is responsible for recommending to the Board a framework for the remuneration of Directors and key executives. The review covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses and other benefits. The Remuneration Committee also oversees the administration of the Company's share option schemes. The Remuneration Committee's recommendations are made in consultation with the CEO and submitted for endorsement by the Board. No Director is involved in any decision making, in respect of any remuneration or compensation to be offered or granted to him or her.

The terms of reference of the Remuneration Committee are posted on the Company's website and include the following:

(i) To make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy.

(ii) To review and approve the Management's remuneration proposals with reference to the Board's corporate goals and objectives.

(iii) Either:

   (a) to determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management; or

   (b) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

   This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment.

(iv) To make recommendations to the Board on the remuneration of non-executive Directors.

(v) To consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group.

(vi) To review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive.

(vii) To review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and that are otherwise reasonable and appropriate.

(viii) To ensure that no Director or any of his or her associates is involved in deciding his or her own remuneration.

During the year ended 31 December 2019, the Remuneration Committee held one meeting to review the remuneration package, including the treatment and the vesting recommendations for the share options granted, of the Directors and senior management.

None of individual Director is involved in deciding his or her own remuneration.

The remuneration of senior management was within the following bands:

	Number of individuals	
The emolument bands (in HK$)	**2019**	2018
Nil to HK$1,000,000	**–**	2
HK$1,000,001 – HK$2,000,000	**2**	1
HK$2,000,001 – HK$3,000,000	**1**	–
HK$3,000,001 – HK$4,000,000	**–**	–
HK$4,000,001 – HK$5,000,000	**–**	–
Above HK$5,000,000	**1**	1

NOMINATION COMMITTEE

The Nomination Committee comprises the Chairman and two INEDs, and is chaired by the Chairman. The Company Secretary acts as the secretary to the Nomination Committee.

The Nomination Committee is guided by its terms of reference, which sets out its responsibilities. It is responsible for the review of candidates for nomination or re-nomination as Directors, taking into consideration each candidate's qualifications and experience and how he or she can contribute to the effectiveness of the Board. The Nomination Committee is also responsible for recommending a framework for evaluation of the Board effectiveness, as well as evaluation of Board effectiveness and the contribution of each individual Director to the effectiveness of the Board.

The terms of reference of the Nomination Committee are posted on the Company's website and include the following:

(i) To review the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy.

(ii) To be responsible for nominating for the approval of the Board, candidates to fill Board vacancies as and where they arise.

(iii) Before appointment is made by the Board, evaluate the balance of skill, knowledge and experience on the Board, and, in the light of this evaluation prepare a description of the role and capabilities required for a particular appointment.

(iv) To identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships.

(v) To make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the CEO.

(vi) To assess the independence of INEDs.

(vii) To review the Board Diversity Policy and any measurable objectives for implementing such Board Diversity Policy as may be adopted by the Board from time to time and to review the progress on achieving the objectives; and make disclosure of its review results in the Corporate Governance Report of the Company.

(viii) To do any such things to enable the Nomination Committee to discharge its duties conferred on it on by the Board.

During the year ended 31 December 2019, the Nomination Committee held one meeting to review the composition of the Board and the suitability of Directors proposed for re-appointment at the AGM.

The Nomination Committee is also charged with the responsibility of determining annually whether a Director is independent. Each member of the Nomination Committee will not take part in determining his or her own re-nomination or independence.

Under the articles of association of the Company, at least one-third of the Directors are required to retire from office by rotation and they are eligible for re-election at the AGM. Thus, each Director must retire from office at least once every three years. In addition, all Directors appointed to fill a vacancy are subject to re-election at the first general meeting of shareholders after appointment in accordance with Article 86(3) of the Company's articles of association.

The Nomination Committee had recommended the re-nomination of Ms. Cheung Siu Wan and Dr. Chan Yee Kwong for re-election at the forthcoming AGM. The Board had accepted the Nomination Committee's recommendation.

MEETINGS HELD AND ATTENDANCE

Details of Directors' attendance of the Board meetings, three committees meetings and the AGM held during the year ended 31 December 2019 are set out as follows:

	Meetings attended/Meetings held				
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**AGM held on 28 May 2019**
Executive Directors					
Mr. Wang Jian Sheng *(Chairman)*	11/12	N/A	1/1	1/1	1/1
Mr. Yao Guoliang *(CEO)*	12/12	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Ms. Cheung Siu Wan	12/12	2/2	N/A	1/1	0/1
Dr. Chan Yee Kwong	11/12	2/2	1/1	N/A	1/1
Mr. Deng Heng	11/12	2/2	1/1	1/1	0/1

Apart from regular Board meetings, the Chairman also held meeting with INEDs without the presence of other Director during the year.

Apart from the AGM held on 28 May 2019, the Company has not held any other general meetings.

CORPORATE GOVERNANCE FUNCTIONS

The Board did not establish a corporate governance committee but has delegated its responsibility for performing corporate governance duties to the respective Board committees. During the year, the Board and Board committees have reviewed the Group's policies and practices on corporate governance and made recommendations to the Board; reviewed and monitored the training and continuous professional development of Directors and senior management; reviewed and monitored the Group's policies and practices on compliance with legal and regulatory requirements; reviewed and monitored the code of conduct and the compliance manual applicable to employees and Directors; and reviewed the Group's compliance with the CG Code and disclosure in the Corporate Governance Report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding the Directors' securities transactions. Having made specific enquiries by the Company, all Directors have confirmed that they had complied with the required standards set out in the Model Code during the year.

The Company has established written guidelines on no less exacting terms than the Model Code for dealings in the Company's securities by relevant employees who are likely to be in possession of unpublished inside information in relation to the Company or its securities. The Company has received written annual compliance declaration from employees to confirm their compliance.

DIVIDEND POLICY

The Company has adopted a general dividend policy (the "Dividend Policy") that aims to provide dividends to shareholders of the Company out of the Group's profit attributable to shareholders in any financial year, subject to the criteria set out below.

Such declaration and payment of dividends shall remain to be determined at the sole discretion of the Board and subject to all applicable requirements (including without limitation, restrictions on dividends declaration and payment) under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and the Company's articles of association.

The Board shall also take into account the following factors when considering the declaration and payment of dividends:

- the Group's actual and expected financial performance;
- retained earnings and distributable reserves of the Company and each of the members of the Group;
- the Group's working capital requirements, capital expenditure requirements and future expansion plans;
- the Group's liquidity position;
- general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
- other factors that the Board deems relevant.

The Board may propose the payment of dividends, if any, with respect to the Company's shares on a per share basis. In addition to cash, dividends may be distributed in the form of shares subject to and in accordance with the procedures set out in the Company's memorandum and articles of association.

Except for interim dividends, any dividends declared by the Company must be approved by an ordinary resolution of shareholders at the general meeting and must not exceed the amount recommended by the Board. The Board may from time to time pay to the shareholders such interim dividends as appear to the Directors to be justified by the profits of the Company available for distribution.

The Board will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time, and the Dividend Policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare dividends at any time or from time to time.

INDUCTION AND CONTINUOUS DEVELOPMENT OF DIRECTORS

All Directors, upon appointment to the Board, shall receive an induction package (the "Package") designed to enhance their knowledge and understanding of the Group's culture and operations by senior management. The Package usually includes a briefing on the Group's structure, businesses and governance practices. Every Board member receives a memorandum on Director's responsibilities upon joining the Board, which lays down the guidelines on conduct, Directors' duties, and other key governance issues.

The Company provided continuous professional training and all Directors (namely, Mr. Wang Jian Sheng, Mr. Yao Guoliang, Ms. Cheung Siu Wan, Dr. Chan Yee Kwong and Mr. Deng Heng) received regular updates and presentations on changes and developments to the Group's business and to the legislative and regulatory environments in which the Group operates to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors are also encouraged to attend relevant training courses at the Company's expense.

COMPANY SECRETARY

The appointment and removal of the Company Secretary is subject to the Board's approval in accordance with the articles of association of the Company. Mr. Lai Yang Chau, Eugene ("Mr. Lai") had been appointed as the Company Secretary since 14 February 2018. Mr. Lai resigned as the Company Secretary with effect from 14 February 2020. Mr. Lau Leong Ho ("Mr. Lau") has been appointed as the Company Secretary with effect from 14 February 2020.

Mr. Lai is currently a practicing solicitor in Hong Kong. He has experience in corporate finance, cross border merger and acquisition, and securities laws in Hong Kong. Mr. Lai obtained a bachelor of laws degree from the University of Hong Kong in 1992, a master of laws degree on Chinese laws from Renmin University of China in 1998, and an EMBA-Global Asia degree conferred jointly by Columbia University, London Business School and the University of Hong Kong in 2012. He has also completed Senior Executive Program for China (class 2011), jointly organised by Harvard Business School, Tsinghua University and China Europe International Business School. Mr. Lai has attained his alumnus status of Harvard Business School in July 2017. Mr. Lai is currently an independent non-executive director of Link Holdings Limited (stock code: 8237) whose shares are listed on the Growth Enterprise Market of the HKEx, one of the joint company secretaries of Sinopec Kantons Holdings Limited (stock code: 934) , the company secretary of AB Builders Group Limited (stock code: 1615) and one of the joint company secretaries of Hengxin Technology Ltd. (stock code: 1085) whose shares are listed on the main board of the HKEx. Mr. Lai is a principal of Yang Chau Law Office, a practicing law firm in Hong Kong. He is not an employee of the Company and he provides services to the Company as an external service provider. Mr. Lai has complied with the requirement under Rule 3.29 of the Listing Rules during the year.

Mr. Lau is currently a practicing solicitor in Hong Kong. He has over 10 years of experience in the legal industry. He was admitted as a solicitor in Hong Kong in 2008. Mr. Lau has been a partner of Tsang, Chan & Woo Solicitors & Notaries since 2013. He graduated from City University of Hong Kong with a Bachelor of Laws degree in 2005 and obtained Postgraduate Certificate in Laws also from City University of Hong Kong in 2006. He has been an independent non-executive director of Affluent Foundation Holdings Limited (stock code: 1757) whose shares are listed on the main board of the HKEx. Mr. Lau is not an employee of the Company and he provides services to the Company as an external service provider.

The Company Secretary is responsible for facilitating the Board's processes and communications among Board members, with shareholders and with the Management. The Company Secretary will undertake at least 15 hours of relevant professional training in the year ending 31 December 2020 to update his skills and knowledge.

The external service provider's primary contact person of the Company is Ms. Kwan Pui Shan, the Chief Financial Officer of the Company, in relation to any corporate secretarial matters.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for the preparation of consolidated financial statements which give a true and fair view of the state of affairs of the Group. In preparing the consolidated financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

In preparing the consolidated financial statements, the Directors consider that the consolidated financial statements of the Group are prepared on a going concern basis and appropriate accounting policies have been consistently applied. The Directors have also made judgments and estimates that are prudent and reasonable in the preparation of the consolidated financial statements.

The statement of the external auditor about the reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 48 to 52 of the annual report.

AUDITOR'S REMUNERATION

Auditor's remuneration in relation to audit amounted to HK$2,660,000 (2018: HK$1,730,000). The external auditor is refrained from engaging in non-assurance services except for limited tax related services or specifically approved items. The Audit Committee reviews and approves the external auditor's statutory audit scope and non-audit services. The following remuneration was paid by the Group to its auditor, Messrs. Deloitte Touche Tohmatsu:

	2019 **HK$'000**	2018 HK$'000
Audit service	**2,660**	1,730
Non-audit services	**2,362**	717
	5,022	2,447

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for the maintenance of sound and effective internal controls to safeguard the shareholders' investment and the Group's assets. The Board has entrusted the Audit Committee with the responsibility to review, and has delegated to the Management the implementation of such systems of internal controls as well as the review of relevant financial, operational, and compliance controls, and risk management system.

A risk management system is in place to ensure the regular identification, evaluation and management of risks faced by the Group. Procedures have been set up for, inter alia, safeguarding assets against unauthorised use or disposition, controlling capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publications. The system is regularly reviewed by the Board and amended from time to time.

Formal risk management policies have been put in place to ensure the regular identification, evaluation and management of risks faced by the Group. The system and policies of the Group are designed to help minimise and manage business risks, protect the assets of the Group from misappropriation or impairment, accurately report the results and financial position of the Group, ensure compliance with relevant legal and regulatory requirement, and adopt appropriate recommended best practices. This includes taking into consideration in relation to environmental, social, and corporate governance matters.

The Management maintains and monitors the internal control systems on an ongoing basis. Risk assessment and evaluation are an integral part of the annual planning process. Our internal audit team performs regular review on our internal control system and risk assessment system and reports its recommendation to the Audit Committee. In addition, the Group's external auditor, Messrs. Deloitte Touche Tohmatsu, reports findings to the Audit Committee and contributes an independent perspective on relevant internal controls arising from the audit. The Audit Committee reports to the Board on matters in relation to the oversight of the financial reporting system, internal control procedures and risk management system. The Board has conducted a review on the effectiveness of Company's internal control systems for the year ended 31 December 2019 by considering the work performed by the Audit Committee.

In addition to the internal control review conducted by the Board, the Group has engaged an independent risk advisory consultant from one of reputable accountancy and professional services firms to review the effectiveness of risk management system by performing risk assessment procedures in respect of our risk management functions in relation to the policies and procedures of the hedging activities for the year ended 31 December 2019. Report on the results of assessment and recommendations were provided to the Management and the Audit Committee as well as the Board.

The Audit Committee considered that there was no significant breach of limits or risk management policies during the year that would bring to the attention of the Board. The Board considers that both the risk management and internal control systems are effective and adequate. The Board, with the Management, is following up the recommendations provided by our review team and independent risk advisory consultant in order to enhance the risk management frameworks and procedures of the Company.

A compliance manual has been set to summarise the principal legal, regulatory and compliance issues relating to the Group and its employees. It includes the definition of inside information and also establishes general policies and procedures for handling and dissemination of inside information. The compliance manual would be regularly reviewed and updated to keep abreast with the circumstance.

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHTS

The Board recognises the importance of maintaining on-going communication with shareholders. The Company promotes communications with shareholders through several communication channels including publication of circulars and announcements of key developments, interim and annual reports as prescribed under the Listing Rules which can also be accessed via the "Investor Relations" section of the Company's website.

The aims of the Company are to improve its transparency, allow the stakeholders to gain more understanding and confidence in relation to the Group's business developments and acquire more market recognition and support from the shareholders.

Shareholders are encouraged to attend all general meetings of the Company. The notice of the AGM was circulated to all shareholders in accordance with the requirements of the Listing Rules and the articles of association of the Company. It is a standard practice to have the non-executive Directors available to answer questions relating to their roles, tenure, and the Board committees. The results of voting by poll are published on the websites of the HKEx and the Company after the meetings.

Pursuant to the Company's articles of association, shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by 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 months after the deposit of such requisition. If within twenty-one days of such deposit, the Board fails to proceed to convene an extraordinary general meeting, the requisitionist(s) himself (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.

There are no provisions under the Company's articles of association or the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands regarding procedures for shareholders to put forward proposals at general meetings other than a proposal of a person for election as director. Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

Shareholders may at any time send their enquiries to the Board in writing through Ms. Kwan Pui Shan, the Chief Financial Officer of the Company, whose contact details are as follows:

Ms. Kwan Pui Shan
Chief Financial Officer
Strong Petrochemical Holdings Limited
Room 1604, 16th Floor, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong
Tel: (852) 2834 3393
Email: info@strongpetrochem.com

There was no change to the Company's memorandum and articles of association during the year ended 31 December 2019.

The Company adheres the importance of the shareholders' privacy and will not disclose such information without their consent, unless required by law, the HKEx, order or requirement of any court or other competent authority.

SUSTAINABILITY STRATEGY AND REPORTING

As a responsible commodities trading company, the Group does not only provide quality energy supplies and services, but also consider and minimise the environmental and social impacts of the business. This Environmental, Social and Governance ("ESG") Report (this "Report") is to address the Group's sustainability performance covering the period from 1 January 2019 to 31 December 2019 (the "reporting period"), and report the Group's efforts on embedding sustainability into the business operation.

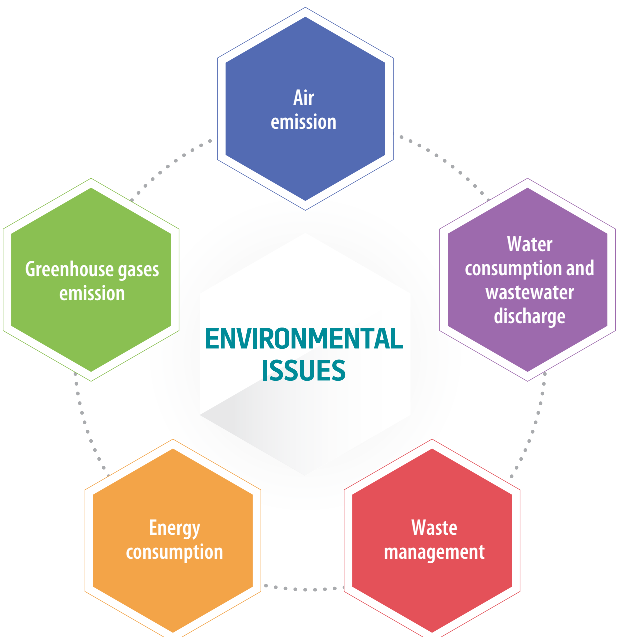
REPORTING STANDARD AND SCOPE

This report is prepared in accordance with Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Listing Rules. The Group adheres the principles of materiality, quantitative, balance and consistency to report on the measures and performances in the reporting period. To ensure the materiality and balance of the report, the Group has discussed its material ESG topics identified by the Board. Following the principles of quantitative, consistency and balance, the Group also fully disclosed the key performance indicators ("KPIs") as the same as last year regardless of the performance. Information regarding corporate governance is addressed in the Corporate Governance Report on pages 14 to 26 of this annual report according to Appendix 14 to the Listing Rules.

The scope of the report covers (i) the Group's headquarter in Hong Kong, (ii) the Group's two offices in Macao and Singapore, and (iii) the Group's storage business, Strong Nantong, in Jiangsu Province, the PRC, unless otherwise specified. Due to insignificant environmental and social impacts to the community, other offices in Shandong Province, Jiangsu Province, Fujian Province and Hainan Province are not included in this Report. Huizhou Nicefame, the storage business in Huizhou City, Guangdong Province, the PRC was acquired by the Group during the reporting period and its ESG data was incomplete. Thus, the business in Huizhou Nicefame is excluded in the scope of this Report. The Group is optimising the data collection system and will disclose the corresponding information in the future reports.

MATERIAL TOPICS

The Group has engaged an independent sustainability consultant in the assistance of identification of material ESG issues. Under the facilitation of the consultant, the Group has engaged its stakeholders and collected their opinions upon the important topics to the business. After analysing the stakeholders' feedback and consultant's advice, the Board confirmed and identified the following material environmental and social issues associated with the Group's business operations:



RESPONSIBLE OPERATIONS

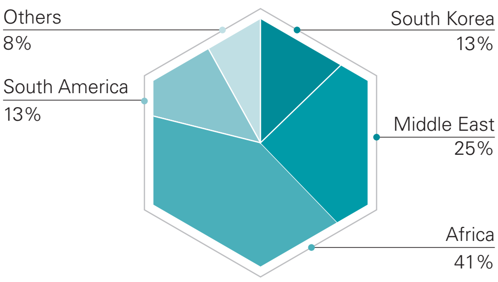
With the mission to differentiate the Group in the trading market, the Group strives to sustain operational efficiency while minimising the impacts on the environment and the natural resources. In this regard, the Group focuses on supply chain management and environmental management to reduce the associated operational risks.

SUPPLY CHAIN MANAGEMENT

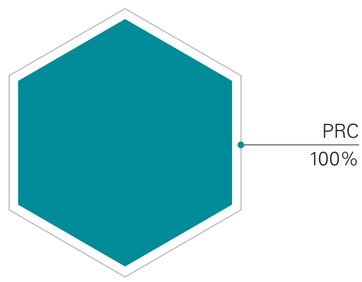
Based on the business nature, the sources of commodities are significantly important to the Group. Realising the importance of the suppliers, the Group has established an open and transparent procedure of supplier selection and green procurement policy. In addition to the product quality and business ethics, the Group prioritises suppliers certified with international environmental standards such as ISO 14001 in order to pursue a sustainable supply chain. After evaluating the potential suppliers, the Group provides corresponding selection results and suggests improvement areas to both successful and unsuccessful suppliers. In order to maintain the quality of the supply chain, the Group has assigned procurement team to conduct regular inspections and evaluations on the existing suppliers based on their punctuality, product quality and efficiency. If the performances of the suppliers do not meet the standard of the Group, the procurement team will provide suggestions and re-evaluate the suppliers.

The sources of petroleum products and petrochemicals were defined based on the business location of suppliers while the sources of crude oil, coal and iron ore were defined based on the actual extraction location. The sources of the Group's commodities in the reporting period are shown as below:

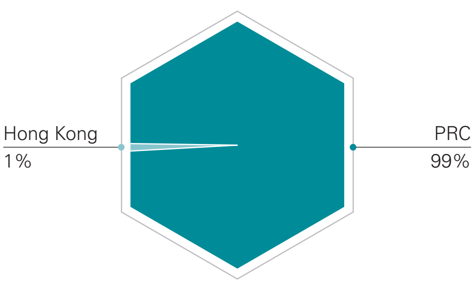
CRUDE OIL



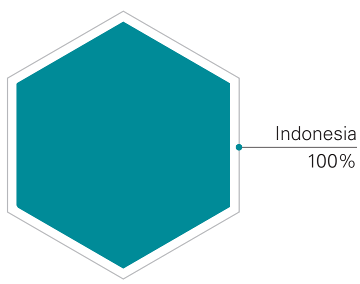
PETROLEUM PRODUCTS



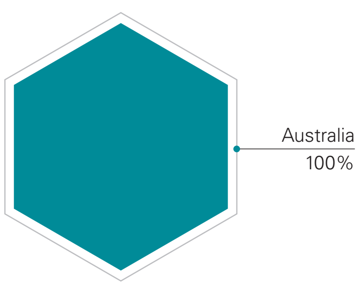
PETROCHEMICALS



COAL



IRON ORE



QUALITY CONTROL

Apart from supply chain management, quality assurance is another crucial key to the business success. The Group is committed to providing high-quality services and products to the customers in a safe manner. In this regard, the Group has stipulated a clear storage procedure to prevent incident occurrence and supply quality products and services. The quality assurance team is responsible to conduct regular on-site inspections to ensure the operation meets the Group's standard on service quality and site safety. To prevent spill and sustain operation efficiency, the Group conducts comprehensive safety assessments on the storage tanks and pipelines regularly.

