Jintai Energy Holdings Limited
金泰能源控股有限公司

金泰能源
JINTAINENGYUAN

(Formerly known as Yuhua Energy Holdings Limited)
(Incorporated in the Cayman Islands with limited liability) (Stock Code: 2728)

2019
Annual Report

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Chen Jinle *(Chairman)* (appointed on 31 May 2019)
Mr. Lin Caihuo
Mr. Yuan Hongbing *(Chief Executive Officer)* (appointed on 31 May 2019)
Mr. Wang Enguang (resigned on 31 May 2019)

Non-Executive Director

Mr. Wang ShouLei

Independent Non-Executive Directors

Mr. Liu Yang
Mr. Tche Heng Hou Kevin (appointed on 25 June 2019)
Mr. Gao Han (appointed on 29 October 2019)
Mr. Lum Pak Sum (resigned on 25 April 2019)
Mr. Xu Changyin (appointed on 16 March 2019 and resigned on 14 October 2019)

AUDIT COMMITTEE

Mr. Tche Heng Hou Kevin *(Chairman of the Committee)* (appointed on 25 June 2019)
Mr. Liu Yang
Mr. Gao Han (appointed on 29 October 2019)
Mr. Lum Pak Sum (resigned on 25 April 2019)
Mr. Xu Changyin (appointed on 16 March 2019 and resigned on 14 October 2019)

REMUNERATION COMMITTEE

Mr. Liu Yang *(Chairman of the Committee)*
Mr. Lin Caihuo
Mr. Yuan Hongbing (appointed on 27 September 2019)
Mr. Tche Heng Hou Kevin (appointed on 27 September 2019)
Mr. Gao Han (appointed on 29 October 2019)
Mr. Lum Pak Sum (resigned on 25 April 2019)
Mr. Xu Changyin (appointed on 25 April 2019 and resigned on 14 October 2019)

NOMINATION COMMITTEE

Mr. Chen Jinle *(Chairman of the Committee)* (appointed on 29 October 2019)
Mr. Lin Caihuo
Mr. Liu Yang
Mr. Tche Heng Hou Kevin (appointed on 27 September 2019)
Mr. Gao Han (appointed on 29 October 2019)
Mr. Yuan Hongbing (appointed on 27 September 2019 and retired on 29 October 2019)
Mr. Xu Changyin (appointed on 16 March 2019 and resigned on 14 October 2019)
Mr. Lum Pak Sum (resigned on 25 April 2019)

Corporate Information

AUTHORIZED REPRESENTATIVES

Mr. Lin Caihuo
Mr. Zhou Chen (appointed on 10 June 2019)
Mr. Wang Enguang (resigned on 31 May 2019)

COMPANY SECRETARY

Mr. Zhou Chen (appointed on 10 June 2019)
Ms. Mak Po Man Cherie (resigned on 10 June 2019)

AUDITOR

Cheng & Cheng Limited
Certificated Public Accountants

REGISTERED OFFICE

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

HEAD OFFICE

No. 455 Yihe Road
Dongying District
Dongying City
Shandong Province
the People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 2601–2603
26/F, Shui On Centre
6–8 Harbour Road
Wan Chai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

Corporate Information

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Dongying Bank Co., Limited
Industrial and Commercial Bank of China Limited
Heng Seng Bank Limited
Nangyang Commercial Bank, Limited

LEGAL ADVISER

As to Hong Kong law
Raymond Siu & Lawyers

As to Cayman Islands law
Conyers Dill & Pearman, Cayman

STOCK CODE

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

WEBSITE

www.jintaienergy.com

Management Discussion and Analysis

BUSINESS REVIEW

During the reporting period for the year ended 31 December 2019 (the "**Reporting Period**"), the Group was principally engaged in two operating business including: (i) energy trading business which comprised mainly the trading of fuel oil and kerosene and (ii) speaker trading business.

Energy trading business

During the Reporting Period, revenue from energy trading business increased significantly and amounted to approximately HK$2,967.86 million (2018: approximately HK$1,766.20 million), representing a year on year increase of 68.04%. The increase in revenue was mainly attributable to an increase in the number of stable customers and expansion of the Group's product portfolio.

During the Reporting Period, the Company faced challenges on the energy trading business due to geopolitics and US China trade war. In view of that, the Group has been actively seeking new customers, expanding its product portfolio and sourcing from new suppliers. The implementation of the aforesaid strategies have been successful and the performance of energy trading business has shown a significant improvement in the second half of 2019.

During the second half of 2019, the Company has completed several fundraising exercises including placing of new shares of the Company ("**Shares**") and issuance of convertible notes for, among others, refinancing part of its existing borrowings and replenishing its working capital. With such new capital, the Group has been gradually resuming its sales operation to a normal level. The Group entered into long-term agreements with two new customers in August 2019, namely (i) a framework agreement dated 23 August 2019 with Guangxi Yongsheng Petrochemical Co. Ltd.* (廣西永盛石油化工有限公司) ("**Guangxi Yongsheng**"), a wholly-owned subsidiary of a state-controlled A-shares company listed on the Shanghai Stock Exchange (stock code: 600310.SH), pursuant to which Guangxi Yongsheng would procure from the Group fuel oil products and petrochemical products of no less than 2 million tonnes with amount not less than RMB10 billion from 23 August 2019 to 31 December 2022; and (ii) a framework agreement dated 29 August 2019 with Dalian Bonded Area Shengyang Petrochemical Co. Ltd.* (大連保稅區盛洋石化有限公司) ("**Dalian Shengyang**"), a Dalian-based company principally engaged in petrochemical business, pursuant to which Dalian Shengyang would procure from the Group fuel oil products and petrochemical products of no less than 1.2 million tonnes with amount not less than RMB6 billion from 1 September 2019 to 31 December 2021.

During the Reporting Period, the Group secured several new customers, including but not limited to Guangxi Yongsheng and Dalian Shengyang. Instead of selling to purely trading companies previously, the Group secured more new end-user corporate customers with sound financial background and sizeable business and assets, such as petrochemical refinery companies, gas station operators and sizeable trading companies with oil depots, state-owned enterprises and listed companies (such as Guangxi Yongsheng), which have good credit history and have more stable orders.

The Group had also been exploring new products to expand its product portfolio. During the Reporting Period, the Group traded two new types of products, which increased the sales contribution as compared with previous year. The management of the Company expected that the sales volume would gradually increase when the Group builds up relationship with the new customers. The Group focused on exploring new customers and did not actively promote sales to previous customers in 2018.

The Group has also been actively identifying new suppliers to expand its supplier base instead of relying on any single largest supplier. During the Reporting Period, the Group has engaged certain new suppliers in order to diversify its supplier base to reduce concentration risk. The Group also reduced the prepayment percentage of the transaction amount. The Group continued to further diversify its supplier base and assess the payment terms periodically to optimise its financial positions.

Speaker trading business

The speaker trading business recorded revenue of approximately HK$35.53 million during the Reporting Period (2018: approximately HK$82.65 million from continuing operation), representing a drop of approximately 57.01% (2018: increased by approximately 23.38%). The decrease was mainly due to a decrease in sales orders from existing customers. Nonetheless, its revenue accounted for approximately 1.18% (2018: approximately 4.47%) of the consolidated revenue from continuing operations only.

The speaker trading business remained as a non-core business of the Group. The management of the Company formulated a business plan to turnaround the business, including increasing the price by selling more high-end products and ceasing selling products with low or no profit margin and control product costs. The Group also exercised caution and adopted conservative approach in managing the operation of and making any investments into such non-core business.

Oil tanker transportation business

Upon the transfer of ownership of vessels in August 2018, this segment ceased to have any contribution to the business of the Group during the Reporting Period. The oil tanker transportation business was disposed of by the Group in December 2019.

FINANCIAL REVIEW

Results of Operations

For the Reporting Period, revenue of the Group increased significantly by 62.45% to approximately HK$3,003.38 million (2018: approximately HK$1,848.84 million). The increase in revenue was mainly attributable to increase in revenue in the energy trading business. The Group recorded a net loss attributable to the Company's equity holders of approximately HK$599.25 million (2018: approximately HK$351.81 million). The loss was mainly due to the impairment of prepayments of approximately HK$394.51 million, the impairment of trade receivables of approximately HK$85.33 million and an increase of finance cost.

For the Reporting Period, basic loss per share of continuing operations of approximately HK$18.16 cents (2018: basic loss per share of continuing operations of approximately HK$11.85 cents). The Group did not pay any interim dividend during the Period. The Board did not recommend the payment of a final dividend for the Reporting Period (2018: nil).

Liquidity and Financial Resources

As at 31 December 2019, the Group had cash and cash equivalents of approximately HK$320.28 million (31 December 2018: approximately HK$16.46 million), which were mainly denominated in Hong Kong dollars, US dollars and Renminbi.

As at 31 December 2019, the Group's net current liabilities were HK$500.83 million (2018: approximately HK$33.51 million). The Group's current ratio, being the ratio of total current assets to total current liabilities, was approximately 0.76 as compared to approximately 0.94 as at 31 December 2018.

The Group had bank and other borrowings of approximately HK$1,163.74 million (31 December 2018: approximately HK$396.53 million) which were denominated in Renminbi and Hong Kong dollars. The annual interest rates of the bank and other borrowings for the year ended 31 December 2019 was ranged from approximately 3% to approximately 10.44% (31 December 2018: ranged from 4.437% to 6%) per annum. The above bank and other borrowings was accounted for as current liabilities of the Group and repayable within one year. As at 31 December 2019, bank borrowings with principal and interest payables of HK$278.01 million and HK$27.92 million were default and not repaid in accordance with the scheduled payment dates. As at 31 December 2019, the Group had convertible notes of approximately HK$103.64 million (31 December 2018: nil).

Capital Structure and Gearing Ratio

As at 31 December 2019, the total number of issued shares of the Company is 3,712,517,408.

As at 31 December 2019, the share capital and equity attributable to owners of the Company amounted to approximately HK$4,641,000 and approximately HK$427,574,000 respectively (2018: approximately HK$3,868,000 and approximately HK$62,701,000 respectively).

As at 31 December 2019, the Group repaid its debts mainly through recurrent cash flows generated by its operations and by other financings. The gearing ratio of the Group was nil (as at 31 December 2018: approximately 632%), which was computed by dividing the total borrowings of approximately HK$1,267.37 million (31 December 2018: approximately HK$396.53 million) by shareholder's equity of approximately negative HK$427.57 million (31 December 2018: approximately HK$62.70 million).

Issue of Convertible Notes

On 29 May 2019, the Company as the issuer, Win Win International Strategic Investment Funds SPC ("**Win Win**") as the subscriber, Mr. Lin Caihuo, Mr. Chen Jinle and Mr. Han Jinfeng as the Guarantors, entered into a subscription agreement, pursuant to which, on the terms and subject to the conditions therein, the Company has agreed to issue and Win Win has agreed to subscribe for the convertible notes in the aggregate principal amount of HK$110,952,907 at the interest rate of 10% per annum and at initial conversion price of HK$0.184. Completion on issue of convertible notes took place on 17 July 2019.

Assuming full conversion of the convertible notes at the conversion price, the convertible notes would be convertible into 603,004,929 shares, representing approximately 19.49% of the issued share capital of the Company at the date of subscription agreement and approximately 16.31% of the issued share capital of the Company as enlarged by the issue of the conversion shares upon full conversion of the convertible notes (based on the issued share capital as at the date of subscription agreement). The conversion shares would be allotted and issued pursuant to the general mandate upon conversion of the convertible notes.

The Company intended to use the proceeds from the issue of the convertible notes for redemption of the 2017 Notes and settlement of any outstanding indebtedness in relation thereto.

As at 31 December 2019, all of the net proceeds have already been use for redemption of the 2017 notes and repayment of bank loans respectively.

Further details of the issuance of Convertible Notes are set out in the announcement of the Company dated 29 May 2019, 11 June 2019, 2 July 2019, 7 July 2019 and 17 July 2019.

Placing of new shares to Super Wise International Investment Limited

On 7 August 2019, the Company entered into a subscription agreement with Super Wise International Investment Limited ("**Super Wise**") pursuant to which the Company has agreed to issue and Super Wise has agreed to subscribe for an aggregate of 540,000,000 new Shares at the subscription price of HK$0.125 per Share. Super Wise is an investment holding company, the sole shareholder of which, Mr. Cui Xianguo, has been working in the oil trading business since 2000 and is the general manager of Dongying Hengfeng Chemical Co., Ltd. (東營市恒豐化工有限公司).

The subscription shares were issued under the general mandate and no separate shareholders' approval were obtained. The subscription price of HK$0.125 per Share represented a discount of approximately 19.35% on the closing price of HK$0.155 per Share as quoted on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 7 August 2019, being the date of the subscription agreement and a discount of approximately 17.22% on an average closing price of HK$0.151 per Share as quoted on the Stock Exchange for the last five trading days immediately before the date of the subscription agreement.

The net proceeds from the subscription amounted to approximately HK$67,300,000 after deducting professional fee and all related expenses. Among the net proceeds from the subscription, (i) approximately HK$54.3 million would be allocated for the general working capital of the Company; (ii) approximately HK$5 million would be allocated for the acquisition of business (if any); and (iii) approximately HK$8 million would be allocated for the repayment of some of the indebtedness of the Group. The completion of the aforesaid placing took place on 21 August 2019.

As at 31 December 2019, approximately 18% and 82% of the net proceeds have already been used for repayment of debts and interest expenses and general working capital in energy trading business respectively.

As a result of the above, the Company's total issued share capital increased to 3,634,517,408 shares as at 22 August 2019. Details of the above-mentioned placing are set out in the announcements of the Company dated 7 August 2019, 12 August 2019 and 22 August 2019.

Placing of new shares to Mr. Li Junbin

On 23 September 2019, the Company has entered into a subscription agreement with Mr. Li Junbin for the subscription of an aggregate 78,000,000 new Shares for an aggregate consideration of HK$9,516,000 at the subscription price of HK$0.122 per subscription share. The subscription price represented a discount of approximately 6.87% on a closing price of HK$0.131 per Share as quoted on the Stock Exchange on 23 September 2019, being the date of the subscription agreement.

The subscription shares of 78,000,000 new Shares represent approximately 2.15% of the issued share capital at the date of the subscription agreement and approximately 2.10% of its enlarged share capital (based on the issued share capital as at the date of subscription agreement). The subscription shares were issued under the general mandate and rank equally with all existing shares. The completion of the aforesaid placing took place on 22 November 2019.