In light of enhancing the quality of the service, the Group values the feedback from its customers and treats them as a drive of improvement. Thus, the Group has established various communication channels to understand the expectation of the customers. During the reporting period, there were no products and service-related complaints received.

AIR EMISSION

The Group is aware of that its storage business in Strong Nantong regarding the release of air pollutants such as non-methane hydrocarbon and methylbenzene from evaporation. As a responsible corporation, the Group is dedicated to minimising the evaporation and subsequents air emissions to reduce the impacts to the air quality and public health. The Group has installed monitoring devices to prevent the leakage and the abnormal evaporation. In case of abnormality, the Group would arrange inspections and repairs immediately to ensure safety and prevent wastage. Apart from regular examination, the Group has installed inner floating roof inside the storage tanks to limit the evaporation rate.

Storage evaporation does not only contribute to air pollution but also wastage of resources. In order to maintain the resource efficiency, the Group has equipped oil gas reclamation facilities in Strong Nantong to retrieve the oil vapour to the storage tanks. During the reporting period, the Group has complied with all laws and regulations relating to air emissions such as the Air Pollution Prevention and Control Law of the PRC.

WATER CONSUMPTION AND WASTEWATER DISCHARGE

Although water consumption is not the most material topic to the operation, the Group strives to improve its water efficiency and utilise the water resources. The Group's water consumption was attributed to the operation in Strong Nantong, and was supplied by municipal water suppliers. In order to reduce the water consumption, the Group has established greywater recycling facilities in Strong Nantong and reused the water for irrigation. The Group also requires its employees to turn off the water tap after using and report any water leakage or dripping for prompt maintenance.

On the other hand, the Group has placed continuous effort on wastewater management. The major sources of wastewater come from the initial rain and sanitary sewage at Strong Nantong. The Group has installed trench drains around the loading area to carry away the surface rainwater and prevent accidents that caused by spills. Also, rain and sewage diffluence system has been equipped to recycle the wastewater and reuse it to cool down the incoming oil trucks. Before discharging the wastewater, the wastewater is treated by the treatment facility and tested by the monitoring system to ensure the compliance with the relevant laws and regulation such as Water Law of the PRC.

Water Consumption	**Unit**	**2019**[3]	2018
Total water consumption	m^3	**2,380**	1,742
Total water intensity	m^3/total floor area[1] (m^2)	**1.60**	1.17
	m^3/revenue (HK$ million)	**0.14**[4]	0.08

WASTE MANAGEMENT

The Group recognises hazardous waste as one of the most material environmental issues to the business as storage business generates harmful wastes such as scrapped storage tanks. In light of this, the Group has established stringent guidelines with reference to Waste Disposal Ordinance to ensure the wastes are handled properly. Specific waste areas are designated to sort and store the waste safely prior to disposal. Licensed waste disposal service companies are appointed to dispose and handle the waste appropriately. In addition to hazardous waste management, the Group encourages general waste sorting and recycling to reduce the generation of the waste.

In order to assure the guidelines are well implemented, the Group has assigned Environmental Health and Safety ("EHS") Department of Strong Nantong to monitor the waste management practices. Corresponding departments are required to report the waste performance to EHS Department periodically. Under the collective effort of different departments, the Group has complied with all relevant laws and regulations including Solid Waste Environmental Pollution Prevention and Control Law of the PRC.

Waste Discharged in Strong Nantong		Unit	2019[3 4]	2018
Hazardous waste		tonnes	**6.36**	1.60
Hazardous waste intensity		tonnes/total floor area (m^2)	**0.0043**	0.0011
		tonnes/revenue (HK$ million)	**0.0004**	0.0001
Non-hazardous waste	Recycled materials:			
	Metal, plastic and paper	tonnes	**7.10**	2.05
	Disposed general waste	tonnes	**11.00**	10.40
Non-hazardous waste intensity		tonnes/total floor area (m^2)	**0.012**	0.008
		tonnes/revenue (HK$ million)	**0.0010**	0.0005

ENERGY CONSUMPTION AND GREENHOUSE GASES ("GHG") EMISSION

The major source of energy consumption and indirect GHG emission is the electricity use in oil storage and office activities. In order to utilise resources and reduce wastage, the Group has implemented a variety of energy saving measures such as replacing the lighting fixture with LED lights. In order to ensure the efficiency of the equipment and electrical appliances, the Group conducts energy audit regularly to identify malfunction or abnormality. Also, the Group advocates culture of green office, and requires its employees to maintain the office temperature in between 24 and 26 degrees Celsius during summer time and switch off the idle electric appliances to reduce electricity wastage.

Electricity Consumption	Unit	2019	2018
Offices[2]	kilowatt-hour (kWh)	**54,716**	60,382
Strong Nantong	kWh	**526,789[3]**	443,679
Total electricity consumption	kWh	**581,505**	504,061
Total electricity intensity	kWh/total floor area (m^2)	**391**	339
	kWh/revenue (HK$ million)	**33.64[4]**	22.10

Source of Scope 2 GHG Emission[5]	Unit	2019	2018
Office	tonnes of CO2 equivalent (tCO2e)	**41**	45
Strong Nantong	tCO2e	**342[3]**	288
Total GHG emission	tCO2e	**383**	333
GHG intensity	tCO2e/total floor area (m^2)	**0.26**	0.22
	tCO2e/revenue (HK$ million)	**0.022[4]**	0.015

1 Total floor area represented the sum of (i) gross floor area ("GFA") of offices in Hong Kong headquarter, Macao and Singapore and (ii) the GFA of storage site in Strong Nantong.

2 Offices included the Group's Hong Kong headquarter and the two offices in Macao and Singapore.

3 The increase in total throughput of Strong Nantong in 2019 caused the incline of water consumption, waste generation, electricity consumption and scope 2 GHG emission.

4 Global economic instability in 2019 contributed to the decrease in revenue and subsequent increase in water intensity, waste intensity, electricity intensity and GHG emission intensity.

5 Scope 2 GHG emission refers to indirect GHG emission resulting from the generation of the electricity which the Group purchased. The Group did not own or control any direct Scope 1 GHG emission sources, such as (i) transportation and (ii) construction machinery usage.

HARMONIOUS WORKING ENVIRONMENT

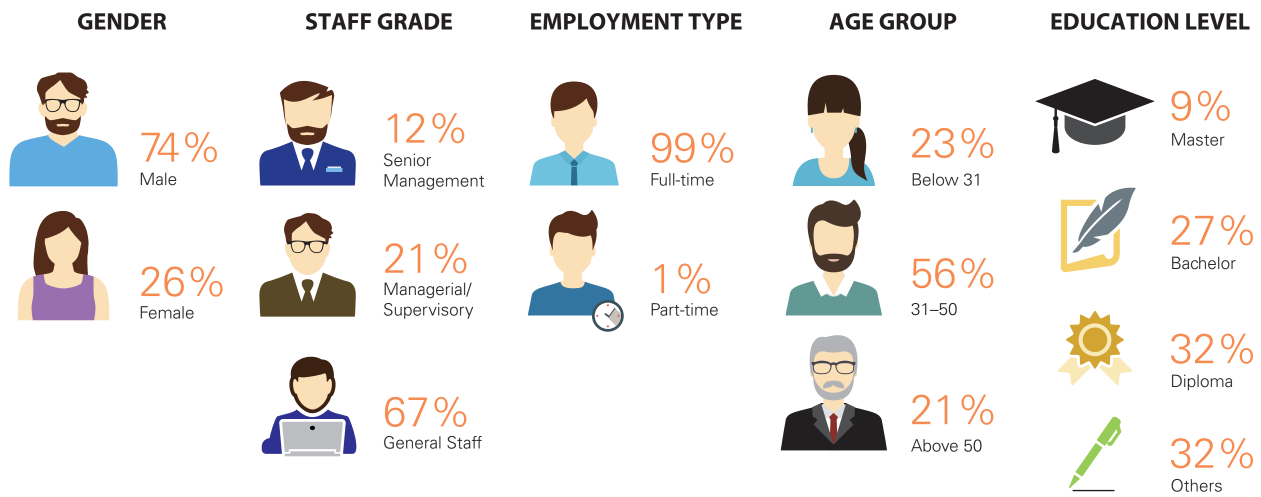
The Group understands human resource is one of its most valuable assets. The Group is committed to promoting its employees' health and wellness, and provide them with a fair and safe workplace.

TALENT ACQUISITION

With the commitment to the fair working environment, the Group forbids any forms of discrimination and harassment, and advocates equal-opportunity approach. During the recruitment process, the Human Resource ("HR") Department assesses the experience, capability and qualification of the candidates regardless of their gender, age, religion or other factors that are not related to their suitability to the position. Besides, the HR Department verifies identification and working permits of the candidates to prevent employment issues such as child labour and forced labour. In case of any confirmed forced labour or misuse of child labour, the HR Department would intervene to stop the infringement actions and offer reasonable compensation.

In addition to the harmonious working environment, the Group also provides competitive compensation packages, promotion opportunities, reasonable working hours and rest periods to attract and retain talents. During the reporting period, the Group has complied with all employment laws and regulations such as Employment Ordinance and Employees' Compensation Ordinance of Hong Kong.

As of 31 December 2019, the total number of employees in Hong Kong, Macao, the PRC and Singapore was 140. The breakdowns of employees by gender, staff grade, employment type, age group and education level are listed below:



OCCUPATIONAL HEALTH AND SAFETY

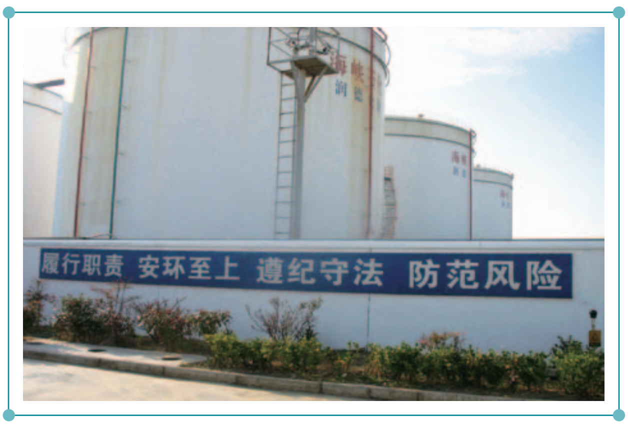
Employees' health and safety is always the prioritised concern of the Group. In order to protect its employees, the Group has developed a standardised Safety Management System based on Occupational Safety and Health Ordinance and Law of the PRC and Occupational Safety and Health Ordinance of Hong Kong. Adhering to the principle of "safety comes first", the Group also formulated Special Equipment Safety Technical Supervision Procedures for Strong Nantong employees to operate the equipment safely and reduce the embedded risks. To monitor the safety measures' effectiveness, EHS Department is responsible to oversee the implementation of the safety management system and the safety procedure:

- identifying, assessing, and mitigating risks based on safety standards and guidelines;
- updating the safety standards to ensure they align and with the latest industrial practices and local regulations;
- conducting regular on-site inspections and supervisions to ensure a safe workplace;
- providing personal protective equipment such as safety helmets, safety shoes and gas masks;
- offering safety trainings and emergency drills to increase employee's safety awareness and responsiveness to the incidents; and
- arranging annual occupational health check to employees to monitor their health conditions.

Under the endless effort of the EHS Department, there were no work-related injuries during the reporting period.

Central control room of Strong Nantong

Safety slogans of Strong Nantong

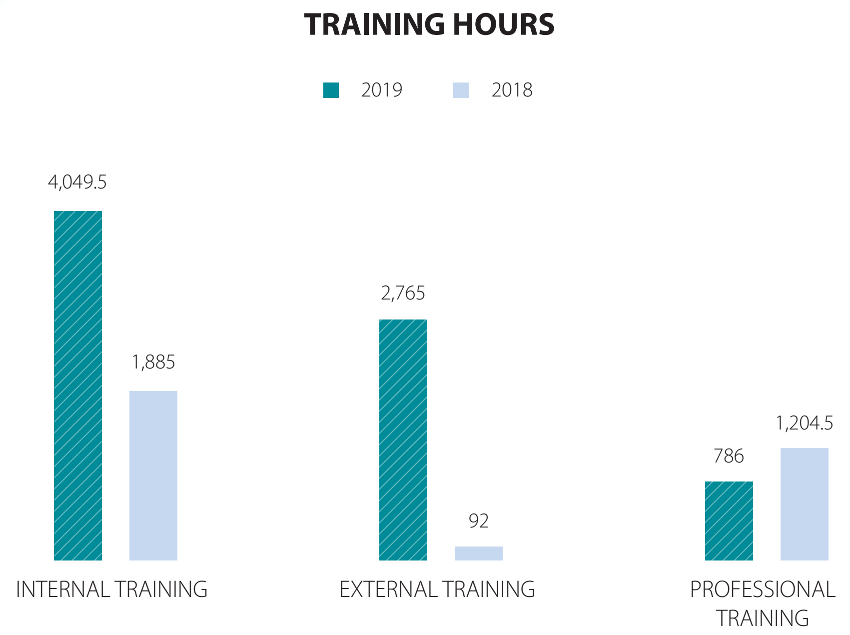


Storage facilities of Strong Nantong

Safety drill at Strong Nantong

TALENT DEVELOPMENT

Apart from employees' health and safety, the Group also realises the importance of the employees' growth to the Group's long-term development. In order to sharpen their skills and unleash their potentials, HR Department has developed a comprehensive Training Management Standard to provide trainings to them based on respective roles, position and requirement. Also, the Group encourages its employees to pursue external trainings or education which are beneficial to the business and their career development by offering education subsidies.



ETHICAL CORPORATE IMAGE

Anti-corruption

Upholding the principles of integrity and fairness, the Group does not tolerate any forms of corruptive behaviours including bribery, extortion, fraud and money laundering. In order to prevent and combat against misconduct, the Group has stipulated a set of whistleblowing policy. Employees are encouraged to report any suspicious case to the compliance officer or the chairman of the Audit Committee. The compliance officer would investigate the reported case and report to the Audit Committee. In case of confirmed misbehaviour, the Group would report it to the Independent Commission Against Corruption and take corresponding legal action.

During the reporting period, the Group has complied with all local laws and regulations relating to anti-corruption including Prevention of Bribery Ordinance of Hong Kong.

Data Protection

The Group places high regards to its customers' and suppliers' privacy including personal data and business information. The Group has established a standard procedure to the employees to handle sensitive data and prohibited unauthorised access to the confidential information. There were no substantiated incidents regarding breaches of customer and supplier privacy or loss of the data and the Group has complied with all relevant laws and regulations including Personal Data (Privacy) Ordinance of Hong Kong during the reporting period.

COMMUNITY INVESTMENT

The Group regards social responsibility as one of the essential elements of the business development and is dedicated to contributing to the communities in which it operates. The Group has participated and sponsored various charity activities to support different non-profit organisations' work on helping the underprivileged people. Realising the youth are the future pillars of the community, the Group has been supporting their development by offering scholarship to the outstanding students of Youth College of Vocational Training Council since 2015. The Group has sponsored 25 students with a total of HK$50,000 during the reporting period.

LOOKING FORWARD

The Group will continuously incorporate sustainability concept into business strategies and long-term development through engaging different stakeholders and reviewing the policies regularly. The Group is committed to providing quality services in a responsible manner. The Group believes sustainable operation will lead the Group towards its vision to become one of the most competitive commodities trading companies in the niche market in the PRC.

PERFORMANCE TABLE

Environmental Performance	Unit	2019[3 4]	2018
Water			
Total water consumption	m^3	2,380	1,742
Total water intensity	m^3/total floor area (m^2)	1.60	1.17
	m^3/revenue (HK$ million)	0.14	0.08
Waste			
Recycled materials (Metal, plastics and paper)	tonnes	7.10	2.05
Disposed general waste	tonnes	11.00	10.40
Hazardous waste	tonnes	6.36	1.60
Non-hazardous waste intensity	tonnes/total floor area (m^2)	0.012	0.008
	tonnes/revenue (HK$ million)	0.0010	0.0005
Hazardous waste intensity	tonnes/total floor area (m^2)	0.0043	0.0011
	tonnes/revenue (HK$ million)	0.0004	0.0001
Electricity			
Offices	kWh	54,716	60,382
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Total electricity consumption	kWh	581,505	504,061
Total electricity intensity	kWh/total floor area (m^2)	391	339
	kWh/revenue (HK$ million)	33.64	22.10
Greenhouse gas (GHG) emission			
Offices	tCO2e	41	45
Strong Nantong	tCO2e	342	288
Total GHG emission	tCO2e	383	333
GHG intensity	tCO2e/total floor area (m^2)	0.26	0.22
	tCO2e/revenue (HK$ million)	0.022	0.015

Social Performance		Unit	2019	2018
Total workforce		No. of people	140	80
By gender	Male	No. of people	103	63
	Female	No. of people	37	17
By age group	<30	No. of people	32	15
	31–50	No. of people	79	40
	>51	No. of people	29	25
By employee type	Senior management	No. of people	16	17
	Manager	No. of people	30	15
	General	No. of people	94	48
By employment type	Full time	No. of people	138	79
	Part time	No. of people	2	1
Training[6]				
By gender	Male	Training percentage	78%	Not available
		Average training hours	62.5	Not available
	Female	Training percentage	73%	Not available
		Average training hours	31.3	Not available
By employee type	Senior management	Training percentage	94%	Not available
		Average training hours	65.6	Not available
	Manager	Training percentage	57%	Not available
		Average training hours	32.7	Not available
	General	Training percentage	80%	Not available
		Average training hours	59.2	Not available
Lost days due to injuries		Days	0	0
Number of fatalities		No. of people	0	0
Rate of fatalities		Percentage	0%	0%

[6] As the Group has modified the collection method for training data since the commencement of the reporting period, the comparative data of training percentages and average training hours for 2018 is not available.

ESG CONTENT INDEX

Aspect	KPI	Description	Section	Page No.
SUBJECT AREA (A) ENVIRONMENT				
A1: EMISSIONS				
A1	*General disclosure*	Information on: (a) the policies; and (b) compliance	Air Emission & Energy Consumption and GHG Emission	29–30
	A1.1	The types of emissions and respective emissions data.	Air Emission & Energy Consumption and GHG Emission	29–30
	A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Energy Consumption and GHG Emission	30
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management	30
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management	30
	A1.5	Description of measures to mitigate emissions and results achieved.	Air Emission & Energy Consumption and GHG Emission	29–30
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Waste Management	30
A2: USE OF RESOURCES				
A2	*General disclosure*	Policies	Air Emission, Water Consumption and Wastewater Discharge & Energy Consumption and GHG Emission	29–30
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Energy Consumption and GHG Emission	30
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Water Consumption and Wastewater Discharge	29
	A2.3	Description of energy use efficiency initiatives and results achieved.	Energy Consumption and GHG Emission	30
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Water Consumption and Wastewater Discharge	29
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable	

Aspect	KPI	Description	Section	Page No.
A3: THE ENVIRONMENT AND NATURAL RESOURCES				
A3	*General disclosure*	Policies	Air Emission, Water Consumption and Wastewater Discharge & Energy Consumption and GHG Emission	29–30
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Air Emission, Water Consumption and Wastewater Discharge & Energy Consumption and GHG Emission	29–30
SUBJECT AREA (B) SOCIAL				
B1: EMPLOYMENT				
B1	*General disclosure*	Information on: (a) the policies; and (b) compliance	Talent Acquisition	31
	B1.1	Total workforce by gender, employment type, age group and geographical region.	Talent Acquisition	31
	B1.2	Employee turnover rate by gender, age group and geographical region.	Not disclosed	
B2: HEALTH AND SAFETY				
B2	*General disclosure*	Information on: (a) the policies; and (b) compliance	Occupational Health and Safety	32–33
	B2.1	Number and rate of work-related fatalities.	Performance table	35–36
	B2.2	Lost days due to work injury.	Performance table	35–36
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Occupational Health and Safety	32–33
B3: DEVELOPMENT AND TRAINING				
B3	*General disclosure*	Policies	Talent Development	34
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Performance table	35–36
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B4: LABOUR STANDARDS				
B4	*General disclosure*	Information on: (a) the policies; and (b) compliance	Talent Acquisition	31
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Aspect	KPI	Description	Section	Page No.
B5: SUPPLY CHAIN MANAGEMENT				
B5	*General disclosure*	Policies	Supply Chain Management	28
	B5.1	Number of suppliers by geographical region.	Supply Chain Management	28
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management	28
B6: PRODUCT RESPONSIBILITY				
B6	*General disclosure*	Information on: (a) the policies; and (b) compliance	Quality Control	29
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable	
	B6.2	Number of products and service related complaints received and how they are dealt with.	Quality Control	29
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	Not applicable	
	B6.4	Description of quality assurance process and recall procedures.	Quality Control	29
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Ethical Corporate Image	34
B7: ANTI-CORRUPTION				
B7	*General disclosure*	Information on: (a) the policies; and (b) compliance	Ethical Corporate Image	34
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Ethical Corporate Image	34
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Ethical Corporate Image	34
B8: COMMUNITY INVESTMENT				
B8	*General disclosure*	Policies	Community Investment	35
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment	35
	B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment	35

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal associates and subsidiaries are set out in notes 19 and 44 to the consolidated financial statements respectively.

BUSINESS REVIEW

Detailed business review as required by Schedule 5 to the new Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including the particulars of important events affecting the Group, a discussion of the principal risks and uncertainties facing the Group, an indication of likely future developments in the Group's business and an analysis of the Group's performance using financial key performance indicators, is set out in the Chairman's Statement and the Management Discussion and Analysis on pages 4 to 5 and pages 6 to 10 respectively.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Environmental policies have been adopted by the Group for the implementation of environmentally friendly measures and practices in the operation of the Group's businesses, which include, among others, discharging wastewater produced to sewage treatment plant, encouraging employees to adopt green lifestyle in office by using recycled paper and printing on both sides and encouraging the use of video conferencing or telephone conferencing as a substitute to business travel.

The Group has also reviewed its environmental policies and performance from time to time in order to minimise the environmental impacts from our operations. During the year, the Company was not aware of any non-compliance with any regulations related to environmental protection that had a significant impact on the Group.

Detailed environmental policies and performance of the Group are set out in the Environmental, Social and Governance Report on pages 27 to 39.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year, the Company was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on the Group.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

EMPLOYEES

Employees are regarded as one of the most important and valuable assets of the Group. The Group strives to reward and recognise performing employees by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression by appropriate training and providing opportunities within the Group for career advancement.

CUSTOMERS AND SUPPLIERS

The Group maintains stable and cooperative relationships with its customers. To ensure that our traded products remain competitive, the Group closely monitors market movements and collaborates with customers for new products development. Our traders communicate with our customers frequently to ensure different varieties of commodities the Group trades can meet the demands and changing requirements of customers. The Group also manages its relationship with suppliers to ensure reliability, stability and quality of different commodities supplied to the Group.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 53 to 54.

The Board does not recommend the payment of final dividends for the year ended 31 December 2019 (2018: nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from, Monday, 25 May 2020 to Thursday, 28 May 2020, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM to be held on 28 May 2020, all completed share transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 22 May 2020.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 32 to the consolidated financial statements.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results, total assets and equity of the Group for the last five financial years is set out on page 3.

DISTRIBUTABLE RESERVES

The distributable reserves of the Company as at 31 December 2019, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK$975.9 million.

DIRECTORS' REPORT

DIRECTORS

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

Executive Directors	Independent Non-executive Directors
Mr. Wang Jian Sheng	Ms. Cheung Siu Wan
Mr. Yao Guoliang	Dr. Chan Yee Kwong
	Mr. Deng Heng

In accordance with Article 87 of the Company's articles of association, Ms. Cheung Siu Wan and Dr. Chan Yee Kwong should retire at the forthcoming AGM and, being eligible, offer themselves for re-election at the forthcoming AGM.

The Directors' biographical details are set out on pages 11 to 12.

The Company received confirmation from each of the INEDs of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considered all the INEDs as independent from the date of their appointment to 31 December 2019.

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

MANAGEMENT CONTRACTS

No contracts, other than employment 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 year.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the section headed "Continuing Connected Transactions" of this report and note 38 to the consolidated financial statements, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at any time during the year or at the end of the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the date of this report, none of the Directors, the management shareholders of the Company and their respective associates (as defined in the Listing Rules) had any interest in a business which causes or may cause a significant competition with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 31 December 2019, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of Company's associated corporations (within the meaning of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")), as recorded in the register required to be kept under Section 352 of Part XV of the SFO, or as otherwise notified to the Company and the HKEx pursuant to the Model Code are set out below:

LONG POSITION IN ORDINARY SHARES OF HK$0.025 EACH OF THE COMPANY

Name of Director	Nature of interest	Number of ordinary shares held	Approximate percentage of the issued share capital of the Company (%)
Mr. Wang Jian Sheng	Interest of a controlled corporation (Note 1)	1,041,746,000	49.04
	Interest of concert parties (Note 2)	124,984,000	5.88
Mr. Yao Guoliang	Beneficial owner	124,984,000	5.88
	Interest of a controlled corporation (Note 1)	1,041,746,000	49.04

Notes:

1. Each of Sino Century and Jin Yao holds 50% of the entire issued share capital of Forever Winner. Mr. Wang holds the entire issued share capital of Sino Century. Mr. Yao holds the entire issued share capital of Jin Yao.

2. Since Mr. Wang and Mr. Yao jointly control Forever Winner which in turn holds 1,041,746,000 shares of the Company, Mr. Wang and Mr. Yao are deemed as parties acting in concert. Therefore, as Mr. Yao beneficially owns approximately 5.88% equity interest in the Company as at 31 December 2019, Mr. Wang shall be deemed to hold the same equity interest in the Company.

Save for those disclosed above, as at 31 December 2019, none of the Directors or chief executive of the Company had any interests or short positions 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) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to Company and the HKEx pursuant to the Model Code.

None of the Directors or chief executive of the Company (including their spouses and children under the age of 18), during the year ended 31 December 2019, held any interests in or was granted any right to subscribe for the securities of Company and its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

SHARE OPTIONS

The share option scheme (the "Share Option Scheme") was adopted on 15 May 2014 in view of the Share Option Scheme being able to provide the Company with more flexibility in long term planning of granting of the share options to the employees, Directors, consultants, advisers and shareholders of the Group in a longer period in the future so as to provide appropriate incentives or rewards to them for their contributions or potential contributions to the Group.

The movements in the share options of the Company under the Share Option Scheme during the year are set out as follows:

		Price of share of the Company			Number of share options[2]			
Nature or category of participant	**Date of grant[1] (dd/mm/yy)**	**Exercise price HK$**	**At the grant date of share options HK$**	**At the exercise date of share options HK$**	**Outstanding at 01/01/2019**	**Exercised during the year**	**Lapsed during the year**	**Outstanding at 31/12/2019**
Other participants in aggregate	05/09/14	0.78	0.77	N/A	138,000,000	–	–	138,000,000
Total					138,000,000	–	–	138,000,000

Notes:

1. Options granted are exercisable during the period starting from 6 September 2014 to 14 May 2024.

2. During the year, no share options of the Company were lapsed or exercised.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 31 December 2019, the Directors are not aware of any other person, (other than the interests of the Director or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO:

LONG POSITION IN SHARES OF THE COMPANY

Name of shareholder	Nature of interest	Number of ordinary shares	Approximate percentage of shareholding (%)
Forever Winner	Beneficial Owner (Note 1)	1,041,746,000	49.04
Mr. Yao Guoliang	Beneficial Owner	124,984,000	5.88
Hongkong Hengyuan Investment Limited	Beneficial Owner (Note 2)	353,603,681	16.64

Notes:

1. Each of Sino Century and Jin Yao holds 50% of the entire issued share capital of Forever Winner. Mr. Wang holds the entire issued share capital of Sino Century. Mr. Yao holds the entire issued share capital of Jin Yao.

2. Mr. Chang Liang holds the entire issued share capital of Hongkong Hengyuan Investment Limited.

CONTINUING CONNECTED TRANSACTIONS

During the year, the Group entered into a tenancy agreement with Strong Property Limited, which constituted continuing connected transaction and related party transaction and is set out in note 38 to the consolidated financial statements.

The continuing connected transaction under the above tenancy agreement falls within the de minimis threshold under Rule 14A.76(1) of the Listing Rules and therefore is exempted from the reporting, annual review, announcement and independent shareholders' approval requirements contemplated under the Listing Rules.

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to approximately HK$50,000 (2018: HK$63,000).

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers and purchases from the five largest suppliers accounted for approximately 78% and 74% of the total sales and purchases for the year, respectively. The Group's largest customer and supplier accounted for approximately 39% and 23% of the total sales and purchases for the year, respectively.

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) has a beneficial interest in these major customers or suppliers.

EMOLUMENT POLICY

The Group mainly determines staff remuneration in accordance with market terms and individual qualifications.

The Group implemented its remuneration policy, bonus and share option schemes based on the achievements and performance of employees.

The emoluments of the Directors will be decided by the Remuneration Committee having regard to the Group's operating results, individual performance and comparable market statistics. Details of Directors' emolument and other staff costs are set out in notes 11 and 10 respectively to the consolidated financial statements.

RETIREMENT BENEFIT SCHEME

Other than operating a Hong Kong Mandatory Provident Fund Scheme, participating in the defined contribution pension scheme operated by the Macao government authority, the Central Provident Fund operated by Singapore government and the PRC state-managed retirement benefit scheme, the Group has not operated any other retirement benefit scheme for the Group's employees. Particulars of the retirement benefit scheme are set out in note 34 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISION

Pursuant to the articles of association of the Company, every Director shall be entitled to be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he or she may incur or sustain in or about the execution of the duties of his or her office or otherwise in relation thereto.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group throughout the year.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in note 48 to the consolidated financial statements, the Group had no significant events after 31 December 2019.

EQUITY-LINKED AGREEMENT

Save as disclosed in the section headed "Share Options" of this report, no equity-linked agreements were entered into during the year or subsisted at the end of the year ended 31 December 2019.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, the Company repurchased a total of 700,000 ordinary shares of the Company at an aggregate purchase price of approximately HK$233,330 on the HKEx, representing approximately 0.03% of the issued share capital of the Company as at the date of the passing of the ordinary resolution under which the general mandate to repurchase shares was granted. Particulars of the shares repurchase are as follows:

Month of repurchase	No. of ordinary shares of HK$0.025 each	Purchase price paid per share		Aggregate consideration paid
		Highest	Lowest	
		HK$	HK$	HK$
December 2019	700,000	0.340	0.305	233,330

The repurchases of the Company's shares during the year were effected by the Directors with a view to benefiting the shareholders as a whole by enhancing the net asset value per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association, or laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to the shareholders by reason of their respective holding of the Company's securities.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained a sufficient public float.

AUDITOR

A resolution will be proposed at the forthcoming AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board
Wang Jian Sheng
Chairman

15 April 2020

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

To the Shareholders of
Strong Petrochemical Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Strong Petrochemical Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 53 to 150, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 2019, 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.

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

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 matter	How our audit addressed the key audit matter
Valuation of interest in an associate	
We identified the valuation of the Group's interest in an associate located in the People's Republic of China (the "PRC"), namely 中化天津港石化倉儲有限公司 Sinochem Tianjin Port Petrochemical Terminal Co., Ltd. ("Sinochem Port"), as a key audit matter due to the significant estimation involved by the management of the Group in determining the recoverable amount of Sinochem Port. As set out in note 4 to the consolidated financial statements, the carrying amount of the Group's interest in Sinochem Port as at 31 December 2019 is approximately HK$44,825,000 and the Group has recognised share of profit of this associate of approximately HK$61,000 for the year ended 31 December 2019. This associate is principally engaged in provision of crude oil and petrochemicals storage services in the PRC. Its financial performance is highly dependent on the service charges and demand for these storage services, which are influenced by market conditions. This associate continues to perform unsatisfactorily for the year ended 31 December 2019. This indicates that the carrying amount of the Group's interest in this associate may be impaired. Details are set out in note 19 to the consolidated financial statements. The management of the Group has performed an impairment assessment on the Group's interest in this associate and concluded that an impairment loss of approximately HK$6,353,000 should be recognised in profit or loss. This conclusion is based on the value in use calculation using a discounted cash flow model developed by the management of the Group with the assistance of an independent qualified professional valuer (the "Valuer") engaged by the Group. The model requires significant estimation on growth rates and gross profit margin which form parts of the underlying future cash flows of this associate and the appropriate discount rate.	Our procedures in relation to the valuation of the Group's interest in this associate included: • Obtaining an understanding of the basis adopted in the valuation methodology prepared by the management of the Group; • Assessing the reasonableness of the key assumptions made by the management of the Group, including growth rates and gross profit margin with reference to the current market circumstances; • Testing the appropriateness of key inputs applied by the management of the Group in preparing the cash flow forecast against historical performance, including revenue, cost of sales and operating expenses, and with reference to the future strategic plans of this associate; • Evaluating the competence, capabilities and objectivity of the Valuer and obtaining understanding of the Valuer's scope of work and their terms of engagement; and • Involving our internal valuation expert in evaluating reasonableness of the discount rate used in the impairment assessment.

Key audit matter	How our audit addressed the key audit matter
Acquisition of subsidiaries	
We identified the acquisition of subsidiaries as a key audit matter as the accounting process for the acquisition involved the management's estimation and judgements in (i) identifying of assets acquired and liabilities assumed; and (ii) determining the fair value of assets acquired and liabilities assumed. The Group acquired 51% equity interest in Nicefame Global Limited ("Nicefame Global") and its non-wholly owned subsidiary, namely Huizhou Daya Bay Nicefame Chemical Storage and Trading Co., Ltd. ("Huizhou Nicefame Storage") (collectively referred to as "Nicefame Global Group") on 24 February 2019 for a consideration of approximately HK$23,400,000. The acquisition resulted in a goodwill of approximately HK$8,514,000. The fair value accounting for the acquisition was determined by the management of the Group, with support from the Valuer in accordance with HKFRS 3 "Business Combination" by using a discounted cash flow model. The inputs to this model are taken from observable market where possible, but where this is not feasible, a degree of judgement and estimation is required in determining the inputs used. The expected future cash flows and the discount rate are estimated by the management of the Group in order to calculate the fair values of assets and liabilities acquired. Details of the acquisition are set out in note 33 to the consolidated financial statements.	Our procedures in relation to the acquisition included: • Evaluating the acquisition agreement for the appropriate accounting treatment in terms of HKFRS 3 and the Group's accounting policy; • Understanding the management's process for identifying all separately identifiable assets acquired and liabilities assumed; • Reviewing the acquisition agreement to assess the completeness and appropriateness of the identification of assets acquired and liabilities assumed; • Evaluating the competence, capabilities and objectivity of the Valuer and obtaining understanding of the Valuer's scope of work and their terms of engagement; and • Involving our internal valuation expert to assess the appropriateness of the valuation methodologies and assumptions used to determine the fair values of recognised assets and liabilities.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated 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 THOSE CHARGED WITH GOVERNANCE 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 of the Company 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are 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 solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. 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 the consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism 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 of the Company.

- Conclude on the appropriateness of the use of the going concern basis of accounting by the directors of the Company 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.

- 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 those charged with governance 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 those charged with governance 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 those charged with governance, 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 the independent auditor's report is Wong Wang Hei.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
15 April 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	NOTES	2019 HK$'000	2018 HK$'000
Revenue	5		
Goods and services		**17,342,010**	22,810,604
Leases		**14,243**	–
		17,356,253	22,810,604
Cost of sales		**(17,025,181)**	(22,565,318)
Gross profit		**331,072**	245,286
Other income	7	**25,154**	110,622
Other gains and losses	7	**(4,653)**	95,449
Impairment loss under expected credit loss model		**(20,000)**	–
Gain (loss) on changes in fair value of derivative financial instruments, net		**26,307**	(281,494)
Distribution and selling expenses		**(88,694)**	(41,381)
Administrative expenses		**(93,165)**	(87,382)
Other expenses		**–**	(457)
Finance costs	8	**(51,084)**	(28,088)
Share of results of associates		**(812)**	(4,327)
Share of results of a joint venture		**–**	(1)
Profit before taxation		**124,125**	8,227
Income tax credit (expense)	9	**57**	(776)
Profit for the year	10	**124,182**	7,451
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(5,348)**	(11,850)
Reclassification adjustment upon deregistration of an associate		**(2,023)**	–
Other comprehensive expense for the year		**(7,371)**	(11,850)
Total comprehensive income (expense) for the year		**116,811**	(4,399)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	NOTE	2019 HK$'000	2018 HK$'000
Profit (loss) for the year attributable to:			
Owners of the Company		**125,044**	7,452
Non-controlling interests		**(862)**	(1)
		124,182	7,451
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**118,402**	(4,375)
Non-controlling interests		**(1,591)**	(24)
		116,811	(4,399)
Earnings per share	13		
— basic (HK cents)		**5.89**	0.35
— diluted (HK cents)		**5.89**	0.35

CONSOLIDATED
STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	NOTES	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	14	**260,104**	75,433
Right-of-use assets	15	**67,034**	–
Prepaid lease payments	16	**–**	16,877
Goodwill	17	**3,551**	–
Other assets	18	**1,059**	1,059
Rental deposit		**203**	–
Interests in associates	19	**44,825**	64,872
		376,776	158,241
Current assets			
Inventories	21	**23,553**	16,976
Prepaid lease payments	16	**–**	441
Trade receivables	22	**2,687,502**	2,764,771
Other receivables, deposits and prepayments	22	**298,332**	246,615
Tax reserve certificates		**8,175**	3,675
Derivative financial instruments	30	**25,424**	1,932
Financial assets at fair value through profit or loss	23	**825**	33,463
Deposits placed with brokers	24	**77,202**	112,479
Pledged bank deposits	25	**17,118**	42,207
Bank balances and cash	25	**358,075**	204,311
		3,496,206	3,426,870
Assets classified as held for sale	20	**–**	77,999
		3,496,206	3,504,869
Current liabilities			
Trade payables	26	**1,219,025**	1,730,746
Other payables and accrued charges	26	**85,000**	24,719
Contract liabilities	27	**25,965**	518,509
Lease liabilities	28	**1,242**	–
Taxation payable		**269**	348
Bank and other borrowings	29	**871,418**	14,837
Derivative financial instruments	30	**22,996**	–
		2,225,915	2,289,159
Net current assets		**1,270,291**	1,215,710
Total assets less current liabilities		**1,647,067**	1,373,951

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	NOTES	**2019 HK$'000**	2018 HK$'000
Non-current liabilities			
Deferred tax liabilities	31	**3,897**	–
Lease liabilities	28	**128**	–
Bank borrowing	29	**135,078**	–
		139,103	–
Net assets		**1,507,964**	1,373,951
Capital and reserves			
Share capital	32	**53,093**	53,110
Reserves		**1,438,543**	1,320,357
Equity attributable to owners of the Company		**1,491,636**	1,373,467
Non-controlling interests		**16,328**	484
Total equity		**1,507,964**	1,373,951

The consolidated financial statements on pages 53 to 150 were approved and authorised for issue by the Board of Directors on 15 April 2020 and are signed on its behalf by:

Wang Jian Sheng
DIRECTOR

Yao Guoliang
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 (note (i))	Legal reserve HK$'000 (note (ii))	Share-based payments reserve HK$'000	Translation reserve HK$'000	Other reserve HK$'000 (note (iii))	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2018	53,143	567,065	(1,922)	49	50,391	6,043	12,295	691,428	1,378,492	508	1,379,000
Profit (loss) for the year	–	–	–	–	–	–	–	7,452	7,452	(1)	7,451
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(11,827)	–	–	(11,827)	(23)	(11,850)
Total comprehensive (expense) income for the year	–	–	–	–	–	(11,827)	–	7,452	(4,375)	(24)	(4,399)
Repurchase of shares (Note 32)	(33)	(617)	–	–	–	–	–	–	(650)	–	(650)
At 31 December 2018	53,110	566,448	(1,922)	49	50,391	(5,784)	12,295	698,880	1,373,467	484	1,373,951
Profit (loss) for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**125,044**	**125,044**	**(862)**	**124,182**
Exchange differences arising on translation of foreign operations	**-**	**-**	**-**	**-**	**-**	**(4,619)**	**-**	**-**	**(4,619)**	**(729)**	**(5,348)**
Reclassification adjustment upon deregistration of an associate	**-**	**-**	**-**	**-**	**-**	**(2,023)**	**-**	**-**	**(2,023)**	**-**	**(2,023)**
Total comprehensive (expense) income for the year	**-**	**-**	**-**	**-**	**-**	**(6,642)**	**-**	**125,044**	**118,402**	**(1,591)**	**116,811**
Repurchase of shares (Note 32)	**(17)**	**(216)**	**-**	**-**	**-**	**-**	**-**	**-**	**(233)**	**-**	**(233)**
Acquisition of subsidiaries (Note 33)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**17,435**	**17,435**
At 31 December 2019	**53,093**	**566,232**	**(1,922)**	**49**	**50,391**	**(12,426)**	**12,295**	**823,924**	**1,491,636**	**16,328**	**1,507,964**

Notes:

(i) The special reserve represents the difference between the nominal value of shares of the acquired subsidiaries and the nominal value of the shares of Strong Petrochemical Holdings Limited (the "Company") issued for the acquisition at the time of the corporate reorganisation to rationalise the structure of the Company and its subsidiaries (collectively referred to as the "Group") prior to the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

(ii) According to the law and regulation of Macao Special Administrative Region ("Macao"), a legal reserve is required to be established up to a minimum of 50% of a company's paid up capital and is established in any year in which a dividend is appropriated. A subsidiary of the Company established in Macao appropriated a final dividends for the year ended 31 March 2006 to its holding company, as a result, 50% of the issued capital of Macau Patacas ("MOP") 100,000 was transferred to the legal reserve.

(iii) Other reserve was resulted from (a) the deemed disposal of partial interests in subsidiaries without losing the Group's control over the subsidiaries, and (b) the difference between the fair value of ordinary shares issued by the Company and the carrying amount of the additional interests in a subsidiary acquired by the Group in previous years.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**124,125**	8,227
Adjustments for:		
Bank interest income	**(9,932)**	(5,716)
Interest income from loan receivables	**(1,800)**	(1,200)
Interest income from deposits placed with brokers	**(50)**	(13)
Dividend income from financial assets at fair value through profit or loss	**(393)**	(222)
Finance costs	**51,084**	28,088
Depreciation of property, plant and equipment	**21,802**	7,314
Depreciation of right-of-use assets	**4,219**	–
Release of prepaid lease payments	**–**	457
(Gains) losses on changes in fair value of financial assets at fair value through profit or loss, net	**(4,879)**	3,731
Impairment loss on interest in an associate	**6,353**	4,763
Impairment loss on loan receivable	**20,000**	–
Impairment loss on goodwill	**4,963**	–
Losses (gains) on disposal of property, plant and equipment	**1**	(174)
Share of results of associates	**812**	4,327
Share of results of a joint venture	**–**	1
Operating cash flows before movements in working capital	**216,305**	49,583
(Increase) decrease in inventories	**(6,434)**	14,587
Decrease (increase) in trade receivables	**84,426**	(572,859)
Decrease in other receivables, deposits and prepayments	**6,300**	82,519
Increase in tax reserve certificates	**(4,500)**	(1,200)
(Decrease) increase in trade payables	**(511,716)**	24,470
Increase (decrease) in other payables and accrued charges	**8,280**	(42,964)
(Decrease) increase in contract liabilities	**(495,785)**	20,381
Changes in derivative financial instruments	**(496)**	(12,339)
Cash used in operations	**(703,620)**	(437,822)
Bank charges	**(13,077)**	(15,715)
Income tax paid	**(425)**	(445)
Income tax refunded	**–**	139
NET CASH USED IN OPERATING ACTIVITIES	**(717,122)**	(453,843)

CONSOLIDATED
STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
INVESTING ACTIVITIES		
New loan granted	**(20,000)**	(30,000)
Repayment of loan receivable	**–**	30,000
Decrease (increase) in deposits placed with brokers	**31,306**	(24,455)
Purchase of property, plant and equipment	**(1,540)**	(3,838)
Withdrawal of pledged bank deposits	**25,089**	2,378
Proceeds from disposal of property, plant and equipment	**–**	188
Interest received	**11,782**	6,929
Dividend received from an associate	**12,582**	–
Dividend received from financial assets at fair value through profit or loss	**393**	222
Purchase of financial assets at fair value through profit or loss	**–**	(51,808)
Proceeds from disposal of financial assets at fair value through profit or loss	**37,062**	14,884
Net cash inflow from acquisition of subsidiaries	**1,926**	–
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**98,600**	(55,500)
FINANCING ACTIVITIES		
New bank and other borrowings raised	**7,819,009**	3,957,929
Repayments of bank and other borrowings	**(7,003,479)**	(3,942,484)
Repayments of lease liabilities	**(2,675)**	–
Payment on repurchase of shares	**(233)**	(650)
Interest paid	**(38,007)**	(12,373)
NET CASH FROM FINANCING ACTIVITIES	**774,615**	2,422
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**156,093**	(506,921)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**204,311**	715,085
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(2,329)**	(3,853)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTING BANK BALANCES AND CASH	**358,075**	204,311

1. GENERAL

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 1 February 2008. The shares of the Company have been listed on the main board of the Stock Exchange since 12 January 2009. Its parent and ultimate holding company is Forever Winner International Ltd. ("Forever Winner"), a limited company incorporated in the British Virgin Islands. Mr. Wang Jian Sheng, the chairman and executive director of the Company, and Mr. Yao Guoliang, the chief executive officer and executive director of the Company, each holds 50% equity interest in Forever Winner. The addresses of the registered office and principal place of business of the Company are disclosed in the section of "Corporate Information" in the Company's annual report.