The net proceeds from the subscription was amounted to approximately HK$9,316,000 after deducting professional fee and all related expenses. The Company intended to use the net proceeds raised from the issue of the subscription shares for supporting its energy trading business, which is one of major businesses of the Group.

As at 31 December 2019, all of the net proceeds have already been used for general working capital in energy trading business.

As a result of the above, the Company's total issued share capital increased to 3,712,517,408 Shares as at 2 December 2019. Details of the above-mentioned placing are set out in the announcements of the Company dated 23 September 2019 and 2 December 2019.

New Share Option Scheme

The former share option scheme of the Company expired on 25 June 2015. In view of the expiration of the former share option scheme of the Company, an ordinary resolution was passed at the extraordinary general meeting of the Company on 16 September 2019. A new share option scheme of the Company (the "**New Scheme**") was adopted by the Company, accordingly and would expire on 15 September 2029. The Company operates the New Scheme for the purpose of providing incentives or rewards to selected eligible participants who contribute to the success of the Group's operations. Selected eligible participants of the New Scheme include directors, employees of the Company or any of its subsidiaries and any officers or consultants who will provide or have provided services to the Group.

The total number of securities available for issue under the New Scheme as at the date of this report was 485,700,000 Shares which represents approximately 13.08% of issued share capital of the Company as at the date of this report. For details, please refer to the circular and the announcement of the Company dated 28 August 2019 and 25 September 2019 respectively.

Details of the share options granted, exercised, lapsed and outstanding under the New Scheme during the Reporting Period are as follows:

					Number of share options		
Category of participants	**Date of grant (dd/mm/yyyy)**	**Exercise price after (before) share subdivision in 2018** HK$	**Vesting date (dd/mm/yyyy)**	**Exercisable period (dd/mm/yyyy)**	**As at 01/01/2019**	**Granted during the year**	**As at 31/12/2019**
Eligible employees[1]	19/6/2015	0.64125 (1.2825)	19/06/2015	19/06/2015–18/06/2025	123,200,000	–	**123,200,000**
Eligible employees[1] and consultants	24/9/2019	0.15	24/9/2019	24/9/2019–23/9/2029	–	362,500,000	**362,500,000**

Note:

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

Capital Expenditure

During the Reporting Period, the Group's total capital expenditure amounted to approximately HK$5.63 million (2018: approximately HK$0.80 million).

Treasury Policies

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

Employees

As at 31 December 2019, the Group has employed a total of approximately 93 employees (2018: approximately 23) in Hong Kong and the PRC collectively. Staff costs (excluding Directors' emoluments) from continuing operations amounted to approximately HK$45.20 million (2018: approximately HK$65.74 million). The Group recruits and selects candidates for employment on the basis of their qualifications and suitability for the position. It is the Group's policy to recruit the most competent person available for each position.

CAPITAL COMMITMENT

Contingent Liabilities

As at 31 December 2019, the Group has no material contingent liabilities.

Pledge on the Group's Assets

As at 31 December 2019, the investment properties in the amount of approximately HK$70.91 million have been pledged as security for the borrowings of the Group.

Significant Investments and Material Acquisitions and Disposals

There were no significant investment or any material acquisition or disposal of subsidiaries during the year ended 31 December 2019.

FUTURE PROSPECTS

During the Reporting Period, the Company's business has gradually recovered and recorded expected performance, while the staff team and internal management have been significantly improved. The management of the Group is confident to further expand the current business of the Group and explore new opportunities in various energy fields, so as to enhance the Group's business scale and profitability.

In respect of energy trading business, the Group will continue to develop new energy products, explore new customers for sales and expand the scale of energy trading business, with an aim to achieve considerable growth in 2020.

In respect of business expansion, the Group is considering the acquisition of a company engaging in the transportation of petroleum products and a company engaging in the operation service of the digital trade industrial park of energy business sector in the PRC. In addition, the Group will continue to seek new investment and business opportunities in energy mining, energy transportation, petroleum exploration technology services, petroleum refinery services, petroleum products retail, energy internet and energy financing, etc., to build a petrochemical energy industry ecosystem, and boost the Company's competitiveness and profitability.

In respect of fund raising, the Group is actively seeking for suitable investors to enhance its financial position through various means such as equities, bonds and supply chain funds to support the further development of business operation.

The Group will also further optimize its management team, risk control and cost control measures to enhance the Group's competitiveness and profitability.

Corporate Governance Report

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

The Company has a code of business conduct that sets out the principles, values and standards of conduct expected of the management and staff of the Group, and stipulates our operating procedures and policies.

Save as disclosed in "Chairman and Chief Executive Officer" and "Board Meetings" in this report, the Company has applied and complied with the code provisions set out in the Corporate Governance Code (the"**CG Code**") of Appendix 14 to the Rule Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") for the Reporting Period.

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

Composition

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

Executive Directors

Mr. Chen Jinle *(Chairman)* (appointed on 31 May 2019)
Mr. Lin Caihuo
Mr. Yuan Hongbing *(Chief Executive Officer)* (appointed on 31 May 2019)
Mr. Wang Enguang (resigned on 31 May 2019)

Non-Executive Director

Mr. Wang ShouLei

Independent Non-Executive Directors

Mr. Liu Yang
Mr. Tche Heng Hou Kevin (appointed on 25 June 2019)
Mr. Gao Han (appointed on 29 October 2019)
Mr. Lum Pak Sum (resigned on 25 April 2019)
Mr. Xu Changyin (appointed on 16 March 2019 and resigned on 14 October 2019)

BOARD OF DIRECTORS *(Continued)*

Composition *(Continued)*

From 1 January 2019 to 15 March 2019, the Company had two independent non-executive Directors and two members in the audit committee of the Company (the "**Audit Committee**") and hence the number of the independent non-executive Directors and the member of the Audit Committee had fallen below the minimum number required under Rules 3.10(1) and 3.21 of the Listing Rules. Furthermore, there was also a vacancy for the chairman of the nomination committee of the Company ("**Nomination Committee**") and hence the Company did not fulfill the requirement of establishing a nomination committee to be chaired by the chairman of the Board or an independent non-executive Director under code provision A.5.1 of the CG Code contained in Appendix 14 to the Listing Rules.

Upon the appointment of Mr. Xu as an independent non-executive Director on 16 March 2019, the Board had three independent non-executive Directors, namely Mr. Lum Pak Sum ("**Mr. Lum**"), Mr. Liu and Mr. Xu; the Audit Committee comprised three independent non-executive Directors, namely Mr. Lum (chairman), Mr. Liu and Mr. Xu; and the Nomination Committee comprised one executive Director, namely Mr. Lin, and three independent non-executive Directors, namely Mr. Lum, Mr. Liu and Mr. Xu (chairman) on 16 March 2019.

Following the resignation of Mr. Lum as an independent non-executive Director, member of the Audit Committee, member of the remuneration committee of the Company (the "**Remuneration Committee**") and member of the Nomination Committee on 25 April 2019, the Company had two independent non-executive Directors, which had fallen below the minimum number requirement of independent non-executive Directors and that at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise as required under Rules 3.10 and 3.21 of the Listing Rules, respectively. The Company had two Audit Committee members which had fallen below the minimum number of committee members requirement under Rule 3.21 of the Listing Rules.

Upon the appointment of Mr. Tche Heng Hou Kevin ("**Mr. Tche**") on 25 June 2019, the Board comprised three independent non-executive Directors, namely Mr. Liu, Mr. Xu and Mr. Tche; the Audit Committee comprised three independent non-executive Directors, namely Mr. Tche (chairman), Mr. Liu and Mr. Xu.

Following the resignation of Mr. Xu as an independent non-executive Director, member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee on 14 October 2019, the Board had two independent non-executive Directors, hence failed to meet the requirements of having: (a) at least three independent non-executive directors on the Board under Rule 3.10(1) of the Listing Rules; (b) independent non-executive directors who represent at least one-third of the Board under Rule 3.10A of the Listing Rules; (c) the Audit Committee comprising only non-executive directors with a minimum of three members under Rule 3.21 of the Listing Rules; (d) the Remuneration Committee comprising a majority of independent non-executive directors and chaired by an independent non-executive director under Rule 3.25 of the Listing Rules; and (e) the Nomination Committee comprising a majority of independent non-executive directors and chaired by the chairman of the board or an independent non-executive director under code provision A.5.1 of the CG Code contained in Appendix 14 to the Listing Rules.

BOARD OF DIRECTORS *(Continued)*

Composition *(Continued)*

Upon the appointment of Mr. Gao Han ("**Mr. Gao**") on 29 October 2019, the Board had three independent non-executive Directors, namely Mr. Liu, Mr. Tche and Mr. Gao; the Audit Committee comprises three independent non-executive Directors, namely Mr. Tche (chairman), Mr. Liu and Mr. Gao; the Remuneration Committee comprised two executive Directors, namely Mr. Lin and Mr. Yuan, and three independent non-executive Directors, namely Mr. Tche, Mr. Liu and Mr. Gao and the Nomination Committee comprised two executive Directors, namely Mr. Chen (chairman) and Mr. Lin, and three independent non-executive Directors, namely Mr. Tche, Mr. Liu and Mr. Gao.

Therefore, the compositions of the Board and the Audit Committee were in compliance with the requirements under Rule 3.10(1), Rule 3.10A, Rule 3.21 and Rule 3.25 of the Listing Rules, respectively and the composition of the Nomination Committee has been in compliance with code provision A.5.1 of the CG Code in Appendix 14 to the Listing Rules.

The biographical details of the Directors are set out in the section headed "Biographical Details of Directors" on pages 26 to 28 of this annual report. There is no relationship (whether financial, business, family or other material or relevant relationships) amongst members of the Board, senior management or substantial Shareholder or controlling Shareholder of the Company.

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

Role and Function

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

Implementation and execution of the policies, strategies and resolutions of the Board and the daily operations are delegated by the Board to the management of the Group. In addition, the Audit Committee, the Remuneration Committee and the Nomination Committee were set up to assist the Board in fulfilling certain responsibilities. Further details of these committees are set out in the section headed "Board Committees" of this annual report.

BOARD OF DIRECTORS *(Continued)*

Chairman and Chief Executive Officer

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

During the Reporting Period, Mr. Lin ceased to be the chairman of the Board (the "**Chairman**") and remains as an executive director of the Company. Mr. Chen Jinle ("**Mr. Chen**"), an executive director of the Company, has been appointed as the chairman of the Board with effect from 27 September 2019. As Mr. Chen needed to take up the chairmanship of the Board and to enhance the corporate governance of the Company, Mr. Chen has resigned as the chief executive officer (the "**CEO**") of the Company; and Mr. Yuan Hongbing has been appointed as the CEO with effect from 27 September 2019.

The Company has complied with code provision A.2.1 of the CG Code, which stipulates that the chairman and the chief executive should be segregated and should not be performed by the same individual. The Chairman provides leadership for the Board, encouraging all Directors to proactively contribute to the Company's affairs and ensures that the Directors act in the best interests of the Company. The CEO represents the management of the Company and is mainly responsible for overseeing the implementation of the Group's strategies, business objectives and management policies.

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

Directors' and Officers' Liabilities Insurance

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

Board Meetings

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

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

BOARD OF DIRECTORS *(Continued)*

Board Meetings *(Continued)*

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

During the Reporting Period, the number of meetings, including Board meetings, Board committees' meetings and general meetings held and the attendance by each Director are set out below:

	Meetings Attended					
	Annual General Meeting	**Extraordinary General Meeting**	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Number of meetings held during the Reporting Period	**1**	**1**	**26**	**5**	**5**	**5**
Executive Directors						
Mr. Chen Jinle *(Chairman)* (appointed on 31 May 2019)	1/1	1/1	13/13	N/A	N/A	1/1
Mr. Lin Caihuo	0/1	0/1	18/26	N/A	4/5	4/5
Mr. Yuan Hongbing *(Chief Executive Officer)* (appointed on 31 May 2019)	1/1	1/1	13/13	N/A	1/1	1/1
Mr. Wang Enguang (resigned on 31 May 2019)	0/1	N/A	11/12	N/A	N/A	N/A
Non-Executive Director						
Mr. Wang ShouLei	1/1	1/1	26/26	N/A	N/A	N/A
Independent Non-Executive Directors						
Mr. Liu Yang	0/1	0/1	16/26	2/5	3/5	4/5
Mr. Tche Heng Hou Kevin (appointed on 25 June 2019)	N/A	1/1	11/11	3/3	1/1	1/1
Mr. Gao Han (appointed on 29 October 2019)	N/A	N/A	2/2	1/1	0/0	0/0
Mr. Lum Pak Sum (resigned on 25 April 2019)	N/A	N/A	10/10	2/2	2/2	2/2
Mr. Xu Changyin (appointed on 16 March 2019 and resigned on 14 October 2019)	0/1	0/1	17/18	3/3	2/2	3/3

BOARD OF DIRECTORS *(Continued)*

Board Meetings *(Continued)*

Code provision A.6.7 of the CG Code stipulated that independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of the Shareholders. Two independent non-executive Directors, namely Mr. Liu and Mr. Xu were unable to attend the extraordinary general meeting of the Company held on 16 September 2019, and Mr. Liu and Mr. Xu the independent non-executive Director, were unable to attend the annual general meeting of the Company held on 31 May 2019 due to their other business engagements.

DIRECTORS' TERMS OF APPOINTMENT

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

DIRECTORS' TRAINING

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

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

	Attending seminar(s)/ programme(s)/ conference(s) and/or reading materials relevant to the business or directors' duties
Mr. Chen Jinle *(Chairman)* (appointed on 31 May 2019)	✓
Mr. Lin Caihuo	✓
Mr. Yuan Hongbing *(Chief Executive Officer)* (appointed on 31 May 2019)	✓
Mr. Wang Enguang (resigned on 31 May 2019)	✓
Mr. Wang ShouLei	✓
Mr. Liu Yang	✓
Mr. Tche Heng Hou Kevin (appointed on 25 June 2019)	✓
Mr. Gao Han (appointed on 29 October 2019)	✓
Mr. Lum Pak Sum (resigned on 25 April 2019)	✓
Mr. Xu Changyin (appointed on 16 March 2019 and resigned on 14 October 2019)	✓

BOARD DIVERSITY POLICY

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

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

DIVIDEND POLICY

The Company has adopted a dividend policy on payment of dividends. Depending on the financial conditions of the Company and the Group and the conditions and various factors including but not limited to the Group's financial results, cash flow position, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the shareholders' approval.