The Company acts as an investment holding company. The principal activities of the Company's subsidiaries are mainly trading of commodities, including crude oil, petroleum products, petrochemicals, coal and iron ore, and provision of petroleum products and petrochemical storage services. Details of the principal subsidiaries of the Company are set out in note 44.

The principal operations of the Group are conducted in Hong Kong Special Administrative Region ("Hong Kong"), Macao, the People's Republic of China (other than Hong Kong, Macao and Taiwan) (the "PRC") and Singapore. The functional currency of the Company and most of its subsidiaries is United States Dollar ("US$"), as the Group mainly trades in US$ with its customers and suppliers. However, for the convenience of the financial statements' users, the consolidated financial statements are presented in Hong Kong Dollar ("HK$").

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

New and amendments to HKFRSs and an interpretation that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs and an interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the application of the amendments to HKFRSs and the interpretation in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

New and amendments to HKFRSs and an interpretation that are mandatorily effective for the current year *(continued)*

HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 "Leases" ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

(i) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in Hong Kong was determined on a portfolio basis; and

(ii) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied by the relevant group entities is 3.27%.

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

New and amendments to HKFRSs and an interpretation that are mandatorily effective for the current year *(continued)*

HKFRS 16 "Leases" *(continued)*

As a lessee (continued)

	At 1 January 2019 HK$'000
Operating lease commitments disclosed as at 31 December 2018	3,478
Less: Recognition exemption — short-term leases	(95)
Recognition exemption — low value assets (excluding short-term leases of low value leases)	(5)
Discounting impact using relevant incremental borrowing rates at the date of initial application of HKFRS 16	(71)
Lease liabilities as at 1 January 2019	3,307
Analysed as	
Non-current	622
Current	2,685
	3,307

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	Notes	Right-of-use assets HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		3,307
Add: Reclassified from prepaid lease payments	(a)	17,318
Adjustments on rental deposits at 1 January 2019	(b)	23
		20,648

Notes:

(a) Upfront payments for leasehold lands in the PRC for own used properties were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to approximately HK$441,000 and approximately HK$16,877,000 respectively were reclassified to right-of-use assets.

(b) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases, to which HKAS 17 applied, under "other receivables, deposits and prepayments". Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, approximately HK$23,000 was adjusted to refundable rental deposits paid and right-of-use assets.

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

New and amendments to HKFRSs and an interpretation that are mandatorily effective for the current year *(continued)*

HKFRS 16 "Leases" *(continued)*

As a lessee (continued)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position as at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under HKFRS 16 at 1 January 2019
	HK$'000	HK$'000	HK$'000
Non-current Assets			
Right-of-use assets	–	20,648	20,648
Prepaid lease payments	16,877	(16,877)	–
Current Assets			
Prepaid lease payments	441	(441)	–
Other receivables, deposits and prepayments	246,615	(23)	246,592
Current Liabilities			
Lease liabilities	–	2,685	2,685
Non-current Liabilities			
Lease liabilities	–	622	622

There was no impact of transition to HKFRS 16 on the retained profits of the Group as at 1 January 2019.

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

New and amendments to HKFRSs and an interpretation that are mandatorily effective for the current year *(continued)*

HK(IFRIC) — Int 23 "Uncertainty over Income Tax Treatments"

HK(IFRIC) — Int 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires the Group to determine whether uncertain tax positions are assessed separately or as a group and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by individual group entities in their respective income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

The Group is currently in a negotiation with the Inland Revenue Department of Hong Kong (the "IRD") in respect of the uncertain tax position of certain of its subsidiaries. After considering all relevant facts and information available at the current stage and the advice from the Hong Kong's legal adviser, the directors of the Company are of the opinion that the subsidiaries have good supportive ground to defend their tax position against the IRD and no provision of Hong Kong Profits Tax is required. Details of the tax case are set out in note 46.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2020.

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

New and amendments to HKFRSs in issue but not yet effective *(continued)*

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, "the Amendments to References to the Conceptual Framework in HKFRS Standards", will be effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;

- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and

- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

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

New and amendments to HKFRSs in issue but not yet effective *(continued)*

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition, for financial reporting purposes, 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:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations *(continued)*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill *(continued)*

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is or the portion so classified is accounted for in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The financial statements of the associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates and joint ventures are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates and joint ventures. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate and a joint venture exceeds the Group's interest in that associate/joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate and joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures *(continued)*

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with its associate or joint venture, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management of the Group must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-current assets held for sale *(continued)*

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell which continue to be measured in accordance with the accounting policies as set out in the respective sections.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Provisional pricing arrangements in relation to trading of commodities

For trading of commodities, the sales price is determined on a provisional basis at the date of sale, as the final sales price is subject to (a) final assay for the quality and quantity of commodities after discharge and (b) movements in prevailing spot prices up to the date of final pricing, normally ranging from 30 to 90 days from the date at which the commodities are transferred to customers (i.e. quotational period). Revenue on provisionally priced sales is recognised based on the estimated quality and quantity of commodities and fair value of the total consideration receivable.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers *(continued)*

Provisional pricing arrangements in relation to trading of commodities *(continued)*

The Group estimates the amount of the variable consideration of trading of commodities to which it will be entitled using the most likely amount as it better predicts the amount of consideration to which the Group will be entitled. The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved. At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Adjustment to the sales price occurs based on movements in prevailing spot prices up to the completion of quotational period and, thus, the revenue adjustment mechanism has the characteristic of a commodity derivative. Accordingly, the fair value of the total consideration receivable subject to the final sales price adjustment is re-estimated continuously by reference to prevailing spot prices and changes in fair value are recognised in profit or loss. Such fair value adjustments do not form part of the revenue recognised from the contracts with customers but included in “other gains and losses” line item in the consolidated financial statements. These trade receivables are governed under HKFRS 9 “Financial Instruments” and are recognised at fair value through profit or loss (“FVTPL”).

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to leases of office premises, car parking space and a photocopier that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)

Right-of-use assets
The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, if any.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases *(continued)*

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) *(continued)*

Right-of-use assets (continued)

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 "Financial Instruments" ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases *(continued)*

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) *(continued)*

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities and lease incentives from lessor, if any, by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessee (prior to 1 January 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term.

Rental income which are derived from the Group's ordinary course of business are presented as revenue.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases *(continued)*

The Group as a lessor (upon application of HKFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than plant in the course of construction as described below). Properties, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Plant in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management of the Group, and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" (upon application of HKFRS 16) or "prepaid lease payments" (before application of HKFRS 16) in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment on property, plant and equipment and right-of-use assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually, when it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss .

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of the entity ("foreign currencies") are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies *(continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Exchange differences relating to the retranslation of the Group's net assets in US$ to the Group's presentation currency (i.e. HK$) are recognised directly in other comprehensive income and accumulated in translation reserve. Such exchange differences accumulated in the translation reserve are not reclassified to profit or loss subsequently.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. 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 recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme"), Macao Social Security Fund and the state-managed retirement benefit schemes of the PRC and Singapore, which are defined contribution plans, are recognised as an expense when employees have rendered services entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interest in a joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation *(continued)*

The carrying amount of deferred tax assets is reviewed at the end of the each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to the leasing transaction as whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net bases. Excess of depreciation on a right-of-use assets over the lease payments for the principal position of lease liabilities resulting in net deductible temporary difference.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets
Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments *(continued)*

Financial assets *(continued)*

Classification and subsequent measurement of financial assets (continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item in the consolidated statement of profit or loss and other comprehensive income.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables at amortised cost, other receivables and deposits, loan receivable, deposits placed with brokers, bank balances and pledged bank deposits) and other item (including lease receivables) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables at amortised cost and lease receivables. The ECL on these assets are assessed individually.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (prior to 1 January 2019).

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables at amortised cost and lease receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the financial asset expire.

On derecognition of a financial asset measured at amortised cost, the difference between the financial asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments *(continued)*

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments *(continued)*

Financial liabilities and equity *(continued)*

Financial liabilities at FVTPL (continued)

For financial liabilities that contain embedded derivatives, such as certain trade payables with provisional pricing arrangements, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

Provisional pricing arrangements in relation to purchase of commodities

The Group designated financial liabilities at FVTPL if it contains embedded derivatives arising from provisional pricing arrangements in relation to purchase of commodities. The Group purchases commodities under provisional pricing arrangements where final purchase prices are determined with reference to the movements in prevailing spot prices over a specified future period after shipment by suppliers.

Financial liabilities at amortised cost

Financial liabilities, including trade payables at amortised cost, other payables and bank and other borrowings, are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised immediately in profit or loss.

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of HKFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payment to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in share-based payments reserve.

At the end of the reporting period, the Group revises its estimates of the number of equity instruments that are expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss, such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When the share options are exercised, the amount previously recognised in the share-based payments reserve will be transferred to share capital and share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the share-based payments reserve will continue to be held in share-based payment reserve.

Share options granted to suppliers/consultants/advisers

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses (unless the goods or services qualify for recognition as assets).

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group' s accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgment in applying accounting policies

The following is the critical judgment, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Principal versus agent consideration (principal)

The Group engages in trading of commodities, mainly crude oil, petroleum products, petrochemicals, coal and iron ore. The directors of the Company concluded that the Group acts as the principal for such transactions as the Group controls the specified goods before the goods are transferred to customers after taking into consideration of indicators such as the Group is primarily responsible for fulfilling the promise to provide the goods, the Group has certain level of inventory risk before transferring the goods to customers and the Group has discretion in establishing the prices for the goods in the form of a premium over the market price of the goods. Before transferring the goods to customers, the Group has ability to direct the use of, and obtain substantially all of the remaining benefits from, the goods by determining the customers and the timing to which the goods will be sold. When the Group satisfies the performance obligation, the Group recognises revenue from trading of commodities in the gross amount of consideration to which the Group expects to be entitled as specified in the contracts.

During the year ended 31 December 2019, the Group recognised revenue from trading of commodities amounted to approximately HK$17,288,180,000.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amount of the assets and liabilities within the next financial year.

Valuation of interest in an associate

The share of results of associates of the Group is mainly contributed by an associate which is principally engaged in provision of crude oil and petrochemicals storage services. The service charges and demand for these storage services are influenced by the market conditions. This increases the risk that the carrying amount of the Group's interest in this associate may be impaired if the situation is worse off.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

Valuation of interest in an associate *(Continued)*

The management of the Group has performed an impairment assessment and concluded that an impairment loss of approximately HK$6,353,000 is recognised in profit or loss. This conclusion is based on the value in use calculation using a discounted cash flow model developed by the management of the Group with the assistance of an independent qualified professional valuer engaged by the Group. The model requires significant estimation on growth rates and gross profit margin which form parts of the underlying future cash flows of this associate and the appropriate discount rate.

As at 31 December 2019, the carrying amount of the Group's interest in this associate is approximately HK$44,825,000, net of impairment of approximately HK$11,116,000, (2018: HK$52,224,000, net of impairment of approximately HK$4,763,000) and, for the year ended 31 December 2019, the Group has share of profit of this associate of approximately HK$61,000 (2018: loss of HK$3,349,000).

Details of this associate and its impairment assessment are set out in note 19.

Estimated impairment of goodwill

Determining whether goodwill relating to newly acquired storage business (as set out in notes 6 and 33), which is the cash-generating unit ("CGU") to which goodwill has been allocated, is impaired requires an estimation of its recoverable amount. The recoverable amount is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. The discount rate represents the rate that reflects the current market assessment of the time value of money and risks specific to asset for which the future cash flow estimates have not been adjusted. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows, a material impairment loss may arise. As at 31 December 2019, the carrying amount of goodwill is approximately HK$3,551,000 (2018: nil). Details of the recoverable amount calculation are disclosed in note 17.

Provision for income tax

As at 31 December 2019, the Group is subject to a tax dispute with the IRD in relation to source of income of certain subsidiaries of the Group. The tax case had been at the preliminary fact-finding stage in the past few years while various meetings and discussions which facilitated the IRD's in-depth review of all relevant information and documents in relation to this case were carried out in the current year. Up to the date of these consolidated financial statements are authorised for issue, the Group has not received any formal opinion from the IRD on the taxability of the certain subsidiaries of the Group. Determining whether provision for the tax dispute is necessary requires an estimation of probability that an outflow of resources embodying economic benefits to be required for settling the obligation and an estimation of the amount of the obligation which can be measured reliably at the end of the reporting period. If there is unfavourable result of this tax dispute, the Group's financial performance will be significantly affected. Based on the advice from the Hong Kong's legal advisor, the directors of the Company considered that the subsidiaries have a good supportive ground to defend their tax positions against the IRD. Therefore, no provision of Hong Kong Profits Tax in relation to this case has been made in the consolidated financial statements while it has been disclosed as a contingent liability in note 46.

5. REVENUE

(i) Disaggregation of revenue from contracts with customers

Segments	Trading business HK$'000	Storage business HK$'000	Total HK$'000
	For the year ended 31 December 2019		
Types of goods or services in respect of contracts with customers			
Trading of commodities			
Crude oil	**15,715,381**	**–**	**15,715,381**
Petroleum products	**106,477**	**–**	**106,477**
Petrochemicals	**826,932**	**–**	**826,932**
Coal	**523,499**	**–**	**523,499**
Iron ore	**115,891**	**–**	**115,891**
	17,288,180	**–**	**17,288,180**
Storage and other ancillary services for petroleum products and petrochemicals			
General storage services	**–**	**40,942**	**40,942**
Other ancillary services	**–**	**12,888**	**12,888**
	–	**53,830**	**53,830**
Total	**17,288,180**	**53,830**	**17,342,010**
Geographical markets			
The PRC	**16,384,067**	**53,830**	**16,437,897**
Other regions	**904,113**	**–**	**904,113**
Total	**17,288,180**	**53,830**	**17,342,010**
Timing of revenue recognition			
A point in time	**17,288,180**	**–**	**17,288,180**
Over time	**–**	**53,830**	**53,830**
Total	**17,288,180**	**53,830**	**17,342,010**

5. REVENUE (CONTINUED)

(i) Disaggregation of revenue from contracts with customers *(continued)*

	For the year ended 31 December 2018 Trading business HK$'000
Type of goods in respect of contracts with customers	
Trading of commodities	
Crude oil	20,405,367
Petroleum products	1,401,891
Petrochemicals	708,998
Coal	294,348
Total	22,810,604
Geographical markets	
The PRC	19,434,996
Other regions	3,375,608
Total	22,810,604
Timing of revenue recognition	
A point in time	22,810,604

5. REVENUE (CONTINUED)

(ii) Performance obligations for contracts with customers

Trading of commodities

The Group recognises revenue from the sale of crude oil, petroleum products, petrochemicals, coal and iron ore in the period that the performance obligations are satisfied which refers to delivery of the goods to the destination specified by the customers. The destination may be the vessel on which the goods is shipped, destination port or the customer's premises. The quantity of crude oil, petroleum products, petrochemicals, coal and iron ore as specified in each sales contract is separately identifiable and represents a distinct performance obligation to which the transaction price is allocated. Performance obligations are satisfied at a point in time once control of the goods has been transferred to the customers. The customers have obtained control on the goods through their ability to direct the use of and obtain substantially all the benefits from the goods.

The sales price is determined on a provisional basis at the date of sale as the final sales price is subject to final assay after the goods discharged and movements of prevailing spot prices subsequent to the transfer of control of the goods. Details of the accounting policy in respect of the provisional pricing arrangement included in the contracts with customers are set out in note 3.

The Group has no particular policy on the amounts received prior to the delivery of goods and it is negotiated with customers on contract by contract basis. The advance payments received from customers are recognised as liabilities throughout the period before the control on the goods is transferred to customers.

Storage and other ancillary services for petroleum products and petrochemicals

The Group provides general storage and other ancillary services in respect of petroleum products and petrochemicals to customers. Other ancillary services include truck and cargo loading and unloading, port and tunnel usage and cleaning services, etc. The Group charges service fees based on a pre-agreed fixed amount per unit of goods or per month from customers. The revenue is recognised over time as the customers simultaneously receive and consume the benefits in relation to services provided by the Group.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The Group has elected to apply the practical expedient under HKFRS 15 for not to disclose the information of remaining performance obligations which are part of a contract that has an original expected duration of one year or less; or from satisfaction of which the Group recognises revenue in the amount, which the Group has the right to invoice, that corresponds directly with the value to the customers of the Group's performance completed to date.

The transaction price allocated to the remaining performance obligations where the aforementioned practical expedients are not applicable as at 31 December 2019 is approximately HK$12,275,000 (2018: nil), which relates to contracts of storage and other ancillary services for petroleum products and petrochemicals only. This amount represents the revenue expected to be recognised by the Group in the future when it satisfies the remaining performance obligations and around 59% (2018: nil) is expected to be recognised as revenue within one year.

5. REVENUE (CONTINUED)

(iv) Leases

	2019 **HK$'000**	2018 HK$'000
For operating leases:		
Lease payments that are fixed or depend on a rate	**14,243**	–

(v) Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	2019 **HK$'000**	2018 HK$'000
Trading business	**17,288,180**	22,810,604
Storage business	**53,830**	–
Revenue from contracts with customers	**17,342,010**	22,810,604
Leases	**14,243**	–
Total revenue	**17,356,253**	22,810,604

6. SEGMENT INFORMATION

Information reported to and reviewed by the executive directors of the Company, being the chief operating decision maker (the "CODM"), for the purpose of allocating resources to segments and assessing their performance focuses on nature of the Group's businesses and operations. The Group's operating and reportable segments are therefore as follows:

(i) Trading business (trading of commodities including crude oil, petroleum products, petrochemicals, coal and iron ore); and

(ii) Storage business (provision of general storage and other ancillary services in respect of petroleum products and petrochemicals).

During the year ended 31 December 2019, the Group acquired Nicefame Global Limited ("Nicefame Global") and its subsidiary, namely Huizhou Daya Bay Nicefame Chemical Storage and Trading Co., Ltd. ("Huizhou Nicefame Storage") (collectively referred to as "Nicefame Global Group"), which are engaged in provision of general storage and other ancillary services in respect of petrochemicals. Since then, the CODM reviews the financial performance of these general storage and other ancillary services as a separate business. Accordingly, results from the storage business are presented as an operating and reportable segment. Details of the acquisition of Nicefame Global Group are set out in note 33.

Prior to the acquisition of Nicefame Global Group, information reported to the CODM, for the purposes of resource allocation and assessment focuses on revenue analysis by products and by geographical location of customers only. No other discrete financial information is provided other than the Group's results and financial position as a whole. Accordingly, only entity-wide disclosures, major customers and geographical information were presented for the year ended 31 December 2018.

6. SEGMENT INFORMATION (CONTINUED)

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit by each segment without allocation of share of results of associates, impairment loss on interest in an associate, impairment loss under expected credit loss model, certain finance costs, unallocated income and gains and unallocated expenses and losses which include central administration costs and directors' salaries. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segments:

For year ended 31 December 2019

	Trading business HK$'000	Storage business HK$'000	Total HK$'000
Revenue from contracts with customers	17,288,180	53,830	17,342,010
Leases	–	14,243	14,243
Total revenue	17,288,180	68,073	17,356,253
Segment results	173,115	9,954	183,069
Share of results of associates			(812)
Impairment loss on interest in an associate			(6,353)
Impairment loss under expected credit loss model			(20,000)
Finance costs			(37,929)
Unallocated income and gains			13,068
Unallocated expenses and losses			(6,918)
Profit before taxation			124,125

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during both years.

The CODM makes decisions according to operating results of each segment. No analysis of segment assets and segment liabilities is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

6. SEGMENT INFORMATION (CONTINUED)

Other segment information

Other segment information included in the consolidated statement of profit or loss for the year ended 31 December 2019 are as follows:

Amounts included in the measure of segment profit or loss:

	Trading business HK$'000	Storage business HK$'000	Unallocated HK$'000	Total HK$'000
Interest income (included in other income)	**13,681**	**2**	**2,672**	**16,355**
Depreciation of property, plant and equipment	**(782)**	**(21,020)**	**–**	**(21,802)**
Depreciation of right-of-use assets	**(2,717)**	**(1,502)**	**–**	**(4,219)**
Impairment loss on goodwill	**–**	**(4,963)**	**–**	**(4,963)**
Gain on changes in fair value of derivative financial instruments, net	**26,307**	**–**	**–**	**26,307**
Gains on changes in fair value under provisional pricing arrangements in relation to trading of commodities, net	**670**	**–**	**–**	**670**
Finance costs	**(13,155)**	**–**	**(37,929)**	**(51,084)**
Net foreign exchange (loss) gain	**(1,746)**	**–**	**2,266**	**520**

Geographical information

The Group's operations are currently carried out by the subsidiaries operating in Hong Kong, Macao, the PRC and Singapore.