BOARD COMMITTEES

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

Audit Committee

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

Mr. Tche Heng Hou Kevin *(Chairman of the Committee)* (appointed on 25 June 2019)
Mr. Liu Yang
Mr. Gao Han (appointed on 29 October 2019)
Mr. Lum Pak Sum (resigned on 25 April 2019)
Mr. Xu Changyin (appointed on 16 March 2019 and resigned on 14 October 2019)

Since the resignation of Mr. Lum Pak Sum as an independent non-executive Director of the Company on 25 April 2019, the Company only had two members in the Audit Committee and hence the number of the members of the Audit Committee have fallen below the minimum number required under Rule 3.21 of the Listing Rules.

Mr. Tche Heng Hou Kevin was appointed as an independent non-executive Director and the member of the Audit Committee on 25 June 2019. The Company has three members of the Audit Committee thereafter and hence the number of the member of the Audit Committee have fulfilled the minimum number required under Rules 3.21 of the Listing Rules.

BOARD COMMITTEES *(Continued)*

Audit Committee *(Continued)*

Since the resignation of Mr. Xu Changyin as an independent non-executive Director of the Company on 14 October 2019, the Company had two members in the Audit Committee and hence the number of the member of the Audit Committee had fallen below the minimum number required under Rule 3.21 of the Listing Rules.

Mr. Gao Han was appointed as an independent non-executive Director and the member of the Audit Committee on 29 October 2019. The Company has three members of the Audit Committee thereafter and hence the number of the members of the Audit Committee have fulfilled the minimum number required under Rules 3.21 of the Listing Rules.

The chairman of the Audit Committee is Mr. Tche Heng Hou Kevin, who possesses the appropriate professional accounting qualification and financial management expertise.

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

The Audit Committee held five meetings during the Reporting Period. Details of attendance of the meetings of the Audit Committee are set out in the sub-section headed "**Board Meetings**" of the section headed "**BOARD OF DIRECTORS**" above. The following matters were dealt with at the said meetings or by way of written resolutions:

— reviewing the consolidated financial statements for the year ended 31 December 2018 and the annual results announcement;

— reviewing the interim consolidated financial statements for the six months ended 30 June 2019 and the interim results announcement;

— reviewing the significant audit and accounting issues arising from the external auditor's audit;

— considering the appointment of the external auditor and their audit fees;

— meeting with the external auditor without the presence of management to discuss issues arising from the audits and any other matters the auditor might wish to raise;

— reviewing the development in accounting standards and the Group's response, including the preparation for adoption of Hong Kong Financial Reporting Standards;

— reviewing the Company's compliance with regulatory and statutory requirements; and

— reviewing the effectiveness of the internal control and risk management system.

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

BOARD COMMITTEES *(Continued)*

Remuneration Committee

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

Mr. Liu Yang *(Chairman of the Committee)*
Mr. Lin Caihuo
Mr. Yuan Hongbing (appointed on 27 September 2019)
Mr. Tche Heng Hou Kevin (appointed on 27 September 2019)
Mr. Gao Han (appointed on 29 October 2019)
Mr. Lum Pak Sum (resigned on 25 April 2019)
Mr. Xu Changyin (appointed on 25 April 2019 and resigned on 14 October 2019)

Since the resignation of Mr. Xu Changyin as an independent non-executive Director of the Company on 14 October 2019, the Company had four members in the Remuneration Committee which comprising two executive directors and two independent non-executive directors, hence the requirement that Remuneration Committee shall comprise a majority of independent non-executive directors and chaired by an independent non-executive director under Rule 3.25 of the Listing Rules was not satisfied.

Mr. Gao Han was appointed as an independent non-executive Director and the member of the Remuneration Committee on 29 October 2019. The Company has five members of the Remuneration Committee comprising two executive directors and three independent non-executive directors and hence the composition of the Remuneration Committee, being a majority of independent non-executive directors and chaired by an independent non-executive director, have been fulfilled the requirement under Rule 3.25 of the Listing Rules.

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

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

BOARD COMMITTEES *(Continued)*

Remuneration Committee *(Continued)*

During the Reporting Period, the Remuneration Committee held five meetings. Details of attendance of the meetings of the Remuneration Committee are set out in the sub-section headed "**Board Meetings**" of the section headed "**BOARD OF DIRECTORS**" above. The following matters were dealt with at the said meeting or by way of written resolutions:

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

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

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

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

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

Annual remuneration bands (HK$)	**Number of person(s)**
1,000,000–1,500,000	1
Over 2,500,000	2

Nomination Committee

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

Mr. Chen Jinle *(Chairman of the Committee)* (appointed on 29 October 2019)
Mr. Lin Caihuo
Mr. Liu Yang
Mr. Tche Heng Hou Kevin (appointed on 27 September 2019)
Mr. Gao Han (appointed on 29 October 2019)
Mr. Yuan Hongbing (appointed on 27 September 2019 and retired on 29 October 2019)
Mr. Xu Changyin (appointed on 16 March 2019 and resigned on 14 October 2019)
Mr. Lum Pak Sum (resigned on 25 April 2019)

Since the resignation of Mr. Xu Changyin as an independent non-executive Director of the Company on 14 October 2019, the Company had four members in the Nomination Committee which comprised two executive directors and two independent non-executive directors, hence the requirement that Nomination Committee comprising a majority of independent non-executive directors and chaired by an independent non-executive director under Rule 3.25 of the Listing Rules was not complied.

BOARD COMMITTEES *(Continued)*

Nomination Committee *(Continued)*

Mr. Gao Han was appointed as an independent non-executive Director and the member of the Nomination Committee on 29 October 2019. Mr. Chen Jinle was appointed as the chairman and Mr. Yuan Hongbing retired as the member of the Nomination Committee of the Company on 29 October 2019. The Company has five members of the Nomination Committee comprising two executive directors and three independent non-executive directors and hence the composition of Nomination Committee, being a majority of independent non-executive directors and chaired by chairman of the Board. The Company has compiled with have fulfilled the requirement under Rule 3.25 of the Listing Rules accordingly.

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

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

During the Reporting Period, the Nomination Committee held five meetings. Details of attendance of the meeting of the Nomination Committee are set out in the sub-section headed "**Board Meetings**" of the section headed "**BOARD OF DIRECTORS**" above. The following matters were dealt with at the said meeting or by way of written resolutions:

— to consider the proposed appointment of Directors;

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

— to consider the re-election of Directors; and

— to review the composition of the Board.

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

Corporate Governance Functions

The Board is also responsible for performing the corporate governance duties as follows:

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

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

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

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

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

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

NOMINATION POLICY

The nomination policy of the Company aims to set out the suitable candidate to become the members of the Board. The procedures for nominating Directors are set out under the directors nomination policy of the Company. The Company Secretary shall call a meeting of the Nomination Committee, and invite nominations of candidates from Board members for consideration by the Nomination Committee. The Nomination Committee may also put forward candidates who are not nominated by the Board members. The factors which would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate for the role of Director include, inter alia, reputation for integrity, professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy, willingness to devote adequate time to discharge duties as Board member, diversity of the Board, and such other perspectives appropriate to the Company's business. The Nomination Committee shall make recommendations for the Board's consideration and approval.

CONTROL MECHANISMS

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group strictly follows the requirements of the Securities and Futures Ordinance of Hong Kong (the "**SFO**") and the Listing Rules and ensures that inside information is disclosed to the public as soon as practicable unless the information falls within any of the safe harbours of the SFO. Before inside information is fully disclosed to the public, such information is kept strictly confidential. The Company also implements an internal policy on handling inside information which is consistent with the relevant applicable requirements of the Listing Rules. The policy sets out measures and procedures for the Directors and other relevant officers of the Company to assume duty when dealing with inside information and preservation of its confidentiality before proper disclosure it also sets out guidelines for the Board to disclose any material inside information timely according to the relevant statutory and regulatory requirements. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

The statement of the external auditor of the Company with regard to their reporting responsibilities on the Company's consolidated financial statements, is set out in the Independent Auditor's Report on pages 45 to 50 of this annual report.

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

AUDITOR'S REMUNERATION

For the Reporting Period, services provided to the Company by its external auditor, Cheng & Cheng Limited, and the respective fees paid were as follows:

	2019 **HK$'000**	2018 HK$'000
Audit services	**752**	552
Other non-audit services	**200**	–

SHAREHOLDERS' RIGHTS

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

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

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

Jintai Energy Holdings Limited
Suites 2601–2603,
26F, Shui On Centre,
6–8 Harbour Road,
Wan Chai, Hong Kong.

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS BY SHAREHOLDERS

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

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

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

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

The annual general meeting also provides an important opportunity for constructive communication between the Board and Shareholders. The Chairman, members of the Board and external auditor attended the annual general meeting held on 31 May 2019 to answer questions raised by the Shareholders.

COMPANY SECRETARY

Ms. Mak Po Man Cherie of SWCS Corporate Services Group (Hong Kong) Limited was resigned as the Company Secretary on 10 June 2019. Mr. Zhou Chen was appointed as the Company Secretary on 10 June 2019. Mr. Zhou Chen has confirmed that he received not less than 15 hours of relevant professional training during the year ended 31 December 2019.

CONSTITUTIONAL DOCUMENTS

There were no change in the Company's constitutional documents during the Reporting Period.

Biographical Details of Directors

BOARD OF DIRECTORS

Executive Directors

Mr. Chen Jinle, aged 32, has been an executive Director and the Chairman of the Board since May 2019 and September 2019 respectively. He also serves as the chairman of the Nomination Committee of the Company. Mr. Chen has over 13 years of work experience in energy industry and is currently the chairman of the board of directors of Shanghai Genting Energy Group Limited* (上海雲頂能源集團有限公司), the chief executive officer of Shandong Bingang International Supply Chain Management Co., Ltd.* (山東濱港國際供應鏈管理有限公司).

Mr. Yuan Hongbing, aged 41, has been an executive Director and the Chief Executive Officer of the Company since May 2019 and September 2019. He also serves as the member of Remuneration Committee since September 2019. Mr. Yuan has over 20 years of work experience in investment and internet industry and he is the founder and the chairman of the board of directors of Yuanchuang Capital, which principally engaged in "capital+", "Internet+", property investment and fund management. Mr. Yuan is also the chairman of the board of directors of Guosheng EcoCommerce Industry Holding Group.

Mr. Lin Caihuo, aged 48, has been an executive Director since November 2014. He also serves as a member of each of the Remuneration Committee and the Nomination Committee and is an authorised representative of the Company. He has been engaging in the business of trading, warehousing, transporting and distributing oil products since 2003 and has gained an extensive experience in the industry. He has also been an executive director and the general manager of Fujian Yuhua Petrochemical Company Limited* (福建裕華石油化工有限公司) since February 2003, Xiamen Oceanstar Shipping Company Limited* (廈門海之星航運有限公司) since July 2010, Fujian Yuhua Energy Company Limited* (福建裕華能源有限公司) since April 2013, Fujian Yuhua Group Limited* (福建裕華集團有限公司) since April 2013, Fujian Yuhua Property Management Limited* (福建裕華物業管理有限公司) since February 2014 and Fujian Yuhua Shipping Company Limited* (福建裕華船務有限公司) since March 2014.

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

BOARD OF DIRECTORS *(Continued)*

Non-Executive Director

Mr. Wang ShouLei, aged 37, has been a non-executive Director since April 2017. He graduated with a master's degree in Economics from Shanghai International Studies University. From December 2012 to June 2014, Mr. Wang was the Eastern China regional general manager and an executive director of the investment banking division of Zhongtai Financial International Limited (中泰金融國際有限公司) ("**Zhongtai International**"), the holding company of a substantial shareholder of the Company. He is mainly responsible for investment banking operations in overseas markets and has comprehensive experience in IPO, public bond issue, mergers and acquisitions, structured financing and independent financial advisor. He was the managing director of the global capital markets department of Zhongtai International from December 2014 to November 2017. Mr. Wang has also been a non-executive director of Starlight Culture Entertainment Group Limited, whose shares are listed on the Main Board of the Stock Exchange (stock code: 01159), since August 2017. Since November 2017, he has been the managing director and head of debt capital market, managing director and head of structured finance of Zhongtai International.

Independent Non-Executive Directors

Mr. Liu Yang, aged 38, has been an independent non-executive Director since March 2015. He also serves as the chairman of the remuneration committee and a member of each of the audit committee and the nomination committee of the Board. He graduated from Xian Jiaotong University with a bachelor degree in bio-medical engineering in July 2004 and graduated from Xiamen University with a master degree in bio- medical engineering in June 2007. He was the project manager and senior manager at GF Securities Company Limited (Guangzhou)* (廣發證券股份有限公司(廣州)) from July 2007 to April 2011. He was also the business director of Industrial Securities Company Limited (Fuzhou)* (興業證券股份有限公司(福州)) and independent non executive director of Sino Haijing Holdings Limited (stock code:1106) (whose shares are listed on the Main Board of the Stock Exchange) from April 2011 to May 2015 and from 12 August 2014 to 3 November 2014 respectively.

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

BOARD OF DIRECTORS *(Continued)*

Independent Non-Executive Directors *(Continued)*

Mr. Tche Heng Hou Kevin, aged 59, has been an independent non-executive Director since June 2019. He also serves as the chairman of the audit committee and a member of each of the nomination committee and the remuneration committee of the Board. Mr. Tche obtained a master of professional accounting degree from University of Polytechnic Hong Kong in December 2005. He was admitted as an associate of Association of Chartered Certified Accountants in March 1997 and a certified public accountant of the HKICPA in April 1997. In addition, he was admitted as a fellow member of Association of Chartered Certified Accountants in March 2002. He obtained the Practising Certificate of HKICPA in January 1999 and was qualified as the Certified Dealmaker of the China Mergers & Acquisitions Association in February 2015. He has many years of experience in accounting, auditing and corporate financial management. From 1989, he worked for Allied Overseas Investment Limited as a group finance manager. From May 1990 to July 1997, he worked for Distribution Services Limited as a group finance manager. From August 1997 to March 2000, he worked as an audit manager for Baker Tilly, a leading provider of accountancy and business services principally engaged in audit assurance, advisory and pre-IPO assignments. From March 2000 to January 2001, he served as a group financial controller, Asia Pacific Region, of USF Asia Group Limited. From February 2001 to December 2003, Mr. Tche worked as a regional financial controller of Hong Kong and China offices for ABX Logistics (Hong Kong) Limited. From February 2005 to October 2007, he served as a Finance Manager for South Mainland China Region of BAX Global Hong Kong, a subsidiary of Brinks group, which is listed on the main board of New York Stock Exchange. From April 2009 to December 2012, he worked as a finance director of Yatfai Group Limited.

Mr. Tche started up his accountancy and business consultancy firm in January 2013, which principally provided audit, assurance, taxation, management consulting, advisory and corporate services.

Mr. Gao Han, aged 43, was appointed as an independent non-executive Director of the Company since October 2019. He also serves as a member of each of the audit committee, nomination committee and remuneration committee of the Board. Mr. Gao has been working in the financial industry for over 21 years, previously working with Goldman Sachs as a proprietary trader and working for China Investment Corporation (CIC) as Head of Trading. He later founded Sinolink Securities (HK) Co. Ltd.. Since 2016, He headed China team of HKEX group which designed and implemented stock connects, bond connects and various products and services. Mr. Gao is currently an independent non-executive director of China Graphene Group Limited (stock code: 63). Mr. Gao obtained his Bachelor of Science degree from Tsinghua University, and Master degree in both Statistics and Computer Science and Doctor of Philosophy in Computer Science from the University of Chicago.

* *For identification purposes only*

Report of the Directors

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

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The results for the Reporting Period are set out in the consolidated statement of profit or loss on page 51 of this annual report.

No interim dividend was paid during the Reporting Period. The Directors do not recommend the payment of final dividend for the Reporting Period.

BUSINESS REVIEW

A fair review of the business of the Group during the Reporting Period and a discussion on the Group's future business development are set out in the section headed, "Management Discussion and Analysis" on pages 5 to 10 of this annual report. Discussions on an account of the Company's compliance with significant relevant laws and regulations and an account of the Company's key relationships with its employees, customers and supplies ae set out in this section in page 30 of the annual report.

The above discussions form part of this directors' report.

The Group is committed to the long-term sustainability of the environment and to become an environmentally-friendly corporation. The Group strives to minimize its environmental impact during its operation.

PRINCIPAL RISKS AND UNCERTAINTY

Risk associated with financial instruments of the group

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

Key sources of estimation uncertainty

Details of the key sources of estimation uncertainty as at 31 December 2019 are set out in Note 4 to the consolidated financial statements.

Price risk

Fuel oil prices are expected to remain volatile for the foreseeable future because of market uncertainties over the supply and demand of these commodities due to high uncertain weighing on the global growth. As a result, it could be difficult to budget for and project the return of the business. The management of the Company will consider hedging fuel oil should the need arise.

Market Competition Risk

Major competitors of the Group are other large domestic fuel oil distributors. With the gradual opening up of the domestic oil market, other foreign oil companies have become competitors of the Group in certain regions. The Group is facing relatively keen competition in energy trading business.

The management of the Company will continuously monitor the competitors in the industry and differentiate itself from the competitors. Furthermore, the management of the Company will continue to develop potential markets, explore new customers and expand its business scale in order to reduce the market competition risk.

COMPLIANCE WITH LAWS AND REGULATIONS

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

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

At the corporate level, the Group complies with the requirements under the Listing Rules and the Securities and Futures Ordinance, Cap. 571 of the laws of Hong Kong for, among other things, the disclosure of information and corporate governance, and the Group has adopted the Model Code.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group is devoted to maintaining good relationship with its suppliers and supplying quality products and services to our customers. Further discussions on key relationships of the Group with employees, customers and suppliers are set out in the on pages 5 to 10 of this annual report.

RESERVES

Details of movements in the reserves of the Group during the Reporting Period are set out in the consolidated statement of changes in equity and Note 23 to the consolidated financial statements on pages 55 and 117 of this annual report respectively .

DONATIONS

No charitable or other donations were made by the Group during the Reporting Period (2018: HK$700,000).

SIGNIFICANT INVESTMENTS HELD

Except for investments in its subsidiaries, the Group did not hold any significant investments during the Reporting Period.

MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in this annual report, the Group did not make any material acquisition and disposal during the Reporting Period.

BANK BORROWINGS

Details of the bank borrowings of the Group as at 31 December 2019 are set out in Note 27 to the consolidated financial statements.

NON-COMPLIANCE WITH RULE 13.19 OF THE LISTING RULES

A claim in respect of disputes over loan agreement was made by the Xiamen Branch of Hua Xia Bank Co., Limited ("**Hua Xia Bank**") against two subsidiaries of the Company, namely YuHua Energy (Xiamen) Co. Ltd. ("**Yuhua Xiamen**")* (裕華能源(廈門)有限公司) and YuHua Energy Holdings Group (Fujian) Co., Ltd.("**Yuhua Fujian**")* (裕華能源控股集團(福建)有限公司), Xiamen Oceanstar Shipping Co., Ltd. ("**Xiamen Oceanstar**")* (廈門海之星航運有限公司), Fujian Yuhua Petrochemical Company Limited ("**Yuhua Petrochemical**")* (福建裕華石油化工有限公司), Mr. Lin Caihuo ("**Mr. Lin**") and his wife, Ms. Lin Aihua ("**Ms. Lin**"). On 12 September 2019, the Intermediate People's Court of Xiamen City, Fujian Province issued, inter alia, the following orders: (i) freezing order be granted against Yuhua Xiamen, Yuhua Fujian, Xiamen Oceanstar, Yuhua Petrochemical, Mr. Lin and Ms. Lin for assets equivalent to the amount of RMB30,350,000; (ii) the real property in Xiamen mortgaged by Mr. Lin Caihuo and Ms. Lin Aihua to Hua Xia Bank be seized, auctioned or realized; and (iii) the real property in Xiamen mortgaged by Xiamen Oceanstar to Hua Xia Bank be seized, auctioned or realized. The Company is liaising with Hua Xia Bank to discuss the appropriate arrangement.

Another claim in respect of disputes over loan agreement was made by the Xiamen Branch of Bank of Communications Limited ("**Bank of Communication**") against one subsidiary of the Company, namely Yuhua Xiamen, Xiamen Oceanstar, Fujian Yuhua Group Limited ("**Fujian Yuhua Group**")* (福建裕華集團有限公司), Mr. Lin and Ms. Lin. On 8 November 2019, the Intermediate People's Court of Xiamen, Fujian Province issued the following orders: (i) freezing order be granted against Yuhua Xiamen, Xiamen Oceanstar, Fujian Yuhua Group, Mr. Lin and Ms. Lin for assets or properties in the amount of RMB206,000,000; (ii) the assets mortgaged by Yuhua Xiamen and Xiamen Oceanstar in favour of the Bank of Communication be seized, auctioned or realized; and (iii) the equity interest of Yuhua Petrochemical in the sum of RMB150,000,000 charged by Fujian Yuhua Group to Bank of Communication be seized, auctioned or realized. The Company is now liaising with Bank of Communication to discuss the appropriate arrangement and is also taking legal advice.

The Directors have been undertaking a number of measures to improve the Group's liquidity and financial position, and to remedy delayed repayments to financial institutions, which are set out in note 2.1.2 to the consolidated financial statements. The Group is still in the process of active negotiation with the financial institutions in order to avoid further legal actions to be taken by them. Further announcement(s) will be made by the Company as and when necessary.

PROPERTY, PLANT AND EQUIPMENT

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

INVESTMENT PROPERTIES

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

SHARE CAPITAL

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

EQUITY-LINKED AGREEMENTS

(a) Convertible notes

Details of the convertible notes of the Company are set out in the sub-sections headed "Issue of Convertible Notes" of the section headed "Management Discussion and Analysis" of this report.

(b) Placing of new shares

Details of placing of new shares of the Company are set out in the sub-sections headed "Placing of New Shares to Super Wise International Investment Limited and Placing of New Shares to Mr. Li Junbin" of the section headed "Management Discussion and Analysis" of this report.

(c) Share Options

Details of the Share Option Scheme of the Company are set out in the section headed "Share Option Scheme" below and note 24 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISION

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

The Company has arranged appropriate directors' and officers' liabilities insurance coverage for the Directors and Officers of the Company throughout the Reporting Period.

DIRECTORS

The Directors who held office during the Year and up to the date of this annual report were as follows:

Executive Directors

Mr. Chen Jinle *(Chairman)* (appointed on 31 May 2019)
Mr. Lin Caihuo
Mr. Yuan Hongbing *(Chief Executive Officer)* (appointed on 31 May 2019)
Mr. Wang Enguang (resigned on 31 May 2019)

Non-Executive Director

Mr. Wang ShouLei

Independent Non-Executive Directors

Mr. Liu Yang
Mr. Tche Heng Hou Kevin (appointed on 25 June 2019)
Mr. Gao Han (appointed on 29 October 2019)
Mr. Lum Pak Sum (resigned on 25 April 2019)
Mr. Xu Changyin (appointed on 16 March 2019 and resigned on 14 October 2019)

DIRECTORS *(Continued)*

In accordance with Article 87(1), Mr. Lin Caihuo shall retire from their office by rotation and, being eligible, offer himself for re-election at the forthcoming annual general meeting (the "**AGM**").

In accordance with Article 86(3), Mr. Chen Jinle and Mr. Yuan Hongbing, who were appointed as executive Directors on 31 May 2019 and Mr. Tche Heng Hou Kevin and Mr. Gao Han, who were appointed as independent non-executive Directors on 25 June 2019 and 29 October 2019 respectively, will hold office only until the AGM and, being eligible, offer himself for re-election at the forthcoming AGM.

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

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

As at 31 December 2019, the interests and short positions of each Director and CEO in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Directors	Capacity	Number of Shares held/ interested	Total number of shares	Approximate percentage of the total issued Shares
Lin Caihuo ("**Mr. Lin**")	Beneficial owner	928,284,839(1)	928,284,839	25.00%
Chen Jinle ("**Mr. Chen**")	Interest of controlled corporations	892,768,273(2)	892,768,273	24.05%
Yuan Hongbing ("**Mr. Yuan**")	Beneficial owner	4,000	4,000	0.0001%

Notes:

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

(2) These shares were held by Oriental Gold Honour Joy International Holdings Limited, a company wholly-owned by Mr. Chen.

Save as disclosed above, as at 31 December 2019, none of the Directors and CEO had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2019, according to the register kept by the Company under Section 336 of the SFO, the corporations or persons (other than a Director or CEO) had interests of 5% or more in the Shares or underlying Shares which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO were as follows:

Name	Capacity	Number of Shares held[(1)]	Approximate percentage of the issued Shares
Zhongtai International Asset Management Limited ("**Zhongtai International**")[(3)]	Investment manager	1,821,053,112	48.81%
Win Win International Strategic Investment Funds SPC (acting for and on behalf of Win Win Stable No. 1 Fund SP) ("**Win Win**")[(5)]	Person having a security interest in shares	1,821,053,112	48.81%
Zhongtai Innovation Capital Management Limited ("**Zhongtai Innovation**")[(6)]	Investment manager	1,821,053,112	48.81%
Lin Aihua ("**Ms. Lin**")[(2)]	Interest of spouse	928,284,839	25.00%
Oriental Gold Honour Joy International Holdings Limited ("**Oriental Gold**")[(4)]	Beneficial owner	892,768,273	24.05%
Cui Xianguo[(7)]	Interest of controlled corporation	540,000,000	14.55%
Super Wise International Investment Limited ("**Super Wise**")[(7)]	Beneficial owner	540,000,000	14.55%

Notes:

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

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

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

(4) Oriental Gold is wholly owned and controlled by Mr. Chen.

(5) The 1,821,053,112 Shares were charged in favour of Win Win

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

(7) Super Wise is wholly-owned and controlled by Mr. Cui Xianguo.

Save as disclosed above, as at 31 December 2019, no other person (other than a Director or CEO) had registered an interest or short position in the Shares, underlying Shares and debentures of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

SHARE OPTION SCHEME

On 25 June 2005, a share option scheme (the "**Share Option Scheme**") was approved and adopted by the Shareholders, under which, options may be granted to any eligible persons (as defined in the Share Option Scheme) to subscribe for Shares subject to the terms and conditions stipulated in the Share Option Scheme. The Company has adopted the Share Option Scheme as an incentive to Directors and eligible employees. The Share Option Scheme has expired on 25 June 2015. No further share options can be granted under the Share Option Scheme.

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 16 September 2019, a new share option scheme of the Company (the "**New Scheme**") was adopted by the Company, which will expire on 15 September 2029. The Company operates the New Scheme for the purpose of providing incentives or rewards to selected eligible participants who contribute to the success of the Group's operations. Selected eligible participants of the New Scheme include Directors, employees of the Company or any of its subsidiaries and any officers or consultants who will provide or have provided services to the Group.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes of the Company may not exceed 30% of the relevant class of shares in issue from time to time. No options may be granted under the New Scheme or any other share option scheme of the Company if it will result in this limit being exceeded. The maximum number of shares issued and which may fall to be issued upon exercise of the options granted under the New Scheme and the Company may also grant options beyond the scheme mandate limit provided that the options in excess of the scheme mandate limit are granted only to eligible persons specifically identified by the Company before such Shareholders' approval is sought.

Share options granted to a director, chief executive or substantial shareholder of the Company, or any of their respective associates, under the New Scheme must be approved by the independent non-executive directors of the Company (excluding an independent non-executive Director who is the proposed grantee of the Company). In addition, any share options granted to a substantial Shareholder or any independent non-executive Director, or any of their respective associates, which would result in the shares issued and to be issued upon exercise of all share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant (i) representing an aggregate value of over 0.1% of the Shares in issue on that date; and (ii) having an aggregate value, based on the closing price of the Company's shares as stated in the daily quotation sheet of the Stock Exchange on the date of each grant, in excess of HK$5 million, are subject to shareholders' approval in a general meeting.

SHARE OPTION SCHEME *(Continued)*

The period within which the options must be exercised will be determined by the Board at its absolute discretion. This period will expire no later than 10 years from the date on which the New Scheme is conditionally adopted by an ordinary resolution of the Shareholders. At the time of grant of the options, the Company may specify a minimum period for which an option must be held before it can be exercised. The offer of a grant of share options may be accepted within 21 days from the date of the offer and a non-refundable nominal consideration of HK$1 is payable upon acceptance of an option. The subscription price for the Shares under the New Scheme may be determined by the board of directors at its absolute discretion but in any event will not be less than the highest of (i) the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a business day; (ii) the average of the closing prices of the Shares as shown in the five business days immediately preceding the date of grant; and (iii) the nominal value of the Share on the date of grant.