Information about the Group's revenue from external customers is categorised by (a) the locations of shipment/delivery as designated by the customers, (b) the locations that the customers are instructed to pick up the commodities as determined by the Group and (c) the locations that the general storage and other ancillary services in respect of petroleum products and petrochemicals are rendered by the Group. Information about the Group's non-current assets is presented based on by geographical location of assets.

6. SEGMENT INFORMATION (CONTINUED)

Other segment information *(continued)*

Geographical information *(continued)*

	Revenue from external customers		Non-current assets (note)	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**–**	–	**1,663**	1,311
Macao	**–**	–	**452**	524
The PRC	**16,452,140**	19,434,996	**373,481**	143,229
Singapore	**–**	–	**977**	529
Thailand	**–**	30,257	**–**	12,648
Malaysia	**–**	116,276	**–**	–
Korea	**–**	19,609	**–**	–
France	**328,001**	–	**–**	–
Egypt	**–**	1,871,657	**–**	–
India	**–**	354,859	**–**	–
Japan	**169,550**	261,940	**–**	–
Vietnam	**406,562**	661,402	**–**	–
Pakistan	**–**	30,426	**–**	–
Taiwan	**–**	29,182	**–**	–
	17,356,253	22,810,604	**376,573**	158,241

Note: The non-current assets for the purpose of geographical information exclude rental deposit.

Information about major customers

Revenue from customers of the corresponding year which contributed over 10% of the total revenue of the Group are as follows:

	2019	2018
	HK$'000	HK$'000
Customer A	**6,826,920**	5,282,470
Customer B	**3,226,289**	6,632,748
Customer C (note)	**2,015,398**	–

Note: This customer had no revenue attributable to the Group for the year ended 31 December 2018.

7. OTHER INCOME AND GAINS AND LOSSES

A. Other income

	2019 HK$'000	2018 HK$'000
Rental income from property, plant and equipment	–	21,496
Bank interest income	**9,932**	5,716
Interest income from loan receivables (note (i))	**1,800**	1,200
Dividend income from financial assets at FVTPL	**393**	222
Non-performance and insurance claims (note (ii))	**755**	10,192
Penalty interest income (note (iii))	**4,554**	69,769
Government grants	**4,604**	–
Others (note iv))	**3,116**	2,027
	25,154	110,622

Notes:

(i) On 17 January 2019, the Group entered into a secured loan agreement with a borrower and, pursuant to the terms in the agreement, the Group advanced a loan with a principal amount of HK$20,000,000, carrying a fixed interest rate of 16% per annum for the first three calendar months and 20% per annum for the additional three calendar months in case of extension and having a maturity date of three months from the date of grant (with an option to extend for three more months subject to approval by the Group), to the borrower. The loan is secured by a share charge of an entity, which is under control of the borrower's ultimate holding company, and this entity indirectly owns a majority interest of the a property located in the PRC. The shares of the borrower's ultimate holding company are listed on the Stock Exchange. The loan is also guaranteed by the borrower's ultimate holding company and the chairman, who is also a substantial shareholder, of the borrower's ultimate holding company. No repayment was made by the borrower at the extended maturity date. Also, certain events happened subsequent to the extended maturity date which significantly increased the uncertainty of recovering this loan receivable from the collateral and guarantees received by the Group. Accordingly, the management of the Group considered this loan receivable was credit-impaired and the carrying amount was written off during the year ended 31 December 2019. Details of the impairment assessment of this loan receivable are set out in note 37.

On 6 March 2018, the Group entered into a secured loan agreement with a borrower and, pursuant to the terms in the agreement, the Group advanced a loan with a principal amount of HK$30,000,000, carrying a fixed interest rate of 16% per annum and having a maturity date of three months from the date of grant, to the borrower. The loan was fully repaid to the Group during the year ended 31 December 2018.

(ii) The balance comprises compensation in relation to the supplier's failure in delivery of commodities as scheduled and non-performance and insurance claims that the Group received from its operation in the PRC and Macao. During the year ended 31 December 2017, the Group entered into a purchase contract with a supplier (the "Purchase Contract"), which was an independent third party to the Group, for the purchase of petroleum products for the Group's trading business in petroleum products. Pursuant to the terms of the Purchase Contract, the Group was required to advance US$40,000,000 (equivalent to approximately HK$312,000,000) to the supplier as a refundable deposit to secure the supply. During the years ended 31 December 2017, 2018 and 2019, certain amount of the deposits was refunded due to the supplier's failure in delivery of the petroleum products as scheduled. During the year ended 31 December 2018, the Group was entitled to a compensation of US$1,300,000 (equivalent to approximately HK$10,140,000) according to the terms set out in the Purchase Contract and the first supplemental and amendment deed in respect of the Purchase Contract. As at 31 December 2019, the outstanding balance of the deposit was approximately US$9,835,000 (equivalent to approximately HK$76,716,000) (2018: US$13,423,000 (equivalent to approximately HK$104,702,000)).

(iii) During the year ended 31 December 2019, the balance includes an amount of approximately HK$4,284,000 received and receivable from the supplier mentioned in note (ii) and an amount of HK$270,000 received from the borrower mentioned in note (i). During the year ended 31 December 2018, in addition to the compensation from the supplier mentioned in note (ii), the Group was also entitled to a penalty interest at a pre-agreed daily rate on the outstanding balance of the deposit since 1 April 2018 and until the end of the reporting period.

(iv) The amount includes an interest income of approximately HK$50,000 (2018: HK$13,000) from the deposits placed with brokers and approximately HK$19,000 (2018: nil) from unwinding of the discounted rental deposits.

7. OTHER INCOME AND GAINS AND LOSSES (CONTINUED)

B. Other gains and losses

	2019 HK$'000	2018 HK$'000
Unrealised gains (losses) on changes in fair value of financial assets at FVTPL, net	**653**	(4,569)
Realised gains on changes in fair value of financial assets at FVTPL, net	**4,226**	838
	4,879	(3,731)
(Losses) gains on disposal of property, plant and equipment	**(1)**	174
Gains on changes in fair value under provisional pricing arrangements in relation to trading of commodities, net	**670**	101,581
Impairment loss on interest in an associate (Note 19)	**(6,353)**	(4,763)
Impairment loss on goodwill (Note 17)	**(4,963)**	–
Others	**1,115**	2,188
	(4,653)	95,449

8. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Bank charges on letter of credit facilities	**13,077**	15,715
Interest on bank and other borrowings	**37,929**	12,373
Interest on lease liabilities	**78**	–
	51,084	28,088

9. INCOME TAX CREDIT (EXPENSE)

Income tax credit (expense) in the consolidated statement of profit or loss and other comprehensive income represents:

	2019 HK$'000	2018 HK$'000
Enterprise Income Tax ("EIT") in the PRC		
Current tax	**(355)**	(776)
Deferred taxation (Note 31)	**412**	–
	57	(776)

9. INCOME TAX CREDIT (EXPENSE) (CONTINUED)

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduced the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of assessable profits of a qualifying group entity will be taxed at 8.25%, and assessable profits above HK$2,000,000 will be taxed at 16.5%. The assessable profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime is insignificant to the consolidated financial statements. Accordingly, Hong Kong Profits Tax for subsidiaries operating in Hong Kong is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong Profits Tax has been made for both years since tax losses are incurred for the subsidiaries operating in Hong Kong or the assessable profit is wholly absorbed by tax losses brought forward from previous years.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law in the PRC, the tax rate of the PRC subsidiaries is 25% for both years.

During the years ended 31 December 2019 and 2018, the Group has a tax case with the IRD on certain of its subsidiaries. Details of the tax case are set out in note 46.

Pursuant to the Decree Law No. 58/99M, Chapter 2, Article 12 dated 18 October 1999, issued by Macao, Strong Petrochemical Limited (Macao Commercial Offshore) ("Strong Petrochemical (Macao)") is exempted from Macao Complementary Tax for both years.

The Singapore Income Tax is determined by applying the Singapore tax rate of 17%. With the approval of the Group's application for Global Trader Programme ("GTP") by International Enterprise Singapore ("IES"), certain qualified income generated by a subsidiary operating in Singapore from physical trading of commodities was taxed at a concessionary rate of 10% until the end of year 2018. Up to the date of these consolidated financial statements are authorised for issue, the Group is pending IES's approval for the renewal of GTP. No provision for Singapore Income Tax has been made for both years as the subsidiary operating in Singapore incurred tax losses in previous years and it utilised the tax losses brought forward in current year.

9. INCOME TAX CREDIT (EXPENSE) (CONTINUED)

The income tax credit (expense) for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019			2018		
	Singapore HK$'000	**The PRC (including Hong Kong and Macao) HK$'000**	**Total HK$'000**	Singapore HK$'000 (represented)	The PRC (including Hong Kong and Macao) HK$'000 (represented)	Total HK$'000 (represented)
Profit before taxation	**17,595**	**106,530**	**124,125**	417	7,810	8,227
Taxation at the domestic rate applicable to profits in the country concerned	**(2,991)**	**(11,496)**	**(14,487)**	(42)	(1,423)	(1,465)
Tax effect of income not taxable for tax purpose	**–**	**1,132**	**1,132**	–	456	456
Tax effect of expenses not deductible for tax purpose	**(868)**	**(6,044)**	**(6,912)**	(501)	(5,794)	(6,295)
Effect of tax exemption granted to a Macao subsidiary	**–**	**16,802**	**16,802**	–	–	–
Tax effect of share of results of associates	**–**	**(129)**	**(129)**	–	(998)	(998)
Utilisation of tax losses previously not recognised	**3,818**	**3,065**	**6,883**	498	8,435	8,933
Tax effect of tax losses not recognised	**–**	**(4,052)**	**(4,052)**	–	(1,446)	(1,446)
Effect of income tax on a concessionary rate in the PRC	**–**	**774**	**774**	–	–	–
Others	**41**	**5**	**46**	45	(6)	39
Income tax credit (expense) for the year	**–**	**57**	**57**	–	(776)	(776)

10. PROFIT FOR THE YEAR

	2019 HK$'000	2018 HK$'000
Profit for the year is arrived after charging (crediting):		
Auditor's remuneration	**3,063**	2,126
Depreciation of property, plant and equipment	**21,802**	7,314
Depreciation of right-of-use assets	**4,219**	–
Release of prepaid lease payments	**–**	457
Net foreign exchange gain	**(520)**	(1,172)
Operating lease rentals in respect of storage facilities and premises	**–**	8,446
Directors' emoluments (Note 11)	**480**	480
Other staff costs		
Salaries, bonus and other allowances	**49,558**	45,391
Retirement benefit schemes contributions	**1,950**	1,552
	51,988	47,423
Cost of inventories recognised as an expense (included in cost of sales)	**16,979,413**	22,565,318

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to each of the 5 (2018: 5) directors of the Company, including the chief executive, are as follows:

	Executive directors		Independent non-executive directors			
	Wang Jian Sheng HK$'000	Yao Guoliang HK$'000 (Note)	Chan Yee Kwong HK$'000	Deng Heng# HK$'000	Cheung Siu Wan HK$'000	Total HK$'000
Fees	**–**	**–**	**150**	**150**	**180**	**480**
Other emoluments:	**–**	**–**	**–**	**–**	**–**	**–**
Salaries and other benefits	**–**	**–**	**–**	**–**	**–**	**–**
Share-based payments	**–**	**–**	**–**	**–**	**–**	**–**
Discretionary bonus	**–**	**–**	**–**	**–**	**–**	**–**
Contributions to retirement benefits schemes	**–**	**–**	**–**	**–**	**–**	**–**
Total emoluments for the year ended 31 December 2019	**–**	**–**	**150**	**150**	**180**	**480**
Fees	–	–	150	150	180	480
Other emoluments:						
Salaries and other benefits	–	–	–	–	–	–
Share-based payments	–	–	–	–	–	–
Discretionary bonus	–	–	–	–	–	–
Contributions to retirement benefits schemes	–	–	–	–	–	–
Total emoluments for the year ended 31 December 2018	–	–	150	150	180	480

Note: Mr. Yao Guoliang is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

Appointed on 1 January 2018

The executive directors' emoluments shown above were paid for their services in connection with the management of the affairs of the Company and the Group.

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS (CONTINUED)

The independent non-executive directors' emoluments shown above were paid for their services as directors of the Company.

During the years ended 31 December 2019 and 2018, no emoluments have been paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived or agreed to waive any emoluments during both years.

Employees' emoluments

For the year ended 31 December 2019, of the five individuals with the highest emoluments in the Group, none (2018: none) of them is the director of the Company. The emoluments of these five (2018: five) individuals are as follows:

	2019 **HK$'000**	2018 HK$'000
Salaries and other benefits	**10,052**	8,597
Discretionary bonus	**8,688**	8,343
Contributions to retirement benefits schemes	**240**	244
	18,980	17,184

Their emoluments were within the following bands:

	2019 **Number of** **employees**	2018 Number of employees
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**2**	2
HK$2,000,001 to HK$2,500,000	**1**	–
HK$2,500,001 to HK$3,000,000	**–**	1
HK$9,500,001 to HK$10,000,000	**–**	1
HK$11,500,001 to HK$12,000,000	**1**	–

During the years ended 31 December 2019 and 2018, certain emoluments have been paid by the Group to one of the five employees with the highest emoluments as an inducement to join or upon joining the Group and no emoluments have been paid by the Group to them as compensation for loss of office.

12. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2019, nor has any dividend been proposed since the end of the reporting period (2018: nil).

13. EARNINGS PER SHARE

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

	2019 HK$'000	2018 HK$'000
Earnings		
Earnings for the purposes of calculating basic and diluted earnings per share		
Profit for the year attributable to owners of the Company	**125,044**	7,452

	2019	2018
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**2,124,409,350**	2,125,679,022
Effect of dilutive potential ordinary shares:		
Share options of the Company	**–**	6,405,463
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**2,124,409,350**	2,132,084,485

For the year ended 31 December 2019, the computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise price of the share options is higher than the average market price for the year.

For the year ended 31 December 2018, the calculation of diluted earnings per share was based on the profit for the year attributable to owners of the Company and the weighted average number of ordinary shares adjusted by the weighted average number of ordinary shares assumed to have been issued under the Company's share option schemes.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Storage tanks HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST									
At 1 January 2018	1,699	91,466	1,067	21,419	750	2,208	5,996	–	124,605
Exchange realignment	–	(4,206)	–	(985)	(1)	(38)	(14)	–	(5,244)
Additions	–	636	–	825	2	69	–	–	1,532
Disposals	–	–	–	(199)	–	(91)	(812)	–	(1,102)
At 31 December 2018	1,699	87,896	1,067	21,060	751	2,148	5,170	–	119,791
Exchange realignment	**(716)**	**(6,330)**	**–**	**(4,597)**	**(14)**	**(26)**	**(27)**	**–**	**(11,710)**
Acquired from acquisition of subsidiaries (Note 33)	**15,997**	**98,605**	**–**	**92,503**	**308**	**218**	**470**	**–**	**208,101**
Additions	**–**	**456**	**–**	**2,432**	**74**	**186**	**482**	**5,405**	**9,035**
Disposals	**–**	**–**	**–**	**–**	**(1)**	**(55)**	**–**	**–**	**(56)**
At 31 December 2019	**16,980**	**180,627**	**1,067**	**111,398**	**1,118**	**2,471**	**6,095**	**5,405**	**325,161**
ACCUMULATED DEPRECIATION									
At 1 January 2018	1,126	20,782	1,067	9,800	735	1,578	4,712	–	39,800
Exchange realignment	–	(1,108)	–	(526)	–	(21)	(13)	–	(1,668)
Provided for the year	85	4,305	–	2,120	7	242	555	–	7,314
Eliminated on disposals	–	–	–	(190)	–	(86)	(812)	–	(1,088)
At 31 December 2018	1,211	23,979	1,067	11,204	742	1,713	4,442	–	44,358
Exchange realignment	**(8)**	**(662)**	**–**	**(361)**	**–**	**(11)**	**(6)**	**–**	**(1,048)**
Provided for the year	**904**	**9,176**	**–**	**10,350**	**251**	**304**	**817**	**–**	**21,802**
Eliminated on disposals	**–**	**–**	**–**	**–**	**(1)**	**(54)**	**–**	**–**	**(55)**
At 31 December 2019	**2,107**	**32,493**	**1,067**	**21,193**	**992**	**1,952**	**5,253**	**–**	**65,057**
CARRYING VALUES									
At 31 December 2019	**14,873**	**148,134**	**–**	**90,205**	**126**	**519**	**842**	**5,405**	**260,104**
At 31 December 2018	488	63,917	–	9,856	9	435	728	–	75,433

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum/ over the following years:

Buildings	Over the shorter of the term of the lease, or 20 years
Storage tanks	Over the shorter of the term of the lease, or 20 years
Leasehold improvements	Over the shorter of the term of the lease, or 3–4 years
Plant and machinery	5%–$33^1/_3$%
Furniture and fixtures	20%–$33^1/_3$%
Office equipment	19%–$33^1/_3$%
Motor vehicles	17%–30%

15. RIGHT-OF-USE ASSETS

	Leasehold land HK$'000	Leased properties HK$'000	Total HK$'000
As at 1 January 2019			
Carrying amount	17,318	3,330	20,648
As at 31 December 2019			
Carrying amount	65,654	1,380	67,034
For the year ended 31 December 2019			
Depreciation provided	(1,502)	(2,717)	(4,219)

Expenses relating to leases of low-value assets and leases with lease terms end within 12 months	309
Total cash outflow for leases	3,062
Additions to right-of-use assets (note)	767
Additions to right-of-use assets arising from acquisition of subsidiaries (Note 33)	52,550

Note: The amount includes adjustment to the rental deposit of approximately HK$30,000 in respect of the new leases entered during the year ended 31 December 2019.

For both years, the Group leased various offices for its operations. Lease contracts are entered into for a fixed term of 1 year to 3 years. The Group may extend the lease beyond the initial agreed period but it is subject to mutual agreement between the Group and the property owner. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns several buildings, where its storage facilities are primarily located, and office buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

16. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise leasehold interest in land in the PRC for 50 years.

	2018 HK$'000
The carrying amount of the prepaid lease payments is presented as:	
Non-current asset	16,877
Current asset	441
	17,318

17. GOODWILL

	HK$'000
COST	
At 1 January 2018 and 2019	–
Arise from acquisition of subsidiaries (Note 33)	8,514
At 31 December 2019	8,514
ACCUMULATED IMPAIRMENT	
At 1 January 2018 and 2019	–
Impairment loss recognised	4,963
At 31 December 2019	4,963
CARRYING VALUES	
At 31 December 2019	3,551
At 31 December 2018	–

The Group tests goodwill annually or more frequently if there are indications that goodwill may be impaired.

For the purpose of impairment testing, the management of the Group considered that the storage business rendered by Nicefame Global Group represents a single CGU (the "Nicefame CGU").

During the year ended 31 December 2019, the Group recognised an impairment loss of approximately HK$4,963,000 in relation to the goodwill arising from the acquisition of Nicefame Global due to uncertainty of global business environment which might affect long term demand of the services rendered by Nicefame Global Group and its service price.

The basis of the recoverable amount and its major underlying assumptions are summarised below:

As at 31 December 2019, the recoverable amount of the Nicefame CGU has been determined based on a value in use calculation. For the purpose of impairment assessment, a cash flow projection, which was based on the financial budget and approved by the management of the Group, covering a 5-year period at a pre-tax discount rate of 13.0% was used. The cash flows of the Nicefame CGU beyond the 5-year period of the financial budget were extrapolated using an annual growth rate of 3.0%. Another key assumption for the value in use calculation is the budgeted gross margin, which was determined based on the past performance of the Nicefame CGU and the management's expectation for the business development.

18. OTHER ASSETS

The amounts represent a golf club membership and an art work that are carried at cost.

19. INTERESTS IN ASSOCIATES

	2019 HK$'000	2018 HK$'000
Cost of interests in associates, unlisted	**129,751**	141,846
Share of post-acquisition results, net of dividend	**(76,531)**	(75,065)
Less: Impairment loss recognised	**(15,526)**	(9,173)
Exchange realignment	**7,131**	7,264
	44,825	64,872

As at 31 December 2019 and 2018, the Group had interests in the following associates:

Name of the entity	Form of business structure	Place of establishment and principal place of business	Paid up registered capital 2019	Paid up registered capital 2018	Equity interest attributable to the Group 2019 %	Equity interest attributable to the Group 2018 %	Principal activity
中化天津港石化倉儲有限公司 Sinochem Tianjin Port Petrochemical Terminal Co., Ltd. ("Sinochem Port")	Sino-foreign owned enterprise	PRC	**Renminbi ("RMB") 628,060,000**	RMB628,060,000	**15 (note (i))**	15 (note (i))	Provision of crude oil and petrochemicals storage services
天津港中化石化碼頭有限公司 Tianjin Port Sinochem Petrochemical Dock Co., Ltd. ("Tianjin Port")	Sino-foreign owned enterprise	PRC	**RMB139,388,000**	RMB139,388,000	**15 (note (i))**	15 (note (i))	Development and operation of dock and related ancillary facilities
Srithai Capital Co., Ltd. ("Srithai") (note (ii))	Ordinary	Thailand	**–**	Thailand Baht 100,000,000	**–**	49	Deregistered (2018: inactive)

Notes:

(i) The Group is able to exercise significant influence over Sinochem Port and Tianjin Port because it has the power to appoint one out of the five directors of these entities under the provisions stated in the articles of association of these entities.

(ii) Srithai was deregistered during the year ended 31 December 2019.

As at 31 December 2019, in view of the continuous unsatisfactory results of Sinochem Port, the management of the Group carried out a review on impairment of the carrying amount of the Group's interest in Sinochem Port by comparing its recoverable amount with its carrying amount. The recoverable amount is determined using value in use calculation. In determining the value in use of Sinochem Port, the management of the Group estimated the proceeds on ultimate disposal of Sinochem Port based on the estimation of the present value of the future cash flows expected to arise from the operation of Sinochem Port and applied a pre-tax discount rate of 12.8% (2018: 14.3%). Based on the result of the review, the recoverable amount of the Group's interest in Sinochem Port is estimated to be lower than its carrying amount and, accordingly, an impairment loss of approximately HK$6,353,000 (2018: HK$4,763,000) is recognised in profit or loss during the year ended 31 December 2019.