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

The total number of securities available for issue under the Share Option Scheme as at the date of this report was 485,700,000 Shares which represents approximately 13.08% of issued share capital of the Company as at the date of this report. For details, please refer to the circular and the announcement of the Company dated 28 August 2019 and 25 September 2019 respectively.

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

					Number of share options		
Category of participants	**Date of grant (dd/mm/yyyy)**	**Exercise price (before) share subdivision in 2018** HK$	**Vesting date (dd/mm/yyyy)**	**Exercisable period (dd/mm/yyyy)**	**As at 01/01/2019**	**Granted during the year**	**As at 31/12/2019**
Eligible employees[1]	19/6/2015	0.64125 (1.2825)	19/06/2015	19/06/2015–18/06/2025	123,200,000	–	123,200,000
Eligible employees[1] and consultants	24/9/2019	0.15	24/9/2019	24/9/2019–23/9/2029	–	362,500,000	362,500,000

Note:

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

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

MANAGEMENT CONTRACTS

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

RELATED PARTY TRANSACTIONS

Save as disclosed in the paragraphs headed "Connected Transactions" and "Continuing Connected Transactions", the significant related party transactions that did not constitute connected transactions under the Listing Rules made during the Reporting Period were disclosed in Note 39 to the consolidated financial statements.

COMPETING INTEREST

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

Name of company	Nature of interest	Description of business of the company
Fujian Yuhua Petrochemical Company Limited* (福建裕華石油化工有限公司)	Mr. Lin is the executive director and the general manager Mr. Lin and his spouse indirectly hold 90% and 10% of the equity interest respectively	Petroleum product trade, storage, transportation and distribution business
Fujian Yuhua Energy Company Limited* (福建裕華能源有限公司)	Mr. Lin is the executive director and the general manager Mr. Lin and his spouse indirectly hold 90% and 10% of the equity interest respectively	Wholesale and retail of dangerous chemicals, petroleum products, chemical products and machinery equipment leasing

COMPETING INTEREST *(Continued)*

Name of company	Nature of interest	Description of business of the company
Fujian Yuhua Group Limited* (福建裕華集團有限公司)	Mr. Lin is the executive director and the general manager Mr. Lin and his spouse respectively hold 90% and 10% of the equity interest	Wholesale and retail of petroleum products, management of real estate investment, development, sales, rental, property management and equity investment, business consulting, and enterprise financial management consulting
Xiamen Oceanstar Shipping Company Limited* (廈門海之星航運有限公司)	Mr. Lin is the executive director and the general manager Mr. Lin and his spouse indirectly hold 90% and 10% of the equity interest respectively	Coastal cargo transportation, inland cargo transportation, ship port services, ship management business and real estate development and operation

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

CHANGE IN INFORMATION OF DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

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

BIOGRAPHIES OF DIRECTORS

The details of the biographies of the existing Directors are set out in the section headed "Biographical Details of Directors" on page 26 to page 28 of this annual report.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors, namely, Mr. Liu Yang, Mr. Tche Heng Hou Kevin and Mr. Gao Han, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules, and as at the date of this annual report, the Company still considers all the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

REMUNERATION POLICY

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

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

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

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

PRE-EMPTIVE RIGHTS

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

CONNECTED TRANSACTIONS

On 24 October 2019, Ningxia Deliheng Oil and Gas Technology Service Company Ltd. (寧夏德力恒油氣技術服務有限公司) ("**Ningxia Deliheng**") and Beijing Huaye Jinquan Petroleum Energy Technology Development Company Limited, Yanchi Branch Company (北京華燁金泉石油能源技術開發有限公司鹽池分公司) ("**Beijing Huaye**") entered into the SL16-5-4 Well Agreement and the SL27 Well Agreement, pursuant to which Ningxia Deliheng agreed to provide drilling services of (i) an aggregate of 18 oil wells under the SL16-5-4 Well Agreement at the consideration of RMB225,536,750 and (ii) 1 oil well under the SL27 Well Agreement at the consideration of RMB8,486,219.50 for Beijing Huaye for the purpose of extraction of oil. The aforesaid agreements constitute connected transactions of the Company. On 11 February 2020, ordinary resolutions have been passed by the independent shareholders by way of poll. Details of the SL16-5-4 Well Agreement and the SL27 Well independent Agreement are set out in the announcements of the Company dated 24 October 2019, 27 November 2019, 9 January 2020 and 11 February 2020 respectively, and the circular of the Company dated 22 January 2020.

CONTINUING CONNECTED TRANSACTIONS

R&D Agreement and the Finished Good Supply Agreement

On 1 January 2019, Max Achieve Holdings Limited ("**Max Achieve**"), an indirect wholly-owned subsidiary of the Company entered into research and development service agreement (the "**R&D Agreement**") with Tai Sing Industrial Company Limited ("**TSI**") for the period from 1 January 2019 to 31 December 2019. Pursuant to the R&D Agreement, TSI provided the research and development service ("**R&D service**") to Max Achieve. Since TSI is indirectly and wholly owned by Mr. Cheung Wah Keung, who is a director of certain subsidiaries of the Company, TSI is a connected person of the Company. On 1 March 2019, Shinhint Industries Limited ("**SHL**") also entered into the finished goods supply agreement (the "**Finished Goods Supply Agreement**") with TSI, pursuant to which, TSI (or its subsidiaries) agreed to supply the speakers (finished goods) to SHL (or any of its subsidiaries), for the period from 1 January 2019 to 31 December 2019. Accordingly, the R&D Agreement and the Finished Goods Supply Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules during the Year. The annual caps for the R&D service transactions contemplated under the R&D Agreement and the supply of speakers under the Finished Goods Supply Agreement and were HK$2.4 million and HK$14 million for the year ended 31 December 2019 respectively.

For details, please refer to the announcement of the Company dated 8 May 2019.

For the Reporting Period, the provision of R&D service by TSI to Max Achieve amounted to approximately HK$2.4 million, and the supply of speakers by TSI (or its subsidiaries) to SHL (or any of its subsidiaries) under the Finished Goods Supply Agreement accounted to approximately HK$6.2 million.

Pursuant to Rule 14A.56 of the Listing Rules, the auditor of the Company (the "**Auditor**") have been engaged to report on the above continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Auditor had issued an unqualified letter to the Board containing their findings and conclusions in respect of the above continuing connected transactions, in which they have confirmed that nothing has come to their attention that caused them to believe that the above continuing connected transactions in the Reporting Period (i) had not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group; (iii) were not entered into, in all material respects, in accordance with relevant agreement governing such transactions; and (iv) had exceeded the annual cap amount for the year ended 31 December 2019.

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

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, apart from the discontinued operations, sales to the Group's five largest customers accounted for approximately 99% of the Group's sales for the Year and sales to the Group's largest customer included therein accounted for approximately 24%.

During the Reporting Period, apart from the discontinued operations, purchase from the Group's five largest suppliers accounted for approximately 57% of the Group's total purchases for the Year and purchase from the Group's largest supplier included therein accounted for approximately 16%.

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

GOING CONCERN

The Company's consolidated financial statements for the year ended 31 December 2019 (the "**2019 Financial Statements**") have been prepared on a going concern basis. There are factors that indicated the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. If the Group is unable to continue to operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The opinion from the Company's auditors, Cheng & Cheng Limited (the "**Auditors**") is not modified in respect of this matter, details of which were disclosed in the Company's annual results announcement dated 15 April 2020 (the "**2019 Result Announcement**").

There was no different view between the Auditors and the Company's management. The audit committee has reviewed and agreed with the management's view.

The Group has undertaken a number of measures to improve the Group's liquidity and financial position, and to remediate delayed repayments to financial institutions, details of which were disclosed in the 2019 Results Announcements and this Report. Accordingly, the Directors consider the Group will be able to continue to operate as a going concern.

OPENING BALANCES AND CORRESPONDING FIGURES

Due to significance of the possible effect of the limitations on the scope of audit, the audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2018 was disclaimed. Because of the possible effect on this matter on the comparability of the current year's figures and corresponding figures, the opinion from the Auditor is modified on the current year's consolidated financial statements.

There was no different view between the Auditors and the Company's management. The audit committee has reviewed and agreed with the management's view.

Audit qualification will be removed in the financial statements for the year ended 31 December 2020 as the figures of the disposal in 2018 will not appear in the financial statements for the year ended 31 December 2020.

IMPAIRMENTS OF TRADE AND OTHER RECEIVABLES

The directors of the Company (the "**Directors**") were unable to provide to the Auditors with satisfactory information to form a reasonable judgement on the recoverability of the relevant trade and other receivables as at 31 December 2018 leading to the disclaimed opinion for the year ended 31 December 2018. Auditors were also unable to determine whether the impairment provided on the trade and other receivables during the year ended 31 December 2019 should be recorded in the consolidated financial statements of 31 December 2018 or 31 December 2019, that qualified opinion was formed by the Auditors for the year ended 31 December 2019.

When assessing the recoverability of the trade receivables from 深圳市前海懷德石油化工有限公司 (Shenzhen Qianhai Huaide Petrochemical Co., Ltd.*) ("**Qianhai Huaide**") and 張家港保税區寶塔石化有限公司 (Zhangjiagang Free Trade Zone Baota Petrochemical Co., Ltd*) ("**Zhangjiagang Baota**"), and the recoverability of the prepayment from 上海寶塔石化有限公司 (Shanghai Baota Petrochemical Co., Ltd*) ("**Shanghai Baota**"), the Directors considered that the impairment provision should be made for approximately 50% from each of the respective entities with the amount approximately RMB0.7 million, RMB18 million and RMB242 million respectively for the year ended 31 December 2018. For the year ended 31 December 2019, in view of that the above trade receivables and prepayment was still unable to recover during the year 2019, further impairment provision was made for the rest of the balance with the amount approximately RMB0.7 million, RMB17 million and RMB242 million for Qianhai Huaide, Zhangjiagang Baota and Shanghai Baota respectively.

IMPAIRMENTS OF TRADE AND OTHER RECEIVABLES *(Continued)*

When assessing the recoverability of the trade receivables of 上海兆邦石油化工有限公司 (Shanghai Zhaobang Petrochemical Co., Ltd.*) ("**Shanghai Zhaobang**"), the Directors have considered that Shanghai Zhaobang is a company under the State Council and has issued a letter to the Group committing to repay by 31 December 2019, therefore no impairment had been made on such balance for the year ended 31 December 2018. Since the trade receivables from Shanghai Zhaobang was unable to recover any of the outstanding during the year 2019, 100% of impairment provision was made with the amount approximately RMB55 million.

The audit committee has reviewed and agreed with the management's position in respect of the amounts of impairment provision made.

There was no different view between the Auditors and the Company's management in respect of the impairment provision made. Notwithstanding, the audit opinion was qualified for the year ended 31 December 2019 because not sufficient appropriate audit evidence to determine whether the impairment provided on the trade and other receivables during the year ended 31 December 2019 should be recorded in the consolidated financial statements of 31 December 2018 or 31 December 2019.

The audit qualification relating to the 2019 comparative figures will still be issued in the financial statements for the year ended 31 December 2020. However, the audit qualification will be removed in the financial statements for the year ended 31 December 2021 as the figures of impairment in 2019 will not appear in the financial statements for the year ended 31 December 2021.

IMPORTANT EVENTS AFTER THE BALANCE SHEET DATE

Change of Company Name and stock short name

With effect from 16 January 2020, the English name of the Company have been changed from "Yuhua Energy Holdings Limited" to "Jintai Energy Holdings Limited", and the dual foreign name in Chinese have been changed from "裕華能源控股有限公司" to "金泰能源控股有限公司". The Certificate of Incorporation on Change of Name dated 16 January 2020 was issued by the Registrar of Companies in the Cayman Islands and the Certificate of Registration of Change of Corporate Name of Non-Hong Kong Company dated 24 February 2020 was issued by the Registrar of Companies in Hong Kong.

The Company's English stock short name for trading in the shares of the Company on the Stock Exchange was changed from "YUHUA ENERGY" to "JINTAI ENERGY H", and the Chinese stock short name from "裕華能源" to "金泰能源控股" with effect from 4 March 2020. The stock code of the Company remains as 2728.

Details of the change of company name are set out in the announcements of the Company dated 20 November 2019, 24 December 2019, 15 January 2020 and 28 February 2020 respectively, and the circular of the Company dated 24 December 2019.

Memorandum of Understanding ("MOU") in respect of a Possible Acquisition

On 12 February 2020, the Company entered into a MOU with the Vendors, pursuant to which the Company intends to acquire and the Vendors intend to sell 51% of the equity interest of the Target Company. The Target Company is principally engaged in providing operational services for digital energy trading parks of energy business Sector in the PRC. The Vendors and the Company shall use their best endeavours to enter into a formal agreement in relation to the possible acquisition within three months from the date of MOU subject to the results of due diligence review conducted by the Company. Details of the MOU are set out in the announcement of the Company dated 12 February 2020.

IMPORTANT EVENTS AFTER THE BALANCE SHEET DATE *(Continued)*

Product Sales Collaboration Agreement

On 24 February 2020, Guangzhou BP Oil Company ("**Guangzhou BP**")* (廣州發展碧辟油品有限公司) and Tianjin Tanghao Petroleum Product Company ("**Tianjin Tanghao**")* (天津唐昊石油製品銷售有限公司) entered into the product sales collaboration agreement pursuant to which Guangzhou BP planned to purchase at least 500,000 tonnes or RMB3 billion (including tax) worth of petroleum products and chemical products from Tianjin Tanghao from 2020 to 2021. Details of the product sales collaboration agreement are set out in the announcement of the Company dated 24 February 2020.

Outbreak of COVID-19

Since the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented in the PRC and across the globe. The outbreak of the COVID-19 in the PRC and the subsequent quarantine measures imposed by the PRC Government in early 2020 have had a certain temporary impact on the operations of the Group since 2020. The degree of the impact depends on the progress and duration of epidemic prevention and control and the implementation of local prevention and control policies.

At present, the Group's operation is generally stable. The Group will continue to pay close attention to the development of, and the disruption to business and economic activities caused by, the COVID-19 outbreak and evaluate its impact on the financial position, cash flows and operating results of the Group.

PUBLIC FLOAT

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

FIVE-YEAR FINANCIAL SUMMARY

A summary of the consolidated results and the assets and liabilities of the Group for the last five financial years is set out on page 154.

ANNUAL GENERAL MEETING

The forthcoming AGM will be held on Friday, 29 May 2020. For further details of the AGM, please refer to the notice of the AGM, which will be despatched to the Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

For the purposes of determining the shareholders' eligibility to attend and vote at the annual general meeting of the Company to be held on 29 May 2020 (Friday) (the "**2020 AGM**"), the register of members of the Company will be closed from 26 May 2020 (Tuesday) to 29 May 2020 (Friday), both days inclusive. During the closure period, no transfer of Shares will be registered. To be eligible to attend and vote at the 2020 AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 25 May 2020 (Monday).

AUDITORS

PwC had acted as the Auditor for the year ended 31 December 2016 and 2017. PwC has tendered its resignation as the Auditor with effect from 20 February 2019. Cheng & Cheng has been appointed as the Auditor with effect from 20 February 2019 to fill the casual vacancy following the resignation of PwC.

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

On behalf of the Board

Chen Jinlie
Chairman

Hong Kong, 15 April 2020

* *For identification purposes only*

Independent Auditor's Report

CHENG & CHENG LIMITED
CERTIFIED PUBLIC ACCOUNTANTS
鄭 鄭 會 計 師 事 務 所 有 限 公 司

Level 35, Tower 1, Enterprise Square Five,
38 Wang Chiu Road, Kowloon Bay,
Kowloon, Hong Kong
香港九龍九龍灣宏照道38號
企業廣場5期1座35樓

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

OPINION

We have audited the consolidated financial statements of Jintai Energy Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 51 to 153, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of 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, except for the possible effects of the matter described in the Basis for the qualified opinion section of our report, 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 Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

1. Opening balances and corresponding figures

Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2018, which forms the basis for the corresponding figures presented in the current year's consolidated financial statements, was disclaimed because of the significance of the possible effect of the limitations on the scope of our audit, details of which are set out in our auditor's report dated 29 March 2019.

As a result of the limitation of scope encountered in respect of our audit of the consolidated financial statements for the year ended 31 December 2018 and the possible impact of any adjustments that may have been necessary in respect of the opening balances as at 1 January 2019 and the impact on the results and related disclosures in the notes to the consolidated financial statements of the Group for the year ended 31 December 2018. Our opinion on the current year's consolidated financial statements is modified because of the possible effect of this matter on the comparability of the current year's figures and corresponding figures.

BASIS FOR QUALIFIED OPINION *(Continued)*

2. **Impairments of trade and other receivables**

   Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2018 set out in our auditor's report dated 29 March 2019 was also disclaimed because we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of the trade and other receivables as at 31 December 2018. There are no other satisfactory audit procedures that we could adopt to determine whether the impairment provided on the trade and other receivables during the year ended 31 December 2019 should be recorded in the consolidated financial statements of 31 December 2018 or 31 December 2019.

   Any adjustment found necessary to the carrying amount of the trade and other receivables as at 31 December 2018 would have a consequential impact on the impairment loss of the trade and other receivables for the year ended 31 December 2019 and would have affected the net assets and accumulated losses as at 31 December 2018 and loss for the years ended 31 December 2018 and 31 December 2019.

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 qualified opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2.1.2 to the consolidated financial statements, which indicates that the Group reported a net loss attributable to the owners of the Company of approximately HK$599,250,000 and had net operating cash outflow of approximately HK$662,439,000 for the year ended 31 December 2019, and as at 31 December 2019, the Group had net current liabilities of approximately HK$500,834,000. As at 31 December 2019, bank loan principal of HK$278,011,000 (included in borrowings of the Group amounting to HK$1,163,735,000), bank loan interest payable HK$27,917,000 and bills payables HK$8,692,000 were not repaid in accordance with the scheduled payment dates. (Up to the date of this report, bank loan principal of HK$305,424,000 (included in borrowings of the Group amounting to HK$1,163,735,000), bank loan interest payable HK$28,983,000 and bill payables of HK$8,692,000 were not repaid in accordance with the scheduled payment dates.)

These constituted events of defaults which resulted in significant increase in finance costs. As at 31 December 2019, its cash and cash equivalents and restricted cash amounted to HK$320,437,000 were not sufficient to meet the borrowings.

These conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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. In addition to the matters described in the Basis for qualified opinion and Material uncertainty related to going concern sections, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment property	
We identified the valuation of investment property as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant judgments associated with the determination of the fair value. The Group's investment property is located in the People's Republic of China. As at 31 December 2019, the Group's investment properties amounted to HK$70,910,000 and are represented 4.2% of the Group's total assets. All of the Group's investment properties are stated at fair value based on valuations carried out by independent qualified professional valuers (the "Valuer"). The valuation is dependent on the market price of comparable properties which is the significant unobservable input that involves management's significant judgment. Details of the valuation techniques and significant unobservable input used in the valuation are disclosed in note 3.3 to the consolidated financial statements.	Our audit procedures in relation to the valuation of investment property included the following: • Evaluated the competence, capabilities and objectivity of the Valuer; • Obtained an understanding of the valuation process and techniques adopted by the Valuer to assess if they are consistent with market norms and using our valuation expert; • Obtained the valuation reports and met with the Valuer to assess the reasonableness of the significant unobservable inputs and the accuracy of the source data used by the management and the Valuer by comparing them, on a sampling basis, to where relevant, publicly available information of similar comparable properties and our knowledge of the real estate industry; and • Checked arithmetical accuracy of calculations.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Revenue recognition for sales of energy trading products	
We identified the revenue recognition for sales of energy trading products as a key audit matter due to its significance to the consolidated statement of profit or loss. The accounting policy for revenue recognition for sales of energy trading products is disclosed in note 2.26 to the consolidated financial statements. During the year ended 31 December 2019, the revenue generated from sales of energy trading products is approximately HK$2,967,855,000 as set out in note 5 to the consolidated financial statements.	Our procedures in relation to the revenue recognition for sales of energy trading products included: • Obtained an understanding of the Group's revenue recognition policy and key controls for sales of energy trading products; • Evaluated the key controls over the revenue recognition process for sales of energy trading products; • Inspected contracts with customers, on a sample basis, to understand the terms of the sales transactions including the terms of delivery and acceptance to assess the Group's revenue recognition criteria with reference to the requirements of the prevailing accounting standards; • Tested the revenue derived from customers for selected samples by examination of the invoices and goods delivery notes to revenue recorded; and • Compared the delivery dates based on delivery notes with the timing of revenue recognition, and examined transactions which occurred immediately before and after the end of the reporting period for their recording as revenue in the proper periods.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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 THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, 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 these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

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

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

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

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

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

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

CHENG & CHENG LIMITED
Certified Public Accountants
Lui Chun Yip
Practising Certificate number P07004

Hong Kong, 15 April 2020

Consolidated Statement of Profit or Loss

For the year ended 31 December 2019

	NOTE	2019 HK$'000	2018 HK$'000
Revenue	5	**3,003,380**	1,848,844
Cost of sales	6	**(2,940,496)**	(1,829,373)
Gross profit		**62,884**	19,471
Distribution expenses	6	**(52,169)**	(3,909)
Administrative expenses	6	**(54,332)**	(36,117)
Other income	8	**6,681**	2,934
Other gains/(losses) — net	9	**(26,053)**	(22,041)
Impairment of trade receivables	20	**(85,326)**	(21,891)
Impairment of prepayments	20	**(394,514)**	(285,952)
Operating loss		**(542,829)**	(347,505)
Finance income	10	**312**	1,510
Finance expenses	10	**(45,507)**	(26,532)
Finance expenses — net	10	**(45,195)**	(25,022)
Loss before income tax		**(588,024)**	(372,527)
Income tax (expense)/credit	11	**(10,105)**	5,930
Loss for the year from continuing operations		**(598,129)**	(366,597)
Discontinued operations			
Profit for the year from discontinued operations	42	**–**	14,786
Loss for the year		**(598,129)**	(351,811)
Loss for the year attributable to:			
Owners of the Company		**(599,250)**	(351,811)
Non-controlling interests		**1,121**	–
		(598,129)	(351,811)
Basic (loss)/earnings per share			
Continuing operations (in cents per share)	12	**(18.16)**	(11.85)
Discontinued operations (in cents per share)	12	**–**	0.48
		(18.16)	(11.37)
Diluted (loss)/earnings per share			
Continuing operations (in cents per share)	12	**(18.16)**	(11.85)
Discontinued operations (in cents per share)	12	**–**	0.48
		(18.16)	(11.37)

The notes on pages 57 to 153 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	NOTE	2019 HK$'000	2018 HK$'000
Loss for the year		**(598,129)**	(351,811)
Other comprehensive loss			
Items that may be reclassified to profit or loss			
— Currency translation differences		**4,872**	(11,958)
— Reclassification of translation reserve upon deregistration/disposal of subsidiaries		**142**	(1,117)
Total comprehensive loss for the year		**(593,115)**	(364,886)
Total comprehensive loss attributable to:			
Owners of the Company — Continuing operations		**(594,216)**	(379,356)
Owners of the Company — Discontinued operations		**–**	14,470
Non-controlling interests		**1,101**	–
		(593,115)	(364,886)

The notes on pages 57 to 153 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2019

	NOTE	2019 HK$'000	2018 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	14	**3,124**	1,372
Investment properties	15	**70,910**	95,028
Prepayment for non-current assets	20	**3,044**	–
Right-of-use assets	16	**–**	–
Intangible assets	17	**–**	–
Deferred income tax assets	33	**–**	–
Goodwill	31	**567**	–
		77,645	96,400
Current assets			
Inventories	19	**365,466**	8,710
Trade and other receivables and prepayments	20	**938,713**	522,743
Cash and cash equivalents	21	**320,284**	16,462
Restricted cash	21	**153**	19,694
		1,624,616	567,609
Total assets		**1,702,261**	664,009
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	22	**4,641**	3,868
Other reserves	23	**292,889**	183,243
Accumulated losses		**(725,104)**	(124,410)
		(427,574)	62,701
Non-controlling interests	32	**1,102**	–
Total equity		**(426,472)**	62,701

Consolidated Statement of Financial Position

As at 31 December 2019

	NOTE	2019 HK$'000	2018 HK$'000
Liabilities			
Non-current liabilities			
Lease liabilities	28	**3,283**	–
Deferred income tax liabilities	33	**–**	190
		3,283	190
Current liabilities			
Trade and other payables	25	**322,707**	132,746
Contract liabilities	26	**525,413**	67,764
Lease liabilities	28	**1,861**	–
Current income tax liabilities		**8,097**	4,076
Convertible loan notes	29	**103,637**	–
Borrowings	27	**1,163,735**	396,532
		2,125,450	601,118
Total liabilities		**2,128,733**	601,308
Total equity and liabilities		**1,702,261**	664,009

The notes on pages 57 to 153 are an integral part of these consolidated financial statements.

The financial statements on pages 51 to 153 were approved by the Board of Directors on 15 April 2020 and were signed on its behalf.

Chen Jinle
Director

Yuan Hongbing
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	NOTE	Share capital HK$'000	Other reserves HK$'000	(Accumulated losses)/ Retained earnings HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2018		3,868	203,161	220,558	427,587	–	427,587
Comprehensive loss							
Loss for the year		–	–	(351,811)	(351,811)	–	(351,811)
Other comprehensive expense							
Reclassification of translation reserve upon disposal of subsidiaries	23	–	(1,117)	–	(1,117)	–	(1,117)
Currency translation differences	23	–	(11,958)	–	(11,958)	–	(11,958)
Total comprehensive loss for the year		–	(13,075)	(351,811)	(364,886)	–	(364,886)
Transactions with owners in their capacity as owners							
Reclassification of statutory reserve upon disposal of subsidiaries	23	–	(6,402)	6,402	–	–	–
Appropriation to statutory reserve	23	–	(441)	441	–	–	–
Balance at 31 December 2018		3,868	183,243	(124,410)	62,701	–	62,701
Comprehensive loss							
Profit/(loss) for the year		**–**	**–**	**(599,250)**	**(599,250)**	**1,121**	**(598,129)**
Other comprehensive income/(expense)							
Release of translation reserve upon deregistration of subsidiaries	23	**–**	**142**	**–**	**142**	**–**	**142**
Currency translation differences	23	**–**	**4,892**	**–**	**4,892**	**(20)**	**4,872**
Total comprehensive loss for the year		**–**	**5,034**	**(599,250)**	**(594,216)**	**1,101**	**(593,115)**
Recognition of equity-settled share-based payments	23, 24	**–**	**14,411**	**–**	**14,411**	**–**	**14,411**
Recognition of equity component of convertible loan notes		**–**	**11,268**	**–**	**11,268**	**–**	**11,268**
Acquisition of a subsidiary		**–**	**–**	**–**	**–**	**1**	**1**
Share placements	22, 23	**773**	**76,244**	**–**	**77,017**	**–**	**77,017**
Appropriation to statutory reserve	23	**–**	**1,859**	**(1,859)**	**–**	**–**	**–**
Contribution by shareholder		**–**	**1,245**	**–**	**1,245**	**–**	**1,245**
Reclassification of statutory reserve to accumulated losses upon disposal of subsidiaries	23	**–**	**(415)**	**415**	**–**	**–**	**–**
Balance at 31 December 2019		**4,641**	**292,889**	**(725,104)**	**(427,574)**	**1,102**	**(426,472)**

The notes on pages 57 to 153 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	NOTE	2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
Cash used in operations	35(a)	**(659,897)**	(88,102)
Interest received		**312**	–
Income tax paid		**(2,854)**	(4,424)
Net cash used in operating activities		**(662,439)**	(92,526)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment	35(a)	**126**	45,768
Proceeds from disposal of intangible assets	35(a)	**–**	380
Prepayment of property, plant and equipment		**(3,044)**	–
Purchases of property, plant and equipment		**(7,125)**	(565)
Net cash outflow arising on acquisition of a subsidiary		**(569)**	–
Net cash (outflow)/inflow arising on disposal of subsidiaries	36,42(a)(3)	**(37)**	24,533
Net cash (used in)/generated from investing activities		**(10,649)**	70,116
Cash flows from financing activities			
Proceeds from bank borrowings		**27,919**	311,459
Repayments of bank borrowings		**(272)**	(211,965)
Loan proceeds from shareholders		**948,018**	–
Loan repayment to shareholder		**(447,158)**	–
Loan proceeds from non-controlling interests		**3,405**	–
Loan proceeds from related parties		**602,666**	–
Loan repayments to related parties		**(447,181)**	–
Loan proceeds from other borrowings		**213,223**	–
Repayment of lease liabilities		**(715)**	–
Advance from related parties		**16,406**	–
Repayments to related parties		**(4,569)**	(67,725)
Proceeds from share placement		**77,017**	–
Interest expenses paid		**(7,641)**	(13,719)
Net cash generated from financing activities	35(b)	**981,118**	18,050
Net increase/(decrease) in cash and cash equivalents		**308,030**	(4,360)
Cash and cash equivalents at beginning of year	21	**16,462**	20,323
Effect of foreign exchange rate changes		**(4,208)**	499
Cash and cash equivalents at end of year	21	**320,284**	16,462

The notes on pages 57 to 153 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

Jintai Energy Holdings Limited ("**the Company**") was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The addresses of the registered office is Cricket Square Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, and the principal place of business is changed from 40/F, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong to Suite 2601–2603, 26F, Shui On Centre, 6–8 Harbour Road, Wan Chai, Hong Kong on 10 February 2020.