19. INTERESTS IN ASSOCIATES (CONTINUED)

Summarised financial information of the material associate

Summarised financial information in respect of the Group's material associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

Sinochem Port

	2019 **HK$'000**	2018 HK$'000
Non-current assets	**958,566**	1,030,178
Current assets	**62,575**	63,124
Current liabilities	**(32,612)**	(32,237)
Non-current liabilities	**(615,588)**	(681,149)

	2019 **HK$'000**	2018 HK$'000
Revenue	**171,174**	182,502
Profit (loss) and total comprehensive income (expense) for the year	**409**	(22,327)

Reconciliation of the above summarised financial information to the carrying amount of the Group's interest in Sinochem Port recognised in the consolidated financial statements is as follows:

	2019 **HK$'000**	2018 HK$'000
Net assets of Sinochem Port	**372,941**	379,916
Proportion of the Group's ownership interest in Sinochem Port	**15%**	15%
The Group's share of net assets in Sinochem Port	**55,941**	56,987
Less: Impairment loss recognised	**(11,116)**	(4,763)
Carrying amount of the Group's interest in Sinochem Port	**44,825**	52,224
The Group's share of results of Sinochem Port for the year	**61**	(3,349)

19. INTERESTS IN ASSOCIATES (CONTINUED)

Summarised financial information of the material associate *(continued)*

Aggregate information of associates that are not individually material

	2019 HK$'000	2018 HK$'000
The Group's share of results of these associates for the year	**(873)**	(978)

	2019 HK$'000	2018 HK$'000
Aggregate carrying amount of the Group's interests in these associates	**–**	12,648

All of the above associates are accounted for using the equity method in the consolidated financial statements.

During the year ended 31 December 2019, Srithai, after deregistration, refunded the capital of approximately HK$12,095,000 and declared the dividend of approximately HK$654,000 to the Group and an aggregate amount of approximately HK$12,749,000 is included in the other receivables as at 31 December 2019. During the year ended 31 December 2018, Srithai declared the dividend of approximately HK$25,050,000 to the Group and an amount of approximately HK$12,582,000, after netting the payable to Srithai, was included in the other receivables as at 31 December 2018.

The exchange loss arising from translation of financial information of the associates of approximately HK$133,000 for the year ended 31 December 2019 (2018: HK$2,977,000) is recognised in other comprehensive income and accumulated in equity under the heading of "translation reserve".

20. ASSETS CLASSIFIED AS HELD FOR SALE

A. Assets classified as held for sale

On 17 August 2018, the Group entered into the sale and purchase agreement (the "Agreement") with a buyer (the "Buyer") in relation to disposal of the Group's entire interest in GSR GO Scale Capital Advisors, Ltd. ("GSR GO"), being the Group's then interest in a joint venture, at a consideration of US$10,000,000 (equivalent to approximately HK$78,000,000). The disposal was conditional, among others, upon completion of due diligence performed by the Buyer in relation to GSR GO and its subsidiaries and any shareholder of GSR GO had neither exercised nor waived the right of first refusal under the shareholders' agreement entered into between the Group and the other shareholder of GSR GO (the "Shareholder").

On 21 December 2018, the Group acknowledged and accepted the notice of exercise of the right of first refusal delivered by the Shareholder who agreed to purchase the Group's entire interest in GSR GO through a designated company (the "Purchaser") at a consideration of US$10,000,000 (equivalent to approximately HK$78,000,000), which would be payable either in cash or in-kind value creation, at completion on or before 30 May 2019. The Shareholder executed a personal guarantee for the payment performance of the Purchaser. On the same date, the Group entered into a termination agreement with the Buyer in respect of the Agreement after obtaining mutual consensus.

Given the disposal was not completed as at 31 December 2018, the Group's interest in GSR GO was then reclassified to assets classified as held for sale in the consolidated statement of financial position.

20. ASSETS CLASSIFIED AS HELD FOR SALE (CONTINUED)

B. Consideration receivable

The disposal mentioned above was completed on 30 May 2019 and the Purchaser was liable to settle the consideration of US$10,000,000 (equivalent to approximately HK$78,000,000) (the "Consideration Receivable"). However, as the Purchaser could not settle the Consideration Receivable at the completion date, the Group, the Purchaser and the Shareholder entered into a supplemental agreement on 18 July 2019 to extend the settlement of the Consideration Receivable to no later than 30 May 2020 and the Shareholder has a choice to further extend the settlement of the Consideration Receivable for another calendar year to no later than 30 May 2021, subject to certain conditions, which include payment of a fixed sum of non-refundable deposit to the Group by 30 May 2020, and the approval of the Group.

Details of the impairment assessment of the Consideration Receivable are set out in note 37.

There is no material gain or loss in relation to the disposal of the Group's interest in this joint venture.

21. INVENTORIES

The amounts mainly relate to petrochemicals held for resale purposes.

22. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

A. Trade receivables

	2019 **HK$'000**	2018 HK$'000
Trade receivables		
— contracts with customers (note)	**2,685,965**	2,764,771
— lease receivables	**1,537**	–
	2,687,502	2,764,771

Note: Trade receivables in respect of contracts with customers comprise an amount at amortised cost of approximately HK$2,218,248,000 (2018: HK$318,272,000) and an amount at FVTPL of approximately HK$467,717,000 (2018: HK$2,446,499,000). Included in the trade receivables at amortised cost in respect of contracts with customers, there are bills receivables of approximately HK$9,210,000 (2018: nil) which are bills received and held by the Group for future settlement of trade debts. All bills received by the Group are with a maturity period of less than one year.

As at 1 January 2018, trade receivables from contracts with customers amounted to approximately HK$2,192,760,000.

The Group allows credit periods of 30 to 90 days to its customers from the trading business and 5 to 30 days to its customers from the storage business.

The following is an ageing analysis of trade receivables presented based on the invoice dates or goods delivery dates which approximated the revenue recognition dates at the end of the reporting period:

	2019 **HK$'000**	2018 HK$'000
0 to 30 days	**2,118,193**	2,764,771
31 to 60 days	**569,085**	–
61 to 90 days	**224**	–
	2,687,502	2,764,771

As at 31 December 2019, trade receivables of approximately HK$209,303,000 (2018: nil) are past due at the end of the reporting period.

Before accepting any new customers, the management of the Group will assess the credit quality of the potential customers by reference to their past experience and they will define the credit limit by customer. Such credit limit is reviewed by the management of the Group periodically.

22. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

B. Other receivables, deposits and prepayments

	2019 HK$'000	2018 HK$'000
Refundable deposit advanced to a supplier for purchase of petroleum products and related compensation receivables (note (i))	**76,716**	184,611
Prepayment to suppliers for purchase of petroleum products and petrochemicals	**12,861**	33,919
Prepayment to a supplier in relation to customers sourcing activities	**89,014**	–
Consideration Receivable (Note 20)	**78,000**	–
Value-added tax receivable	**6,456**	2,605
Other receivables (note (ii))	**30,306**	22,585
Other deposits (note (iii))	**3,330**	820
Other prepayments	**1,649**	2,075
	298,332	246,615

Notes:

(i) Save as disclosed in note 7A, the outstanding balance in relation to the Purchase Contract was secured by shares of a company listed on the Stock Exchange (the "Listed Company"), shares in a non-listed company, corporate guarantee from a listed company and a personal guarantee from the chairman of the supplier's holding company.

During the year ended 31 December 2018, the outstanding balance of US$29,000,000 (equivalent to approximately HK$226,200,000) as at 1 January 2018 was partially settled by receipt of cash refund of US$6,800,000 (equivalent to approximately HK$53,040,000) from the supplier and proceeds of approximately US$8,777,000 (equivalent to approximately HK$68,458,000) from the realisation of the pledged shares of the Listed Company. As at 31 December 2018, the outstanding balance was US$23,668,000 (equivalent to approximately HK$184,611,000) which included the outstanding refundable deposit and receivables of related non-performance clams and penalty interest. During the year ended 31 December 2019, the Group received cash refund of approximately US$10,833,000 (equivalent to approximately HK$84,495,000) and obtained controlling interest of Nicefame Global with fair value of approximately HK$23,400,000 (the "Acquisition") as settlement. Details of the Acquisition are set out in note 33. As at 31 December 2019, the outstanding balance is approximately US$9,835,000 (equivalent to approximately HK$76,716,000) which represents the remaining portion of the refundable deposit. At the date of these consolidated financial statements are authorised for issue, the directors of the Company have finalised the settlement plan with the supplier and expects, subject to certain conditions, net assets held by a private company with fair value approximating to the outstanding balance as at 31 December 2019 will be acquired by the Group within 12 months as settlement. Details of the impairment assessment and the net assets of the private company to be acquired by the Group are set out in note 37.

(ii) The other receivables mainly comprise insurance claim receivable, capital refund receivable and dividend receivable from an associate, amount due from non-controlling shareholders of a subsidiary and freight charge receivable.

(iii) Included in other deposits, there are rental deposits of approximately HK$309,000 (2018: HK$579,000).

These balances were expected to be realised within one year from the end of the reporting period.

Rental deposits paid were adjusted upon the initial application of HKFRS 16. Details of the adjustment are set out in note 2.

Details of impairment assessment of trade receivables at amortised cost, other receivables and refundable deposits are set out in note 37.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019	2018
	HK$'000	HK$'000
Financial assets mandatorily measured at FVTPL:		
Listed securities held for trading:		
— Equity securities listed in Hong Kong	**705**	33,184
— Equity securities listed outside Hong Kong	**120**	279
	825	33,463

24. DEPOSITS PLACED WITH BROKERS

The amounts represent margin deposits placed with brokers for trading derivatives. The amounts carry interest at variable interest rates of 0.001% (2018: 0.001%) per annum.

25. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

Pledged bank deposits represent the Group's deposits pledged to banks to secure certain banking facilities for trade financing granted and to a private entity to secure a short-term variable interest rate borrowing granted. These balances are therefore classified as current assets.

Bank balances and cash comprise cash on hand, balances in savings and current accounts, and short-term bank deposits with an original maturity of three months or less. As at 31 December 2019, the bank balances and cash of approximately HK$99,706,000 (2018: HK$63,970,000) are denominated in RMB which is not freely convertible into other currencies.

Pledged bank deposits, balances in savings account and short-term bank deposits carry effective interest at prevailing market rates ranging from 0.01% to 2.08% (2018: 0.01% to 2.07%) per annum.

26. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES

A. Trade payables

	2019 HK$'000	2018 HK$'000
Trade payables at amortised cost	**1,102,284**	298,318
Trade payables designated at FVTPL	**116,741**	1,432,428
	1,219,025	1,730,746

The following is an ageing analysis of trade payables presented based on the invoice dates or goods receipt dates at the end of the reporting period:

	2019 HK$'000	2018 HK$'000
0 to 30 days	**1,218,846**	1,295,893
31 to 60 days	**–**	434,853
Over 90 days	**179**	–
	1,219,025	1,730,746

The credit period granted by suppliers on purchase of goods is normally 30 to 90 days.

B. Other payables and accrued charges

	2019 HK$'000	2018 HK$'000
Freight charges payables	**–**	39
Accrued demurrage and late lifting charges	**15,016**	2,205
Amount due to a non-controlling shareholder (note (i))	**25,496**	–
Receipts from customers for payment of expenses on their behalf	**3,710**	–
Payables for purchase and construction of property, plant and equipment	**7,447**	–
Other accrued charges (note (ii))	**18,798**	15,419
Other payables (note (iii))	**14,533**	7,056
	85,000	24,719

Notes:

(i) The balance represents payable to a non-controlling shareholder of a subsidiary of the Group and it is non-trade in nature, unsecured, interest-free and has no fixed term of repayment.

(ii) Other accrued charges mainly comprise accrued freight charges, bank charges for letter of credit facilities, inspection fee, salaries and bonus and legal and professional fee.

(iii) Other payables mainly comprise value-added tax payable, an amount due to a broker and storage fee and professional fee payables, etc.

27. CONTRACT LIABILITIES

	2019 **HK$'000**	2018 HK$'000
Trading of commodities	**25,834**	518,509
Storage related ancillary services for petroleum products and petrochemicals	**131**	–
	25,965	518,509

Contract liabilities represent prepayments received from the customers prior to delivery of goods and provision of services. The Group has no particular policy on the amounts to be received prior to the delivery of goods and provision of services and it is negotiated with customers on contract by contract basis. The contract liabilities recognised at the end of each reporting period are normally recognised as revenue in the following financial reporting period.

As at 1 January 2018, contract liabilities amounted to approximately HK$1,277,000.

28. LEASE LIABILITIES

	2019 **HK$'000**
Lease liabilities payable:	
Within one year	**1,242**
Within a period of more than one year but not more than two years	**128**
	1,370
Less: Amount due for settlement within 12 months shown under current liabilities	**(1,242)**
Amount due for settlement after 12 months shown under non-current liabilities	**128**

Lease obligations that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	Currency HK$** **HK$'000	**Currency SG$** **HK$'000**
As at 31 December 2019	**495**	**875**

29. BANK AND OTHER BORROWINGS

	2019 HK$'000	2018 HK$'000
Bank borrowings - secured	**166,336**	14,837
Trust receipts loans - secured	**837,704**	–
Total bank borrowings	**1,004,040**	14,837
Other borrowing - secured	**2,456**	–
Total	**1,006,496**	14,837
The carrying amounts of the above borrowings are repayable (note):		
Within one year	**871,418**	14,837
Within a period of more than one year but not exceeding two years	**24,560**	–
Within a period of more than two years but not exceeding five years	**73,679**	–
More than five years	**36,839**	–
	1,006,496	14,837
Less: Amounts due within one year shown under current liabilities	**(871,418)**	(14,837)
Amounts shown under non-current liabilities	**135,078**	–

Note: The amounts due are based on scheduled repayment dates set out in the borrowing agreements.

29. BANK AND OTHER BORROWINGS (CONTINUED)

Bank and other borrowings comprise:

	Security	Maturity date	Effective interest rate	Carrying amount	
				2019	2018
				HK$'000	HK$'000
Fixed-rate borrowing:					
10.00% other borrowing of RMB2,200,000	Yes	20 March 2020	10.00%	**2,456**	–
Floating-rate borrowings:					
Five year People's Bank of China Lending Rate ("PBOC Rate") bank borrowing of RMB180,000,000	Yes	13 June 2026#	4.97%	**159,637**	–
1.48% on one year prime rate published by National Interbank Funding Center of the PRC (the "NIFC Rate") bank borrowing of RMB6,000,000	Yes	1 October 2020	6.30%	**6,698**	–
London Interbank Offered Rate ("LIBOR") plus 1.25% trust receipt loan of US$45,480,000	Yes	17 January 2020*	3.21%	**354,741**	–
LIBOR plus 1.25% trust receipt loan of US$61,918,000	Yes	21 January 2020*	3.14%	**482,964**	–
The NIFC Rate plus 0.6925% bank borrowing of RMB6,900,000	Yes	8 January 2019	5.44%	**–**	7,875
The NIFC Rate plus 1.1375% bank borrowing of RMB6,100,000	Yes	20 November 2019	5.00%	**–**	6,962
Total bank and other borrowings				**1,006,496**	14,837

\# Repayable in 40 installments quarterly over 10 years commencing from 20 September 2016 to 13 June 2026.

* These bank borrowings are repayable on demand.

As at 31 December 2019, the bank borrowings are secured by the right-of-use assets and pledged bank deposits (2018: prepaid lease payments and pledged bank deposits) and the other borrowing is secured by pledged bank deposits. Details of the pledged assets to secure the bank and other borrowings are set out in note 41.

The bank and other borrowings are denominated in RMB, which was the functional currency of the relevant group entities.

30. DERIVATIVE FINANCIAL INSTRUMENTS

	2019 HK$'000	2018 HK$'000
The carrying amount of derivative financial instruments is presented as:		
Current assets	**25,424**	1,932
Current liabilities	**22,996**	–

The Group has the following outstanding net-settled futures and swap contracts.

The major terms of these contracts are as follows:

At 31 December 2019

Notional amount	Maturity date	Strike prices
Dubai crude oil futures contracts — long position: **US$7,154,850**	**31 December 2019 to 31 January 2020**	**US$57.18 to US$61.70 per barrel**
Dubai crude oil futures contracts — short position: **US$7,161,100**	**31 December 2019 to 31 January 2020**	**US$58.50 to US$60.45 per barrel**
Brent futures contracts — long position: **US$84,769,100**	**31 January 2020**	**US$59.10 to US$66.97 per barrel**
Brent futures contracts — short position: **US$85,247,120**	**31 January 2020**	**US$62.03 to US$66.62 per barrel**
Iron ore futures contracts — long position: **RMB6,037,700**	**15 January 2020**	**RMB656.00 to RMB656.50 per ton**
Iron ore swap contracts — short position: **US$3,415,500**	**31 January 2020 to 31 March 2020**	**US$82.65 to US$90.90 per ton**

At 31 December 2018

Notional amount	Maturity date	Strike prices
Brent futures contracts — long position: US$10,804,820	31 January 2019	US$52.48 to US$53.33 per barrel
Brent futures contracts — short position: US$2,713,560	31 January 2019	US$54.10 to US$54.64 per barrel

The fair values of the derivative financial instruments are estimated based on the difference between the contracted strike prices and prevailing futures and swap prices or published oil indexes at the end of the reporting period. Such prevailing futures and swap prices or published oil indexes are derived from the relevant futures exchanges or oil prices publication as specified in the contracts.

Changes in fair value of derivative financial instruments for the year recognised in the consolidated statement of profit or loss and other comprehensive income mainly represent the changes in fair value of all settled and unsettled trading futures contracts in relation to crude oil, petroleum products, petrochemicals and iron ore and swap contracts in relation to iron ore.

31. DEFERRED TAX LIABILITIES

The followings are major deferred tax liabilities recognised and movements thereon during the current year:

	Fair value adjustment on property, plant and equipment HK$'000	Fair value adjustment on right-of-use assets HK$'000	Total HK$'000
At 1 January 2019	–	–	–
Arise from acquisition of subsidiaries (Note 33)	343	4,167	4,510
Credit to profit or loss for the year	(328)	(84)	(412)
Exchange realignment	(15)	(186)	(201)
At 31 December 2019	–	3,897	3,897

At the end of the reporting period, the Group has estimated tax losses of approximately HK$142,903,000 (2018: HK$156,933,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams of respective entities of the Group. Included in the unrecognised tax losses are losses of approximately HK$3,293,000 (2018: HK$28,237,000) that will expire by 2024 (2018: 2023). Other losses may be carried forward indefinitely.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation in respect of temporary differences attributable to retained profits of the PRC subsidiaries amounting to approximately HK$15,045,000 (2018: HK$9,256,000) has not been provided for in the consolidated financial statements as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

32. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.025 each		
Authorised:		
At 1 January 2018, 31 December 2018 and 31 December 2019	4,000,000,000	100,000
Issued and fully paid:		
At 1 January 2018	2,125,722,090	53,143
Repurchase and cancellation of shares (note (i))	(1,310,000)	(33)
At 31 December 2018	2,124,412,090	53,110
Repurchase of shares (note (ii))	(700,000)	(17)
At 31 December 2019	2,123,712,090	53,093

Notes:

(i) During the year ended 31 December 2018, the Company repurchased its own ordinary shares through the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares of HK$0.025 each '000	Price per share Highest HK$	Lowest HK$	Aggregate consideration paid (including transaction costs) HK$'000
September 2018	1,240	0.51	0.475	617
October 2018	70	0.50	0.46	33
	1,310			650

The above ordinary shares were cancelled on 20 December 2018.

(ii) During the year ended 31 December 2019, the Company repurchased its own ordinary shares through the Stock Exchange as follows:

Month of repurchase	**Number of ordinary shares of HK$0.025 each '000**	**Price per share Highest HK$**	**Lowest HK$**	**Aggregate consideration paid (including transaction costs) HK$'000**
December 2019	**700**	**0.34**	**0.305**	**233**

The above ordinary shares are not cancelled during the year ended 31 December 2019.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

The new shares rank pari passu with the existing shares in all respects.

33. ACQUISITION OF SUBSIDIARIES

On 24 February 2019, the Group acquired 51% of the equity interest in Nicefame Global for a consideration from an independent third party (the "Seller"), which was subsequently revised to US$3,000,000 (equivalent to approximately HK$23,400,000) according to the supplemental sale and purchase agreement signed between the Group and the Seller on 11 March 2019. This acquisition was accounted for using the purchase method. The major asset of Nicefame Global is its 90% equity interest in Huizhou Nicefame Storage which is principally engaged in the provision of general storage and other ancillary services in respect of petrochemicals. Nicefame Global Group was acquired to enhance the competitiveness of the Group's storage business in the PRC.

Consideration transferred:

	HK$'000
Other receivable assigned (Note 22)	23,400

The fair value of the assets acquired and liabilities assumed of Nicefame Global Group recognised at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	208,101
Right-of-use assets	52,550
Inventories	657
Trade receivables	7,782
Other receivables, deposits and prepayments	3,545
Bank balances and cash	1,926
Other payables and accrued charges	(24,088)
Contract liabilities	(3,506)
Bank and other borrowings	(184,640)
Amount due to a non-controlling shareholder of a subsidiary	(25,496)
Deferred tax liabilities	(4,510)
	32,321

33. ACQUISITION OF SUBSIDIARIES (CONTINUED)

Goodwill arising from the acquisition:

	HK$'000
Consideration transferred	23,400
Add: Non-controlling interests (note)	17,435
Less: Fair value of identifiable net assets acquired	(32,321)
	8,514

Note: The balance includes 49% equity interest of Nicefame Global of approximately HK$14,302,000 and 10% equity interest of Huizhou Nicefame Storage of approximately HK$3,133,000.

Goodwill arose from the acquisition of Nicefame Global Group because the consideration paid for the acquisition included amounts paid for the benefits of expected revenue growth, future market development and the assembled workforce brought by Nicefame Global Group. These benefits were not recognised separately from goodwill as they did not meet the recognition criteria for identifiable intangible assets.

The goodwill arising on the acquisition is not expected to be deductible for tax purposes.