The Company and its subsidiaries (together, "**the Group**") are engaged in energy trading, including mainly trading of fuel oil and kerosene and speaker manufacturing and trading business. The Group has operations mainly in Hong Kong and People's Republic of China ("**PRC**").

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

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

These consolidated financial statements were approved for issue by the Board of Directors on 15 April 2020.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

2.1.1 Compliance with Hong Kong Financial Reporting Standards and Hong Kong Companies Ordinance

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance (Cap. 622).

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.2 Going Concern

(i) The Group reported a net loss attributable to the owners of the Company of HK$599,250,000 and had net operating cash outflow of approximately HK$662,439,000 for the year ended 31 December 2019, and as at 31 December 2019, the Group had a net current liabilities of approximately HK$500,834,000.

(ii) As at 31 December 2019, bank loan principal of HK$278,011,000 (included in borrowings of the Group amounting to HK$1,163,735,000), bank loan interest payable HK$27,917,000 and bills payables HK$8,692,000 were not repaid in accordance with the scheduled payment dates. (Up to the date of this report, bank loan principal of HK$305,424,000 (included in borrowings of the Group amounting to HK$1,163,735,000), bank loan interest payable HK$28,983,000 and bill payables of HK$8,692,000 were not repaid in accordance with the scheduled payment dates.)

These constituted events of defaults which resulted in significant increase in finance costs. As at 31 December 2019, its cash and cash equivalents and restricted cash amounted to HK$320,437,000 were not sufficient to meet the borrowings.

This indicates the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

The directors of the Company have been undertaking a number of measures to improve the Group's liquidity and financial position, and to remediate delayed repayments to financial institutions, which are set out as below:

(i) negotiating with the lenders for the renewal of or extension of repayment of existing borrowings upon maturity;

(ii) obtaining additional new sources of financing as and when needed;

(iii) implementation of its operation plan to accelerate the Group's sales;

(iv) speeding up the collection of the outstanding sales proceeds;

(v) controlling cost and containing capital expenditures;

(vi) maintaining relationship with the Group's existing lenders so as to ensure that no action will be taken by those lenders to demand immediate repayment in respect of defaults in the past; and

(vii) obtaining continuing financial supports from shareholders.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.2 Going Concern *(Continued)*

The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties, including (i) the successful negotiations with the lenders for the renewal of or extension of repayment of existing borrowings upon maturity; (ii) whether the Group is able to obtain additional new sources of financing as and when needed; (iii) the successful implementation of its operation plan to accelerate the Group's sales, to speed up the collection of the outstanding sales proceeds and to control costs and contain capital expenditures; (iv) successful maintaining relationship with the Group's existing lenders and to strictly comply with the terms and obligations under the facility agreements so as to ensure that there will be no default in the future and that no action will be taken by those lenders to demand immediate repayment in respect of defaults in the past; and (v) the successful obtaining continuing financial supports from shareholders, to meet obligations as and when their fall due.

Should the Group fail to achieve the above mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in the consolidated financial statements.

2.1.3 Changes in accounting policy and disclosures

(a) New standards adopted by the Group

The following new standard relevant to the Group has been adopted by the Group for the first time for the financial year beginning on or after 1 January 2019:

— HKFRS 16 *Leases*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

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

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

There was no material impact on the financial statements of the Group as the new HKFRSs and amendments to HKFRSs were consistent with policies already adopted by the Group except for adoption of the following developments:

(i) Adoption of HKFRS 16

The Group has applied HKFRS 16 for the first time in the year ended 31 December 2019. HKFRS 16 superseded HKAS 17 Leases ("**HKAS 17**"), and the related interpretations.

Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

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 by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.3 Changes in accounting policy and disclosures (Continued)

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

(i) Adoption of HKFRS 16 (Continued)

Key changes in accounting policies resulting from application of HKFRS 16 *(Continued)*

As a lessee (continued)

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. relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;

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; and

iii. excluded initial direct costs from measuring the right-of-use assets at 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.

	At 1 January 2019 HK$'000
Operating lease commitments disclosed as at 31 December 2018	146
Less: Recognition exemption — short-term leases	
Practical expedient — leases with lease term ending within 12 months from the date of initial application	(146)
Lease liabilities as at 1 January 2019	–

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

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

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

(i) Adoption of HKFRS 16 (Continued)

Key changes in accounting policies resulting from application of HKFRS 16 *(Continued)*

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Effective on 1 January 2019, the Group has applied HKFRS 15 Revenue from Contracts with Customers ("**HKFRS 15**") to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the consolidated financial statements of the Group for the current year.

No adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

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

(b) New and amendments to standards not yet adopted

Certain new accounting standards and amendments to standards have been published that are not mandatory for 31 December 2019 reporting year and have not been early adopted by the Group. These new and amendments to standards are set out below:

Standards and amendments	Effective for annual periods beginning on or after
Amendments to HKAS 1 and HKAS 8 'Definition of Material'	1 January 2020
Amendments to HKFRS 3 'Definition of a Business'	1 January 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS7 'Interest Rate Benchmark Reform'	1 January 2020
HKFRS 17 'Insurance Contracts'	1 January 2021
Amendments to HKFRS 10 and HKAS 28 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	To be determined

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.

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

(c) Voluntary change in accounting policy

The Group has changed its cost formula to account for the energy trading products from first-in, first out to weighted-average during the year. The management considers that weighted-average method can more faithfully reflect the cost of sales when the Group's future development is taken into account and therefore will provide more reliable and relevant information to the users of these consolidated financial statements.

The management has retrospectively applied the weighted-average method and concluded that there is no material impact to both current and prior years' financial performance, position and loss/earnings per share.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Principles of consolidation

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

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

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary 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 the fair value of any retained interest and (ii) the carrying amount of the assets, 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).

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.

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.

2.3 Business combination

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Business combination *(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.

2.4 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.

2.5 Separate financial statements

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

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

2.6 Segment reporting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

(c) Group companies

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

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

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

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

On the disposal of the foreign operation involving loss of control over subsidiaries, 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Property, plant and equipment

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

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.12).

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

2.9 Investment properties

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

2.10 Intangible assets

Club membership

Club membership with indefinite useful life is carried at cost less subsequent accumulated impairment losses, if any (note 2.12).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Research and development expenditure

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

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

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

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

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

2.12 Impairment of non-financial assets

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Financial assets

Classification, initial recognition and measurement

The Group classifies its financial assets as amortised cost. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. See note 18 for details about each type of financial asset. With the exception of receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value. Receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15. Details on how the fair value of financial instruments is determined are disclosed in note 3.3.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. This assessment is referred to as the solely payments of principal and interest test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

In order for a financial asset to be classified and measured at amortised cost, if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold the financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade and other receivables, rental deposits, restricted cash and cash and cash equivalents (note 18).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 Offsetting financial instruments

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

2.15 Impairment of financial assets

The Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, 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 and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.15 Impairment of financial assets *(Continued)*

General approach *(Continued)*

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1	—	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	—	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	—	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.16 Inventories

Finished goods are stated at the lower of cost and net realisable value. Costs of purchased inventory are determined after deducting rebates and discounts. Costs are assigned to individual items of inventory based on weighted-average method for energy trading products (2018: first-in, first-out (FIFO)). Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

2.17 Trade and other receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. See note 2.13 for further information about the Group's accounting for trade receivables and note 2.15 for a description of the Group's impairment policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 Cash and cash equivalents

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

2.19 Share capital

Ordinary shares are classified as equity (note 22).

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

2.20 Trade and other payables

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

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

2.21 Borrowings

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

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

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

2.22 Borrowing costs

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

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

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

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

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.24 Employee benefits

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

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

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

2.25 Share-based payments

Share options granted to employees

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

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

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

Share options granted to consultants

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.26 Revenue recognition

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 goods 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.

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. direct sales in which 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.26 Revenue recognition *(Continued)*

Revenue from contracts with customers

(a) Sales of energy trading products

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

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

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

(b) Sales of speaker units

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

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

Other revenue

(a) Rental income

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

(b) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.27 Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the consolidated statement of profit or loss, which comprises:

— the post-tax profit or loss of the discontinued operation; and

— the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

2.28 Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.29 Dividend distribution

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

2.30 Government grants

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.31 Leases (upon application of HKFRS 16 in accordance with transitions in note 2.1.3)

Definition of a lease

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.

The Group as a lessee

Allocation of consideration to components of a contract

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of office premises 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 or another systematic basis over the lease term.

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.

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.31 Leases (upon application of HKFRS 16 in accordance with transitions in note 2.1.3) *(Continued)*

The Group as a lessee *(Continued)*

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 if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

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 or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.31 Leases (upon application of HKFRS 16 in accordance with transitions in note 2.1.3) *(Continued)*

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 except for investment properties measured under fair value model.

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.

2.32 Leases (Policies prior to 1 January 2019)

The Group as a lessee

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

The Group as a lessor

Lease income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over the lease term. The respective leased assets are included in the consolidated statement of financial position based on their nature.

2.33 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 recognised 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.33 Financial liabilities and equity *(Continued)*

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at Fair Value Through Profit or Loss.

Financial liabilities at amortised cost

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

Convertible loan notes

The component parts of the convertible loan notes are classified separately as financial liability and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component (including any embedded non-equity derivatives features) is estimated by measuring the fair value of similar liability that does not have an associated equity component.

A conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained profits/accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes 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, except for transaction with owners of the Company in their capacity as owners of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.34 Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

As at 31 December 2019, the Group did not have material assets and liabilities that are denominated in a currency other than the functional currency of the Group. As HK$ is currently pegged to US$, the management considers that the exposure to exchange rate fluctuation in respect of US$ is limited. No sensitivity analysis is presented.

(ii) Fair value interest rate risk

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

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

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk

As at 31 December 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's credit risk is primarily attributable to its trade debtors. The Group is exposed to concentration of credit risk as a substantial portion of its trade debtors is generated from a limited number of customers. The top five trade debtors of the Group accounted for about 99% (2018: 98%) of the Group's trade debtors as at 31 December 2019, of which an aggregate carrying amount of HK$231,409,000 (2018: HK$93,597,000) which are past due but not impaired at the end of reporting period. These relate to a number of independent customers for whom there is no recent history of default. The assessment on impairment on debtors is set out in Note 20.

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

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit loss. It considers available reasonable and supportive forwarding-looking information.

As at 31 December 2019, trade receivables that are individually significant have been separately assessed for impairment. The Group makes periodic assessments on the recoverability of the receivables based on the background and reputation of the customers, historical settlement records and past experience.

Majority of the Group's revenue is received from individual customers in relation to energy trading and speaker trading. The Group's trade receivables arise from sales to the customers of these business. In view of the history of business dealings with the debtors and the sound collection history of the receivables due from them, management believes that there is no material credit risk inherent in the Group's outstanding receivable balance due from these debtors saved for the debtor related to the impaired trade receivable disclosed in the below. Management makes periodic assessment on the recoverability of the trade and other receivables based on historical payment records, the length of overdue period, the financial strength of the debtors and whether there are any disputes with the debtors. The directors consider the Group's credit risk of these receivables to be low except for the impaired trade receivable disclosed in the below. The Group does not hold any collateral over these balances.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

The past due aging analysis of these trade receivables is as follows:

	2019 HK$'000	2018 HK$'000
Overdue by:		
Within 30 days	**24,659**	10,740
31 to 60 days	**230,616**	104
61 to 90 days	**–**	–
91 to 120 days	**–**	–
121 to 365 days	**–**	83,620
Over 365 days	**569**	109
	255,844	94,573

Receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. As at 31 December 2019, the balance of loss allowance in respect of these individually assessed receivables was approximately HK$104,419,000 (2018: approximately HK$21,137,000).

The following table presents the balances of gross carrying amount and the loss allowance in respect of the individually assessed receivables as at 31 December 2019 and 2018:

	As at 31 December	
	2019 **HK$'000**	2018 HK$'000
Gross carrying amount	**104,419**	42,274
Loss allowance	**(104,419)**	(21,137)
Net carrying amount	**–**	21,137

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) *Credit risk* *(Continued)*

Movements in the provision for impairment of trade receivables that are assessed for impairment are as follows:

	2019 Lifetime ECL (credit-impaired) HK$'000	2018 Lifetime ECL (credit-impaired) HK$'000
At 1 January	**21,137**	–
Provision for impairment recognised during the year	**85,326**	21,891
Currency translation differences	**(2,044)**	(754)
At 31 December	**104,419**	21,137

The credit quality of other receivables excluding prepayments has been assessed with reference to historical information about the counterparties default rates and financial position of the counterparties. The directors are of the opinion that the credit risk of other receivables is low due to the sound collection history of the receivables due from them. Therefore, expected credit loss rate of other receivables excluding prepayments is assessed to be close to zero and no provision was made as of 31 December 2018 and 2019.

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

(c) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding to meet obligations when due.

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its operation needs and business commitments.