Net cash inflow arising from the acquisition during the year ended 31 December 2019:

	HK$'000
Cash and cash equivalents acquired	**1,926**

34. RETIREMENT BENEFIT SCHEMES

The Group operates a MPF Scheme under the rules and regulations of the Mandatory Provident Fund Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made based on a percentage of the employees' salaries and are charged to the consolidated statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. No forfeited contribution is available to reduce the contribution payable in the future years at the end of the reporting period.

The Group's subsidiary operating in Macao, in compliance with the applicable regulations of Macao, participated in a defined contribution pension scheme operated by the local government. The subsidiary is required to contribute a fixed amount for each employee. The only obligation of the Group with respect to the pension scheme is to make the specified contributions.

The Group's subsidiaries operating in the PRC, in compliance with the applicable regulations of the PRC, participated in central pension schemes operated by the relevant local government authorities. The contribution is borne by the Group on a fixed percentage of the employees' salaries.

The Group's subsidiary operating in Singapore, in compliance with the applicable regulations of Singapore, participated in a defined contribution scheme operated by the local government. The subsidiary is required to contribute an amount based on the employees' salaries.

During the year, the total amount contributed by the Group to these schemes and cost charged represents contribution paid or payable to these schemes by the Group at rates or amount specified in the rules of these schemes. The amount of contributions made by the Group in respect of retirement benefit schemes during the year is disclosed in note 10.

The Group has no significant obligation apart from the contribution as above at the end of the reporting period.

35. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option schemes

The share option scheme was approved and adopted by the written resolutions of all shareholders of the Company passed on 28 November 2008 (the "Share Option Scheme"), to recognise and acknowledge the contributions of selected participants to the growth of the Group.

A new share option scheme (the "New Share Option Scheme") was adopted by an ordinary resolution of the shareholders at annual general meeting of the Company on 15 May 2014. The New Share Option Scheme constitutes a share option scheme governed by Chapter 17 of the Listing Rules and will remain in force for 10 years from 15 May 2014. As a result of the adoption of the New Share Option Scheme, the Share Option Scheme was terminated. Upon termination of the Share Option Scheme, no further option can be offered thereafter but any options granted prior to such termination but not yet exercised shall continue to be valid and exercisable in accordance with the Share Option Scheme.

Share Option Scheme

Under the Share Option Scheme, the board of directors of the Company might, in its absolute discretion, offer to grant options to any employee, executive and officer of the Group, any director (including non-executive director and independent non-executive director) and any adviser, consultant, supplier, customer and/or agent of the Group whom the Board considered have contributed or will contribute to the Group.

The maximum number of shares in respect of which options might be granted under the Share Option Scheme must not in aggregate exceed 10% of the total number of shares in issue as at the date on which the shares of the Company are listed on the Stock Exchange, excluding for this purpose shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of the Company). The number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised at any time under the Share Option Scheme shall not exceed 30% of the shares in issue of the Company from time to time.

The total number of shares issued and which fall to be issued upon the exercise of the options granted under the Share Option Scheme (including both exercised and outstanding options) to any individual in any 12-month period up to the date of offer to grant shall not exceed 1% of the shares of the Company in issue as at the date of offer to grant. Any further grant of options in excess of this 1% limit shall be subject to issuance of a circular by the Company and approval by the Company's shareholders in accordance with the Share Option Scheme. Options granted to connected persons (a substantial shareholder or an independent non-executive director or any of their respective associates) in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Subject to the rules of the Share Option Scheme, options may be exercised, in whole or in part, at any time during the period from the date of acceptance of an offer of the grant of such option to the earlier of the date on which such option lapses and the tenth anniversary of the Share Option Scheme. Options granted must be accepted by the prescribed acceptance date. Upon acceptance of the option, the grantee shall pay HK$1 to the Company by way of consideration for the grant.

The exercise price is determined by the directors of the Company, and will not be less than the higher of the nominal value of the share, the closing price of the Company's shares on the date of offer; and the average closing price of the shares for the five business days immediately preceding the date of offer.

On 7 May 2009, a total of 40,000,000 (160,000,000 share options after share subdivision with effect from 18 August 2009) share options were granted to certain employees of the Group and directors of the Company and some individuals associated with suppliers and consultants under the Share Option Scheme entitling the holders thereof to subscribe for shares of the Company at an exercise price of HK$2.58 (HK$0.645 after share subdivision with effect from 18 August 2009).

35. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Equity-settled share option schemes *(continued)*

Share Option Scheme *(continued)*

Options granted on 7 May 2009 are exercisable during the period starting from 8 May 2009 to 28 November 2018. The options granted under the Share Option Scheme has vesting period in three tranches of 40%, 30% and 30% of its options granted from the grant date to 8 May 2009, 8 May 2010 and 8 May 2011 respectively.

New Share Option Scheme

Under the New Share Option Scheme, the Board may, in its absolute discretion, offer to grant options to any employee, executive and officer of the Group, any director (including non-executive director and independent non-executive director) and any supplier, agent, customer, distributor, business associate or partner, professional, adviser, consultant or contractor, and any shareholder of any member of the Group whom the Board considered have contributed or will contribute to the Group.

The maximum number of shares in respect of which the options may be granted under the New Share Option Scheme must not in aggregate exceed 10% of the total number of shares in issue at the date of approval of the New Share Option Scheme. The number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised at any time under the New Share Option Scheme shall not exceed 30% of the shares in issue of the Company from time to time.

The total number of shares issued and which fall to be issued upon the exercise of the options granted under the New Share Option Scheme (including both exercised and outstanding options) to any individual in any 12-month period up to the date of offer to grant shall not exceed 1% of the shares of the Company in issue as at the date of offer to grant. Any further grant of options in excess of this 1% limit shall be subject to issuance of a circular by the Company and approval by the Company's shareholders in accordance with the New Share Option Scheme. Options granted to connected persons in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Subject to the rules of the New Share Option Scheme, options may be exercised, in whole or in part, at any time during the period from the date of acceptance of an offer of the grant of such option to the earlier of the date on which such option lapses and the tenth anniversary of the New Share Option Scheme. Options granted must be accepted by the prescribed acceptance date. Upon acceptance of the option, the grantee shall pay HK$1 to the Company by way of consideration for the grant.

The exercise price is determined by the directors of the Company, and will not be less than the higher of the nominal value of the share, the closing price of the Company's shares on the date of offer; and the average closing price of the shares for the five business days immediately preceding the date of offer.

On 5 September 2014, a total of 138,000,000 share options were granted to certain independent advisers under the New Share Option Scheme entitling the holders thereof to subscribe for shares of the Company at an exercise price of HK$0.78. The share options granted on 5 September 2014 were fully vested upon the date of grant and are exercisable during the period from 6 September 2014 to 14 May 2024. The estimated fair values of the share options and each share option at the date of grant was HK$41,372,000 and HK$0.2998, respectively.

As the fair value of advisory services provided by the advisers cannot be measured reliably, the fair value of the share options was determined using the Black-Scholes pricing model. Where relevant, the expected life used in the model had been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the share option), and behavioural considerations. Expected volatility was based on the historical share price volatility over the past 6 years upon the listing of the Company's shares in the Stock Exchange. The risk-free interest rate was based on 9.69 years yield of Hong Kong Sovereign Curve at the date of grant.

35. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Equity-settled share option schemes *(continued)*

New Share Option Scheme *(continued)*

The variables and assumptions used in computing the fair value of the share options were based on the best estimate of the directors of the Company. The value of an option varied with different variables of certain subjective assumptions.

The following table discloses movements of the Company's share options held by employees, and other eligible participants during the years end 31 December 2019 and 2018:

Share Option Scheme

Eligible participants	Outstanding at 1 January 2018	Lapsed during the year	Outstanding at 31 December 2018
Employees	240,000	(240,000)	–
Others (note (i))	25,940,000	(25,940,000)	–
	26,180,000	(26,180,000)	–

New Share Option Scheme

Eligible participants	**Outstanding at 31 December 2018 and 2019**
Others (note (ii))	**138,000,000**

Notes:

(i) Others represented individuals associated with suppliers and consultants who had provided consultancy services (mainly for selling and marketing aspects) to the Group on continuous basis for two years until 8 May 2011 or some resigned employees/directors, whose options, at discretion of the board of directors were not cancelled or forfeited.

(ii) Others represented advisers who had provided advisory services (mainly for business opportunity for trading of crude oil) to the Group.

The number and the exercise price of options of the Share Option Scheme have been adjusted due to the share subdivision of the Company with effect from 18 August 2009. Each share option was subdivided into 4 new shares options with exercise price of one-fourth of the original exercise price.

All outstanding share options under the Share Option Scheme were lapsed upon expiry on 28 November 2018.

As at 31 December 2019 and 2018, all share options under the New Share Option Scheme were exercisable. No share options under the New Share Option Scheme were exercised during the years ended 31 December 2019 and 2018.

As at 31 December 2019, the number of shares of the Company in respect of which share options had been granted and remained outstanding under the New Share Option Scheme of the Company is 138,000,000 (2018: 138,000,000), representing 6.5% (2018: 6.5%) of the shares of the Company in issue at that date.

36. CAPITAL RISK 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. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of debt representing bank and other borrowings disclosed in note 29, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising share capital, share premium, retained profits and other reserves as disclosed in the consolidated statement of changes in equity.

The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, issue of new share issues, repurchase of shares as well as issue of new debt or redemption of existing debt.

37. FINANCIAL INSTRUMENTS

	2019 **HK$'000**	2018 HK$'000
Categories of financial instruments		
Financial assets		
FVTPL		
Mandatorily measured at FVTPL		
— Held for trading investments	**825**	33,463
— Trade receivables	**467,717**	2,446,499
Derivative financial instruments	**25,424**	1,932
Amortised cost	**2,857,219**	896,118
Financial liabilities		
FVTPL		
Designated at FVTPL		
— Trade payables	**116,741**	1,432,428
Derivative financial instruments	**22,996**	–
Amortised cost	**2,175,793**	321,150

Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, trade receivables, other receivables and deposits, deposits placed with brokers, pledged bank deposits, bank balances and cash, trade payables, other payables, bank and other borrowings and derivative financial instruments. The risks associated with these financial instruments include market risks (interest rate risk, currency risk and other price risks), liquidity risk and credit risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no significant change to the Group's exposure to financial risks or the manner in which it manages and measures the risks.

37. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies *(continued)*

Market risks

Interest rate risk

The Group's cash flow interest rate risk primarily relates to its variable-rate deposits placed with brokers, pledged bank deposits, bank balances and bank borrowings, as set out in notes 24, 25 and 29 respectively. The Group's cash flow interest rate is mainly concentrated on fluctuations of NIFC Rate, LIBOR and PBOC Rate arising from the bank borrowings. The Group aims at keeping bank borrowings at variable rates. The Group manages the interest rate exposure based on the interest rate level as well as potential impact on the Group's results arising from volatility of the interest rate. The management of the Group monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

During the year ended 31 December 2019, the total interest income recognised by the Group from financial assets measured at amortised cost is approximately HK$16,355,000 (2018: HK$76,698,000). During the year ended 31 December 2019, the total interest expense recognised by the Group from financial liabilities measured at amortised cost is approximately HK$37,929,000 (2018: HK$12,373,000).

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank balances, pledged bank deposits, deposits placed with brokers and bank borrowings at the end of the reporting period. The analysis is prepared assuming the amount of bank balances, pledged bank deposits, deposits placed with brokers and bank borrowings outstanding at the end of the reporting period are outstanding for the whole year. A 10 (2018: 10) basis points increase or decrease is used for bank balances, pledged bank deposits, deposits placed with brokers and a 50 (2018: 50) basis points increase or decrease is used for bank borrowings which represents assessment of reasonably possible changes in interest rates by the management of the Group.

For bank balances, pledged bank deposits and deposits placed with brokers, if the interest rate increases by 10 (2018: 10) basis points and all other variables are held constant, the Group's profit for the year would increase by approximately HK$452,000 (2018: HK$359,000).

For bank borrowings, if interest rate increases/decreases by 50 (2018: 50) basis points and all other variables are held constant, the Group's profit for the year would decrease/increase by approximately HK$5,020,000 (2018: HK$74,000).

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent interest rate risk as exposure at the end of the reporting period does not reflect the exposure during the year.

37. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies *(continued)*

Market risks *(continued)*

Currency risk

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Functional currency as US$ against				
HK$	**13,080**	32,880	**538**	503
Euro	**–**	253	**–**	–
RMB	**12,546**	51,306	**–**	–
Other currencies	**2,480**	578	**8**	8
Functional currency as RMB against				
US$	**659**	119	**–**	–
HK$	**255**	1	**25,496**	–
Functional currency as HK$ against				
US$	**123**	60	**–**	–

The majority of the Group's sales and purchases are denominated in the functional currency of the Group. Occasionally, some purchases are denominated in foreign currencies.

The Group currently does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

For entities with US$ as functional currency holding monetary assets denominated in HK$ or vice versa, the directors of the Company consider that, as HK$ is pegged to US$, the Group is not subject to significant foreign currency risk from change in foreign exchange rate of HK$ against US$ and vice versa.

Sensitivity analysis

If US$ against RMB as functional currency increases/decreases by 5%, with all other variables are held constant, the Group's profit for the year would increase/decrease by approximately HK$33,000 (2018: HK$6,000). If RMB against US$ as functional currency increases/decreases by 5%, with all other variables held constant, the Group's profit for the year would increase/decrease by approximately HK$627,000 (2018: HK$2,565,000). 5% is the sensitivity rate used by the management of the Group in the assessment of the reasonably possible change in foreign exchange rate.

The directors of the Company consider that, other than those mentioned above, the sensitivity of the Group's exposure against the changes in other foreign exchange rates is not significant as the foreign currency denominated monetary assets and liabilities of individual group entities were insignificant at the end of the reporting periods.

37. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies *(continued)*

Market risks *(continued)*

Other price risks

(i) Oil price risk

The Group has entered into derivative contracts for hedging and proprietary trading activities, including futures in both over-the-counter and different exchanges, in accordance with risk management policy of the Group. Derivative transactions entered into for risk management purpose will be monitored for suitability in terms of size with reference to the corresponding inventory held/shipment involved. Under the risk management policy, the open derivative positions are limited and monitored by different risk tolerance thresholds, including a size threshold for the equivalent physical cargo quantities, a sensitivity threshold based on absolute monetary amount, and a group threshold on net current assets. The management of the Group closely monitors the oil price trend in the market and other sources and its inventory position. Based on the oil price analysis and expected trading period, the management of the Group reduces the risk exposure by entering the long and short position of respective derivative financial instruments.

The Group's derivative financial instruments are measured at fair value provided by financial institutions with reference to the quoted crude oil futures prices, oil indexes or oil prices publication as specified in the contract.

As disclosed in notes 3, 22, and 26, the Group's certain sales and purchases are under provisional pricing arrangements and the final settlement prices are subject to the changes in prevailing spot price over a specified future period after completion of the sales and purchases of goods.

Therefore, the Group is primarily exposed to oil price risk and the management of the Group monitors the price movements and takes appropriate actions when it is required.

Sensitivity analysis

If the referenced oil prices/indexes have been 10% higher/lower and all other variables are held constant, the Group's profit for the year would (a) decrease/increase by approximately HK$2,124,000 (2018: increase/decrease by approximately HK$6,504,000) in relation to derivative financial instruments and (b) increase/decrease by approximately HK$35,098,000 (2018: increase/decrease by approximately HK$107,018,000) in relation to net open position of trade receivables and trade payables at FVTPL. The sensitivity rate of 10% represents assessment of the reasonably possible change in the referenced oil prices/indexes by the management of the Group.

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent risk of the oil prices/indexes as the year end exposure does not reflect the exposure during the year.

37. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies *(continued)*

Market risks *(continued)*

Other price risks (continued)

(ii) *Equity price risk*

The Group is exposed to equity price risk through its investments in equity securities measured at FVTPL. As at 31 December 2019, the Group's equity price risk is mainly concentrated on equity investments in entities operating in oil and gas industry and other industries with shares quoted in the Stock Exchange and New York Stock Exchange (2018: the Stock Exchange, New York Stock Exchange and Toronto Stock Exchange).

The Group's objective is to earn relatively competitive returns by investing in a diverse portfolio of high quality and liquid securities.

Sensitivity analysis

The sensitivity analysis has been determined based on the exposure to equity price risk at the end of the reporting period. If the market prices of the equity securities have been 10% higher/lower and all other variables are held constant, the Group's profit for the year would increase/decrease by approximately HK$83,000 (2018: HK$3,346,000).

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent risk of the equity price as the year end exposure does not reflect the exposure during the year.

Liquidity risk

In management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank and other borrowings and ensures compliance with loan covenants.

As at 31 December 2019, the Group has available unutilised short-term bank loan facilities of US$965,000,000 (equivalent to approximately HK$7,527,000,000 (2018: US$640,000,000 (equivalent to approximately HK$4,992,000,000)) and RMB35,000,000 (equivalent to approximately HK$39,072,000) (2018: RMB35,000,000 (equivalent to approximately HK$39,945,000)).

The following table details the Group's remaining contractual maturities for its financial liabilities based on the agreed repayment dates. For non-derivative liabilities, 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 cashflows. For derivative financial instruments settled on a net basis, undiscounted contractual net cash outflow are presented. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management of the Group considers that the contracted maturities are essential for an understanding of the timing of the cash flows of derivative financial instruments.

37. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

To the extent that interests are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average effective interest rate %	On demand or less than 1 month HK$'000	1 month to 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
At 31 December 2019							
Non-derivative financial liabilities							
Trade payables	**N/A**	**1,102,284**	**–**	**–**	**–**	**1,102,284**	**1,102,284**
Other payables	**N/A**	**67,013**	**–**	**–**	**–**	**67,013**	**67,013**
Bank and other borrowings	**3.55**	**838,411**	**3,863**	**12,781**	**203,181**	**1,058,236**	**1,006,496**
		2,007,708	**3,863**	**12,781**	**203,181**	**2,227,533**	**2,175,793**
Lease liabilities	**4.28**	**230**	**461**	**581**	**129**	**1,401**	**1,370**
Derivatives — net settlement							
Futures and swap contracts	**N/A**	**22,423**	**573**	**-**	**-**	**22,996**	**22,996**
At 31 December 2018							
Non-derivative financial liabilities							
Trade payables	N/A	298,318	–	–	–	298,318	298,318
Other payables	N/A	7,995	–	–	–	7,995	7,995
Bank borrowings	5.23	7,925	58	7,198	–	15,181	14,837
		314,238	58	7,198	–	321,494	321,150
Derivatives — net settlement							
Futures contracts	N/A	–	–	–	–	–	–

37. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment

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.

Trade receivables arising from contracts with customers and lease receivables

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management of the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. To measure ECL of trade receivables at amortised cost, the Group applies internal credit rating for its customers and they are assessed individually by reference to past default experience, current past due exposure of the debtors and an analysis of the debtors' current financial position. The ECL rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information (for examples, the current and forecasted global economy and demand for commodities which reflect the general economic conditions of the industry in which the debtors operate) that is available without undue cost or effort. Such forward-looking information is used by the management of the Group to assess both the current as well as the forecast direction of conditions at the reporting date.

Based on the assessment performed by the management of the Group, it is considered that the ECL for trade receivables at amortised cost, which is estimated based on an average ECL rate of 0.1% and the ECL rate is determined on debtor by debtor basis, is insignificant as at 31 December 2019 and 2018. As disclosed in note 22, all trade receivables as at 31 December 2019 are aged within 90 days and the management of the Group is of the opinion that the debtors are at good credit quality. In this regard, the management of the Group considered that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk on the trade receivables. As at 31 December 2019, 46% (2018: 48%) of trade receivables is due from the Group's largest customer and 99% (2018: 95%) of trade receivables is due from the five largest customers. These customers are mainly large and established oil trading companies or/and state-owned energy companies with good financial backgrounds. The management of the Group closely monitors the subsequent settlement by the customers. At the same time, the management of the Group endeavoured to diversify and expand the customer base in order to mitigate the concentration of credit risk through establishing new business relationships with non state-owned licensed import agents and overseas oil trading companies.

37. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

Loan receivable included in other receivables

Save as disclosed at note 7A(i), the Group made an assessment on the recoverability of the loan receivable of HK$20,000,000 at the end of the reporting period based on historical settlement records, past experience, financial position and publicly available information of the borrower and its guarantors (including the ultimate holding company of the borrower and the chairman of the ultimate holding company of the borrower) and the fair value of the collateral held by the Group. After considering the publicly available information where provisional liquidators were appointed to the ultimate holding company of the borrower, bankruptcy petitions were filed against the borrower's guarantors and the advice from the Hong Kong's legal adviser about the significant uncertainty of recovering the loan receivable from the collateral, the management of the Group considered that it was highly unlikely to recover the loan receivable and, thus, the entire amount was written off during the year ended 31 December 2019.

Consideration receivable included in other receivables

The Group has significant concentration of credit risk on the consideration receivable as at 31 December 2019. In order to minimise the credit risk, the management of the Group made an assessment on the recoverability of this balance at the end of the reporting period to determine whether adequate impairment loss was recognised. The management of the Group closely monitored the fair value of the collateral as well as the status of the arbitration case of the Shareholder which may affect the Shareholder's and the Purchaser's ability to pay. The collateral refers to beneficial interests held by a private equity fund in a company engaged in research and production of positive electrode material of lithium battery. The shares of this company are listed on the Shanghai Stock Exchange. In this regard, the management of the Group considered that the Group's credit risk was significantly reduced.

Refundable deposit advanced to a supplier for purchase of petroleum products and related compensation receivables

The Group has significant concentration of credit risk on the refundable deposit as at 31 December 2019 (2018: refundable deposit and related compensation receivables). In order to minimise the credit risk, the management of the Group made an assessment on the recoverability of this balance at the end of the reporting period based on historical settlement records, past experience, financial position, publicly available information of the debtor and its guarantor and the fair value of the collateral to be received by the Group to determine whether adequate impairment loss was recognised. The collateral refers to the entire equity interest of a private company which holds an investment property under mortgage located in Hong Kong. Details of the acquisition of this company are set out in the Company's announcements dated 5 March 2019 and 13 March 2020. In this regard, the management of the Group considered that the Group's credit risk was significantly reduced.

Other financial assets at amortised costs

For other receivables (excluding the consideration receivable and the refundable deposit advanced to a supplier for purchase of petroleum products and related compensation receivables) and deposits, the management of the Group makes periodic individual assessments on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information. The management of the Group believes that there is no material credit risk inherent in these balances. The management of the Group considered that the ECL rate of 0.1% applied for these balances as at 31 December 2019 and 2018 taking into account of repayment history and loss given default.

The bank balances and deposits placed with brokers are placed in various authorised financial institutions either with high credit ratings or good financial background and the management of the Group considered the credit risk of such authorised financial institutions is low.

37. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

Other financial assets at amortised costs (continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables and lease receivables	Other financial assets at amortised cost
Low risk	The counter party has a low risk of default. The balance has not past-due or has past-due but frequently repays after due dates and always settles in full.	Lifetime ECL (not credit-impaired)	12m ECL
Watch list	The counterparty does not frequently repay after due dates but usually settle in full.	Lifetime ECL (not credit-impaired)	12m ECL
Doubtful	There has been significant increase in credit risk since initial recognition through information developed internally or external sources.	Lifetime ECL (not credit-impaired)	Lifetime ECL (not credit-impaired)
Loss	There is evidence indicating the asset is credit-impaired.	Lifetime ECL (credit-impaired)	Lifetime ECL (credit-impaired)
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the company has no realistic prospect of recovery.	Amount is written off	Amount is written off

37. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

Other financial assets at amortised costs (continued)

The following table shows the credit risk exposures of the Group's financial asset at amortised cost and lease receivables which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	2019 Gross carrying amounts HK$'000	2018 Gross carrying amounts HK$'000
Financial assets at amortised cost						
Trade receivables	22A	N/A	Low risk	Lifetime ECL (not credit-impaired)	2,218,248	318,272
Other receivables and deposits	22B	N/A	Low risk	12m ECL	30,323	34,328
		N/A	Watch list	12m ECL	76,716	184,611
		N/A	Doubtful	Lifetime ECL (not credit-impaired)	78,000	–
Loan receivable	7A(i)	N/A	Write-off	Amount is written off	–	–
Deposits placed with brokers	24	A1–B1	N/A	12m ECL	77,202	112,479
Bank balances and pledged bank deposits	25	Aa1–Baa2	N/A	12m ECL	375,193	246,518
Other item						
Lease receivables	22A	N/A	Low risk	Lifetime ECL (not credit-impaired)	1,537	–

The following table shows the recognition of loss allowance that has been recognised for loan receivable:

	12m ECL HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
At 1 January 2018 and 31 December 2018	–	–	–
New financial assets originated	20,000	–	20,000
Transfer to credit-impaired	(20,000)	20,000	–
Write-off	–	(20,000)	(20,000)
At 31 December 2019	–	–	–

37. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and key input(s) used).

Financial assets/ financial liabilities	Fair value as at 31 December		Fair value hierarchy	Valuation technique(s) and key input(s)
	2019	2018		
(1) Derivative financial instruments	**Assets — HK$25,424,000 Liabilities — HK$22,996,000**	Assets — HK$1,932,000 Liabilities — Nil	Level 2	Difference between the contracted strike prices and prevailing futures and swap prices or published indexes. Such prevailing futures and swap prices or published indexes are derived from the relevant futures exchanges or prices publication as specified in the contracts.
(2) Financial assets at FVTPL — listed securities held for trading	**Listed equity securities in the United States of America ("USA"): — Oil and gas industry — HK$120,000 Listed equity securities in Hong Kong: — Other industries — HK$705,000**	Listed equity securities in the USA: — Oil and gas industry — HK$56,000 Listed equity securities in Hong Kong: — Other industries — HK$33,184,000 Listed equity securities in Canada: — Oil and gas industry — HK$223,000	Level 1	Quoted bid prices in active markets.
(3) Trade receivables at FVTPL	**HK$467,717,000**	HK$2,446,499,000	Level 2	Derived from quoted prices in active markets.
(4) Trade payables designated at FVTPL	**HK$116,741,000**	HK$1,432,428,000	Level 2	Derived from quoted prices in active markets.

There were no transfers between Level 1 and 2 during the year.

37. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurements of financial instruments *(continued)*

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis *(continued)*

Fair value hierarchy as at 31 December 2019 and 2018

	At 31 December 2019			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets				
Financial assets at FVTPL				
Listed securities held for trading	**825**	**–**	**–**	**825**
Trade receivables at FVTPL	**–**	**467,717**	**–**	**467,717**
Derivative financial instruments	**–**	**25,424**	**–**	**25,424**

	At 31 December 2019			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial liabilities				
Financial liabilities at FVTPL				
Trade payables designated at FVTPL	**–**	**116,741**	**–**	**116,741**
Derivative financial instruments	**–**	**22,996**	**–**	**22,996**

	At 31 December 2018			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets				
Financial assets at FVTPL				
Listed securities held for trading	33,463	–	–	33,463
Trade receivables at FVTPL	–	2,446,499	–	2,446,499
Derivative financial instruments	–	1,932	–	1,932

	At 31 December 2018			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial liabilities				
Trade payables designated at FVTPL	–	1,432,428	–	1,432,428

(ii) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The management of the Group considered that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

37. FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets and financial liabilities subject to offsetting enforceable master netting arrangements and similar agreements

The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the Group's consolidated statement of financial position.

The amounts recognised for the derivative financial assets, derivative financial liabilities, deposits placed with brokers and amount due to a broker (included in other payables) in relation to futures and swap contracts do not meet the criteria for offsetting in the Group's consolidated statement of financial position since the right of set-off of the recognised amounts is only enforceable upon an event of default.

	Gross amounts of recognised financial assets (liabilities) HK$'000 (note (i))	Gross amounts of recognised financial assets (liabilities) set-off in the consolidated statement of financial position HK$'000	Net amounts of financial assets (liabilities) presented in the consolidated statement of financial position HK$'000 (note (i))
At 31 December 2019			
Financial assets			
Deposits placed with brokers	**77,202**	**–**	**77,202**
Derivative financial instruments			
— futures contracts	**25,424**	**–**	**25,424**
Total	**102,626**	**–**	**102,626**
Financial liabilities			
Amount due to a broker	**(604)**	**–**	**(604)**
Derivative financial instruments			
— futures and swap contracts	**(22,996)**	**–**	**(22,996)**
Total	**(23,600)**	**–**	**(23,600)**
At 31 December 2018			
Financial assets			
Deposits placed with brokers	112,479	–	112,479
Derivative financial instruments			
— futures contracts	1,932	–	1,932
Total	114,411	–	114,411
Financial liabilities			
Amount due to a broker	(4,576)	–	(4,576)
Derivative financial instruments			
— futures contracts	–	–	–
Total	(4,576)	–	(4,576)

37. FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets and financial liabilities subject to offsetting enforceable master netting arrangements and similar agreements *(continued)*

	Net amounts of recognised financial assets (liabilities) HK$'000	Related amounts not set-off in the consolidated statement of financial position		Net amounts HK$'000
		Financial instruments HK$'000 (note (ii))	Cash collateral HK$'000 (note (ii))	
At 31 December 2019				
Financial assets				
Counterparty A	**49,737**	**(1,748)**	**–**	**47,989**
Counterparty B	**17,674**	**–**	**–**	**17,674**
Counterparty C	**812**	**–**	**–**	**812**
Counterparty D	**8,079**	**–**	**–**	**8,079**
Counterparty E	**1,116**	**–**	**–**	**1,116**
Counterparty F	**25,026**	**(21,248)**	**(604)**	**3,174**
Others	**182**	**–**	**–**	**182**
	102,626	**(22,996)**	**(604)**	**79,026**
Financial liabilities				
Counterparty A	**(1,748)**	**1,748**	**–**	**–**
Counterparty F	**(21,852)**	**21,248**	**604**	**–**
	(23,600)	**22,996**	**604**	**–**
At 31 December 2018				
Financial assets				
Counterparty A	50,164	–	–	50,164
Counterparty B	38,984	–	–	38,984
Counterparty C	15,527	–	–	15,527
Counterparty D	8,273	–	–	8,273
Counterparty E	1,141	–	–	1,141
Others	322	–	–	322
	114,411	–	–	114,411
Financial liabilities				
Others	.(4,576)	–	–	(4,576)

37. FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets and financial liabilities subject to offsetting enforceable master netting arrangements and similar agreements *(continued)*

Notes:

(i) The gross amounts of the recognised financial assets and financial liabilities and their net amounts as presented in the consolidated statement of financial position that have been disclosed in the above tables are measured as follows:

— Deposits placed with brokers — amortised cost

— Amount due to a broker — amortised cost

— Derivative financial instruments — fair value

(ii) If a default event occurs, the brokers are able to exercise the right to offset against any favourable contract and the deposits placed by the Group. The amounts are measured on the same basis as the recognised financial assets and financial liabilities.

38. RELATED PARTY TRANSACTIONS

(i) Transactions

Save as disclosed elsewhere in the consolidated financial statements, the Group has the following transactions with its related parties during the year:

Name of related party	Nature of transaction	2019 HK$'000	2018 HK$'000
Strong Property Limited	Rental expenses	**1,988**	1,911
Srithai	Rental expenses	–	5,382

Strong Property Limited is owned and controlled by one key management personnel of the Group and Srithai was an associate of the Company. Srithai was deregistered during the year ended 31 December 2019.

(ii) Compensation of key management personnel

The remuneration of directors of the Company and the other members of key management of the Group during the year are set out in note 11.

The remuneration of key management personnel is determined by the directors of the Company having regard to the performance of individuals and market trends.

39. OPERATING LEASE COMMITMENTS

The Group as lessee

As at 31 December 2018, the Group has outstanding commitments under non-cancellable operating leases in respect of storage facilities and premises which fall due as follows:

	2018 HK$'000
Within one year	2,796
In the second to fifth year inclusive	682
	3,478

The Group as lessor

All of the storage tanks held for rental purposes have committed lessees for the next 3 years.

Minimum lease payments receivable on leases are as follows:

	2019 **HK$'000**
Within one year	**7,204**
In the second year	**3,065**
In the third year	**2,006**
	12,275

40. CAPITAL COMMITMENTS

	2019 **HK$'000**	2018 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**5,091**	–

41. PLEDGE OF ASSETS

The carrying amounts of assets that have been pledged as collaterals to secure bank and other borrowings and certain banking facilities are as follows:

	2019 HK$'000	2018 HK$'000
Right-of-use assets/Prepaid lease payments	**65,654**	17,318
Pledged bank deposits	**17,118**	42,207
	82,772	59,525

In addition, lease liabilities of approximately HK$1,370,000 are recognised with related right-of-use assets of approximately HK$1,380,000 as at 31 December 2019. The lease agreements do not impose any covenants other than the security interests in the lease assets that are held by the lessor and the relevant leased assets may not be used as securities for borrowing purposes.

42. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The following table shows changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

	Interest payable HK$'000 (note (i))	Bank and other borrowings HK$'000 (Note 29)	Lease liabilities HK$'000 (Note 28)	Total HK$'000
At 1 January 2018	–	–	–	–
Finance costs recognised	12,373	–	–	12,373
Financing cash flows (note (ii))	(12,373)	15,445	–	3,072
Foreign exchange translation	–	(608)	–	(608)
At 31 December 2018	–	14,837	–	14,837
Adjustment upon application of HKFRS 16 (Note 2)	–	–	3,307	3,307
At 1 January 2019 (restated)	–	**14,837**	**3,307**	**18,144**
Finance costs recognised	**37,929**	**–**	**78**	**38,007**
Financing cash flows (note (ii))	**(37,929)**	**815,530**	**(2,753)**	**774,848**
Additions from the acquisition of subsidiaries (Note 33)	**–**	**184,640**	**–**	**184,640**
New leases entered/lease modified	**–**	**–**	**737**	**737**
Foreign exchange translation	**–**	**(8,511)**	**1**	**(8,510)**
At 31 December 2019	**–**	**1,006,496**	**1,370**	**1,007,866**

Notes:

(i) Interest payable is included in other payables.

(ii) The financing cash flows represent the net amount of proceeds from bank and other borrowings, payment of finance costs, repayment of lease liabilities and repayment of bank borrowings.

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of the financial position of the Company at the end of the reporting period is as follows:

	2019	2018
	HK$'000	HK$'000
Non-current assets		
Interests in subsidiaries	**251,189**	251,189
Amounts due from subsidiaries	**1,016,077**	1,040,316
	1,267,266	1,291,505
Current assets		
Deposits and prepayments	**3,963**	862
Financial assets at FVTPL	**11**	19,127
Deposits placed with brokers	**8,136**	1,361
Bank balances and cash	**26,284**	9,706
	38,394	31,056
Current liabilities		
Other payables and accrued charges	**1,686**	1,609
Amounts due to subsidiaries	**224,546**	238,336
	226,232	239,945
Net current liabilities	**(187,838)**	(208,889)
Net assets	**1,079,428**	1,082,616
Capital and reserves		
Share capital	**53,093**	53,110
Reserves	**1,026,335**	1,029,506
Total equity	**1,079,428**	1,082,616

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Movement in the Company's reserves:

	Share premium HK$'000	Share-based payments reserve HK$'000	Contribution surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2018	567,065	50,391	118,111	300,191	1,035,758
Loss and total comprehensive expense for the year	–	–	–	(5,635)	(5,635)
Repurchase of shares (Note 32)	(617)	–	–	–	(617)
At 31 December 2018	**566,448**	**50,391**	**118,111**	**294,556**	**1,029,506**
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**(2,955)**	**(2,955)**
Repurchase of shares (Note 32)	**(216)**	**–**	**–**	**–**	**(216)**
At 31 December 2019	**566,232**	**50,391**	**118,111**	**291,601**	**1,026,335**

44. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries are as follows:

Name of entity	Place of incorporation/ establishment	Principal place of business	Equity interest and voting rights attributable to the Company 2019 %	2018 %	Issued and fully paid share capital/ registered capital	Principal activity
Wide Sea International Limited ("Wide Sea")	British Virgin Islands ("BVI")	Hong Kong	**100**	100	US$2	Investment holding
Saint Ocean Investment Limited ("Saint Ocean")	BVI	Hong Kong	**100**	100	US$2	Investment holding
Strong Petrochemical Limited	Hong Kong	Hong Kong	**100**	100	HK$20,000,000	Trading of crude oil, petroleum products and petrochemicals
Strong Petrochemical (Macao)	Macao	Macao	**100**	100	MOP100,000	Trading of crude oil, petroleum products, petrochemicals and coal
南通潤德石油化工有限公司# Strong Petrochemical (Nantong) Logistics Co., Limited*	The PRC	The PRC	**100**	100	US$12,500,000	Provision of petroleum products and petrochemicals storage services
Strong Petroleum Singapore Private Ltd.	Singapore	Singapore	**100**	100	Singapore Dollar 1,000,000	Trading of crude oil, petroleum products, coal and iron ore
南通海峽國際貿易有限公司# Nantong Strong International Trading Company Limited*	The PRC	The PRC	**100**	100	US$5,000,000	Trading of petroleum products and petrochemicals
淄博海峽匯能石油化工有限公司# Zibo Strong Huineng Petrochemical Limited*	The PRC	The PRC	**100**	100	RMB10,000,000	Trading of petroleum products and petrochemicals
惠州大亞灣美譽化工倉儲貿易有限公司+ Huizhou Nicefame Storage*	The PRC	The PRC	**46^**	–	RMB83,000,000	Trading of petrochemicals and provision of petrochemicals storage services

44. PRINCIPAL SUBSIDIARIES (CONTINUED)

The above table lists the principal subsidiaries of the Company which, in the opinion of the directors of the Company, principally affect the results and net assets of the Group. To give full details of subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

All of the subsidiaries are owned indirectly by the Company except for Wide Sea and Saint Ocean which are owned directly by the Company.

* The English names of these entities established in the PRC are for identification purpose only.

\# Wholly foreign owned enterprise registered in the PRC.

\+ Sino-foreign joint venture registered in the PRC.

^ Huizhou Nicefame Storage is owned as to 90% by Nicefame Global. The Company indirectly owns 51% equity interest in Nicefame Global and is able to appoint two out of three directors in Nicefame Global.

None of the subsidiaries had any debt securities subsisting at the end of the reporting period or at any time during the year.

The PRC subsidiaries maintained RMB denominated bank balances. The remittance of these funds out of the PRC is subject to exchange restriction imposed by the PRC government.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in Hong Kong. The principal activities of these subsidiaries are either investment holding or inactive.

45. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

The following table shows detail of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2019	2018	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Nicefame Global and its subsidiary	Incorporated and operating in the PRC	**49%**	–	**(862)**	–	**15,855**	–
Individually immaterial subsidiary with non-controlling interest				–	(1)	**473**	484
				(862)	(1)	**16,328**	484

45. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below:

The summarised financial information below represents amounts shown in Nicefame Global's consolidated financial statements prepared in accordance with HKFRSs and before intragroup eliminations.

Nicefame Global and its subsidiary

	2019 HK$'000
Non-current assets	**234,599**
Current assets	**49,458**
Current liabilities	**(115,461)**
Non-current liabilities	**(138,975)**
Equity attributable to owners of the Company	**13,766**
Non-controlling interests of Nicefame Global	**13,226**
Non-controlling interests of Nicefame Global's subsidiary	**2,629**

	2019 HK$'000
Revenue	**375,447**
Expenses	**(376,820)**
Loss before taxation	**(1,373)**
Loss for the year	**(1,373)**
Loss attributable to owners of the Company	**(511)**
Loss attributable to the non-controlling interests of Nicefame	**(491)**
Loss attributable to the non-controlling interests of Nicefame's subsidiary	**(371)**
Loss for the year	**(1,373)**
Other comprehensive expense attributable to owners of the Company	**(609)**
Other comprehensive expense attributable to the non-controlling interests of Nicefame Global	**(585)**
Other comprehensive expense attributable to the non-controlling interests of Nicefame Global's subsidiary	**(133)**
Other comprehensive expense for the year	**(1,327)**

45. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

Nicefame Global and its subsidiary *(continued)*

	2019 HK$'000
Total comprehensive expense attributable to owners of the Company	**(1,120)**
Total comprehensive expense attributable to the non-controlling interests of Nicefame Global	**(1,076)**
Total comprehensive expense attributable to non-controlling interests of Nicefame Global's subsidiary	**(504)**
Total comprehensive expense for the year	**(2,700)**

46. CONTINGENT LIABILITY

The IRD initiated a tax field audit on the Company and certain of its subsidiaries for the years of assessment from 2010/11 onwards in 2017. In March 2017, assessment/estimated assessments (the "Protective Assessments") totaling HK$10,725,000 for the year of assessment 2010/11 were issued to two of the subsidiaries of the Group (the "Relevant Subsidiaries"). In January 2018, Protective Assessments totaling HK$6,576,000 for the year of assessment 2011/12 were issued to the Relevant Subsidiaries. The Relevant Subsidiaries lodged objections against the Protective Assessments with the IRD and the tax demanded was held over on the condition that tax reserve certificates ("TRC") would be purchased. During the year ended 31 December 2018, the Group purchased TRC of HK$3,675,000 in total in relation to years of assessment 2010/11 and 2011/12. In December 2018, the Protective Assessments totaling HK$57,400,000 for the year of assessment 2012/13 were issued to the Relevant Subsidiaries. The Relevant Subsidiaries lodged objections against the Protective Assessments with the IRD and the tax demanded was held over on the condition that TRC was purchased. The potential tax liabilities (if any) in respect of the Protective Assessments for the years of assessment 2010/11, 2011/12 and 2012/13 are dependent on the outcome of the tax field audit. As at 31 December 2018, since the tax field audit was at the preliminary fact-finding stage, the directors of the Company considered that no Hong Kong Profits Tax was necessary to be provided for in the consolidated financial statements for the years of assessment in issue.

During the year ended 31 December 2019, the Group further purchased TRC of HK$4,500,000 in relation to the year of assessment of 2012/13. Also the Group carried out meetings and discussions with the IRD and facilitated the IRD to have in-depth review of all relevant information and documents. In February 2020, the Protective Assessments totalling HK$88,090,000 for the year of assessment 2013/14 were issued to the Relevant Subsidiaries. In March 2020, the Relevant Subsidiaries lodged objections against the Protective Assessments for the year of assessment 2013/14 with request on unconditional holdover of tax demanded. Up to the date of these consolidated financial statements are authorised for issue, the Group and the IRD are still in negotiation and the IRD has not yet expressed or issued a formal opinion on the taxability of the profits of the Relevant Subsidiaries. Based on the advice from the Hong Kong's legal adviser, the directors of the Company considered that the Relevant Subsidiaries have a good supportive ground to defend their tax positions against the IRD. Therefore, no provision of Hong Kong Profits Tax has been made in the consolidated financial statements for the years of assessment in issue.

47. MAJOR NON-CASH TRANSACTIONS

Saved as disclosed elsewhere in these consolidated financial statements, the Group has the following major non-cash transaction:

In November 2018, the Group purchased crude oil from an entity (the "Entity") with a fixed price of US$69,053,000 and the crude oil was then sold to the Group's customer. In the same month, the Entity placed a purchase order to the Group for crude oil with a fixed price of US$63,712,000. The Group arranged to settle the trade payable of US$5,341,000 with the Entity and to transfer the remaining trade payable of US$63,712,000 (equivalent to approximately HK$496,952,000) to contract liabilities which were regarded as the Entity's prepayment in relation to its crude oil purchase order. During the year ended 31 December 2019, the Group delivered the crude oil to the Entity.

48. EVENTS AFTER THE END OF THE REPORTING PERIOD

Saved as disclosed elsewhere in these consolidated financial statements, the Group has the following events after the end of the reporting period:

The development and spread of the COVID-19 and Saudi-Russian price war subsequent to the end of the reporting period have adversely impacted global economic activities and market sentiments. In respect of COVID-19, a series of precautionary and control measures have been and continued to be implemented across the PRC and worldwide. As a trader of commodities with certain storage business, these events have not directly impacted the operations of the Group. Nonetheless, the reduced demand for commodities and the resulting decline in their prices can reasonably be expected to have an impact on the Group's future financial performance. However, the directors of the Company considered that the financial effects of the COVID-19 on the Group's consolidated financial statements cannot be reasonably estimated at this stage as the situation remains fluid globally at the date of these consolidated financial statements are authorised for issue. The Group keeps exploring measures to mitigate the impacts from time to time and continues to monitor the situation closely.