In the opinion of the directors, the Group should have adequate resources to meet its obligations in the forthcoming year on the basis set out in note 2.1.2 to the consolidated financial statements.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

	Contractual undiscounted cash outflow			
	Within 1 year or on demand HK$'000	**After 1 year but within 2 years** HK$'000	**Total** HK$'000	**Carrying amount** HK$'000
At 31 December 2019				
Trade and other payables (excluding non-financial liabilities)	313,712	–	313,712	313,712
Borrowings	1,163,735	–	1,163,735	1,163,735
Convertible loan notes	110,953	–	110,953	103,637
Lease liabilities	2,162	3,477	5,639	5,144
At 31 December 2018				
Trade and other payables (excluding non-financial liabilities)	129,642	–	129,642	129,642
Borrowings	400,076	–	400,076	396,532

3.2 Capital management

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

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation

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

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

(a) Financial assets and liabilities

The fair value of the following financial assets and liabilities approximate their carrying amount as at dates of 31 December 2019 and 31 December 2018 due to their short-term maturity:

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

(b) Non-financial assets and liabilities

(i) Fair value hierarchy

The Group has classified its investment properties into the three levels prescribed under the accounting standards.

	Note	**2019 HK$'000**	2018 HK$'000
Level 3			
Investment properties — leased office	15	**70,910**	95,028
Total non-financial assets		**70,910**	95,028

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

As at 31 December 2019, the valuations of the investment properties was carried out by GuoZeCe of Assets and Real Estate Land Evaluation Co., Ltd (國之策資產與房地產土地評估有限公司) (2018: Xiamen Chengdehang of Assets and Real Estate Land Evaluation Co., Ltd. (廈門誠德行資產與房產土地評估有限公司)). The Group reviews the valuations performed by the independent valuer for financial reporting purposes. Discussions of valuation processes and results are held between management and the independent valuer at least annually.

(iii) Valuation inputs and relationship to fair value

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

Unobservable inputs*	**Inputs**	**Relationship of unobservable inputs to fair value**
Risk-adjusted discount rate	NA (2018: 5%)	The higher the discount rate, the lower the fair value
Expected vacancy rate	NA (2018: 4.17%)	The higher the expected vacancy rate, the lower the fair value
Rental growth rate	NA (2018: 1.0%)	The higher the rental growth rate, the higher the fair value
Market sales price	RMB10,540/m^2 to RMB12,490/m^2 (2018: RMB17,000/m^2 to RMB18,452/m^2)	The higher the market sales price, the higher the fair value

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

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

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

The changes in level 3 items for the year ended 31 December 2019 for recurring fair value measurements are set out in note 15.

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Provision of ECL for trade receivables

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected losses for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. Future cash flows for each group of receivables are estimated on the basis of historical loss experience, adjusted to reflect the effects of current conditions as well as forward looking information. Management has closely monitored the credit qualities and the collectability of the trade receivables. Trade receivables in financial difficulties are assessed individually for impairment to determine whether specific loss allowance provisions are required.

Included in the above provision for impairment of trade and other receivables is a provision for individually impaired trade receivables of approximately RMB75,183,000 (2018: RMB18,520,000) (equivalent to HK$85,326,000 (2018: HK$21,891,000)). The individually impaired trade receivables related to customers that were in financial difficulties.

The information about provision of ECL for the Group's trade receivables are disclosed in notes 3.1(b) and 20.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(b) Current tax and deferred tax

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

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

(c) Impairment of prepayment

The Group's management determines the provision for impairment of prepayment. This estimate is based on the credit history of its suppliers and current market conditions. Management reassesses the provision on a regular basis by reviewing the utilisation of prepayment balance based on past credit history and prior knowledge of supplier insolvency and market volatilities. Details of impairment of prepayment please refer to note 20.

(d) Estimation of the fair values of investment properties

The Group's leased office investment properties are initially measured at cost, and subsequently are carried at fair value. Changes in fair value are recorded in profit or loss. The Group engages external independent and qualified valuer to determine the fair value of the Group's investment properties at the end of every financial year. The valuation of the Group's investment properties is derived by making reference to recent comparable sales transactions available in the relevant property market ("**Market Approach**") (2018: weighted average results of Market Approach and by discounting a projected cash flow series associated with the properties using risk-adjusted discount rates ("**Income Approach**")). In determining the methodology for the measurement of the fair value of investment properties, the directors are of the opinion that Market Approach has less unobservable inputs and more appropriate for current year's situation.

The valuations were dependent on certain key assumptions that require significant management judgement, including market selling price (2018: market selling price and fair market rents).

During the year ended 31 December 2019, a fair value loss of approximately HK$22,279,000 (2018: fair value loss of approximately HK$22,130,000) was recognized in 'other gains/(losses) — net' (note 9).

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(e) Estimation of the fair value of convertible loan notes

The fair value of convertible loan notes at the date of issue is estimated using the binomial model by an independent valuer. The binomial model requires input of subjective assumptions such as expected stock price volatility and discount rate. Changes in these inputs may materially affect the fair value estimates.

5 SEGMENT INFORMATION

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

The board of directors considers the business from business lines perspective, and assesses the performance of the Group in two business lines, (1) energy trading which comprises mainly the trading of fuel oil and kerosene, and (2) speaker manufacturing and trading (2018: four business lines: (1) energy trading which comprises mainly the trading of fuel oil and kerosene, (2) speaker manufacturing, (3) speaker trading and (4) oil tanker transportation). The segments of speaker manufacturing and oil tanker transportation were classified as discontinued operations during the year ended 31 December 2018.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment loss represents the loss from each segment without allocation of finance income or expenses, rental income from investment properties, fair value changes on investment properties, share-based payment expenses and the unallocated operating expenses since these activities are driven by the central function and the related income or expenses are undividual between segments.

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

5 SEGMENT INFORMATION *(Continued)*

Segment information of continuing operations is as follows:

	2019		
	Energy business HK$'000	Speaker business HK$'000	Total HK$'000
Segment results			
Year ended 31 December			
Disaggregated by timing of revenue recognition:			
At a point in time	2,967,855	35,525	3,003,380
	2,967,855	35,525	3,003,380
Segment loss	(454,341)	(28,240)	(482,581)
Rental income from investment properties			53
Fair value loss on investment properties			(22,279)
Share-based payment expenses			(14,411)
Unallocated operating expenses			(23,611)
Operating loss			(542,829)
Finance expenses — net			(45,195)
Loss before income tax			(588,024)
Income tax			(10,105)
Loss for the year from continuing operations			(598,129)
Depreciation charge	671	103	774
Capital expenditure	376	5,253	5,629
Impairment of trade receivables (Note 10)	85,326	–	85,326
Gain on disposal of property, plant and equipment (Note 6)	(61)	–	(61)
Impairment of prepayments (Note 10)	394,514	–	394,514
Gain on disposal of subsidiaries (Note 6)	(3,138)	–	(3,138)
Gain on deregistration of subsidiaries (Note 6)	(41)	–	(41)
Assets			
As at 31 December			
Segment assets	1,595,660	33,051	1,628,711
Unallocated assets			2,640
Investment properties (Note 9)			70,910
Total			1,702,261
Liabilities			
As at 31 December			
Segment liabilities	781,312	17,089	798,401
Unallocated liabilities			54,863
Borrowings (Note 12)			1,163,735
Convertible loan notes			103,637
Current income tax liabilities			8,097
Total			2,128,733

5 SEGMENT INFORMATION *(Continued)*

Segment information of continuing operations is as follows: (Continued)

	2018		
	Energy trading HK$'000	Speaker trading HK$'000	Total HK$'000
Segment results			
Year ended 31 December			
Disaggregated by timing of revenue recognition:			
At a point in time	1,766,199	82,645	1,848,844
	1,766,199	82,645	1,848,844
Segment loss	(302,371)	(14,082)	(316,453)
Rental income from investment properties			335
Fair value loss on investment properties			(22,130)
Unallocated operating expenses			(9,257)
Operating loss			(347,505)
Finance expenses — net			(25,022)
Loss before income tax			(372,527)
Income tax credit			5,930
Loss for the year			(366,597)
Depreciation charge	711	161	872
Capital expenditure	458	–	458
Impairment of trade receivables	21,891	–	21,891
Loss on disposal of property, plant and equipment	271	–	271
Impairment of prepayments	285,952	–	285,952
Loss on disposal of intangible assets	–	598	598
Written-off of inventories	–	236	236
Assets			
As at 31 December			
Segment assets	515,838	52,093	567,931
Unallocated assets			1,050
Investment properties			95,028
Total			664,009
Liabilities			
As at 31 December			
Segment liabilities	177,399	8,004	185,403
Unallocated liabilities			15,107
Borrowings			396,532
Current income tax liabilities			4,076
Deferred income tax liabilities			190
Total			601,308

5 SEGMENT INFORMATION *(Continued)*

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

Continuing operation	2019 HK$'000	2018 HK$'000
PRC	3,003,380	1,769,860
Japan	–	78,766
The United States of America	–	218
Total	3,003,380	1,848,844

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

	2019 HK$'000
Revenue from customer attributable to energy business Company A	712,945
Revenue from customer attributable to energy business Company B	520,907
Revenue from customer attributable to energy business Company C	483,581
Revenue from customer attributable to energy business Company D	375,729

	2018 HK$'000
Revenue from customer attributable to energy business Company E	203,849
Revenue from customer attributable to energy business Company F	198,610
Revenue from customer attributable to energy business Company G	196,475
Revenue from customer attributable to energy business Company H	185,743

Non-current assets, other than financial instruments by country is as follows:

	2019 HK$'000	2018 HK$'000
PRC	75,457	96,196
Hong Kong	2,188	204
	77,645	96,400

6 EXPENSES BY NATURE

	2019 **HK$'000**	2018 HK$'000
Continuing operations		
Changes in inventories of finished goods and work in progress	**–**	(8,710)
Cost of goods sold	**2,914,864**	1,837,608
Employee benefit expense	**45,199**	23,640
Short-term lease expense	**2,086**	–
Storage fees	**8,557**	828
Customs, levies and other taxes	**254**	177
Delivery	**31,279**	336
Utilities	**14**	45
Depreciation — property, plant and equipment	**1,125**	872
Depreciation — right-of-use assets	**944**	–
Research and development cost	**2,426**	3,068
Repairs and maintenance expenses	**3**	55
Legal and professional fees	**8,516**	2,638
Auditors' remuneration — annual report	**752**	552
Auditors' remuneration — others	**203**	10
Written-off of inventories	**–**	236
Loading fee	**9,134**	–
Operating lease payments	**–**	3,131
Other equity-settled share-based payment	**9,919**	–
Other expenses	**11,722**	4,913
Total cost of sales, distribution expenses and administrative expenses	**3,046,997**	1,869,399

6 EXPENSES BY NATURE *(Continued)*

	2019 HK$'000	2018 HK$'000
Discontinued operations		
Changes in inventories finished goods and work in progress	–	54,167
Raw materials and consumables used	–	111,013
Employee benefit expense	–	44,099
Port disbursement and refueling figures	–	12,204
Operating lease payments	–	4,440
Customs, levies and other taxes	–	1,015
Utilities	–	2,221
Depreciation	–	1,614
Repairs and maintenance expenses	–	624
Legal and professional fees	–	317
Auditors' remuneration — others	–	71
Written-off of inventories	–	118
Other expenses	–	10,396
Total cost of sales, distribution expenses and administrative expenses	–	242,299

7 EMPLOYEE BENEFIT EXPENSE

Continuing operations	**2019 HK$'000**	2018 HK$'000
Wages and salaries	**37,148**	23,088
Social security and retirement benefit cost	**3,556**	462
Equity-settled share-based expense	**4,492**	–
Other staff welfare	**3**	90
Total employee benefit expense	**45,199**	23,640

Discontinued operations	**2019 HK$'000**	2018 HK$'000
Wages and salaries	–	40,748
Social security and retirement benefit cost	–	2,803
Other staff welfare	–	548
Total employee benefit expense	–	44,099

7 EMPLOYEE BENEFIT EXPENSE *(Continued)*

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2018: one) directors whose emoluments are reflected in the analysis shown in Note 41. The emoluments payable to the remaining three (2018: four) individuals during the year are as follows:

	2019 **HK$'000**	2018 HK$'000
Salaries, allowances and benefits	**5,118**	6,821
Retirement benefit scheme contributions	**56**	65
Equity-settled share-based expense	**1,034**	–
Bonuses	**2,434**	10,649
	8,642	17,535

The emoluments fell within the following bands:

	Number of Individuals 2019	Number of individuals 2018
Emolument bands (in HK$)		
Within HK$1,000,000	**–**	2
HK$1,000,000–HK$1,500,000	**1**	–
HK$1,500,001–HK$2,500,000	**1**	–
Over HK$2,500,000	**1**	2

During the year, certain non-director and non-chief executive highest paid employees were granted share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in note 24 to the Group's consolidated financial statements.

8 OTHER INCOME

	2019 HK$'000	2018 HK$'000
Continuing operations		
Government grant related to foreign capital injection	–	240
Government grant related to income	**5,821**	2,359
Rental income from investment properties (Note 15)	**53**	335
Others	**807**	–
	6,681	2,934
Discontinued operations		
Government grant related to income	–	18

9 OTHER GAINS/(LOSSES) — NET

	2019 HK$'000	2018 HK$'000
Continuing operations		
Fair value losses on investment properties (Note 9)	**(22,279)**	(22,130)
Net foreign exchange gain	**1,868**	637
Gain on disposal of subsidiaries	**3,138**	–
Gain on deregistration of subsidiaries	**41**	–
Gain/(loss) on disposal of property, plant and equipment	**61**	(271)
Loss on disposal of intangible assets	–	(598)
Written-off of other payable	–	316
Other gains	–	5
Impairment loss of property, plant and equipment	**(4,161)**	–
Impairment loss of right-of-use assets	**(4,721)**	–
	(26,053)	(22,041)
Discontinued operations		
Net foreign exchange loss	–	(1,990)
Gain on disposal of property, plant and equipment	–	1,880
Other gains	–	247
Impairment loss of property, plant and equipment	–	(116)
	–	21

10 FINANCE INCOME AND EXPENSES

	2019 **HK$'000**	2018 HK$'000
Continuing operations		
Interest expense:		
— Bank borrowings	**(29,284)**	(12,777)
— Shareholders' loan	**(1,868)**	–
— Notes payable	**(3,907)**	(13,755)
— Lease liabilities	**(194)**	–
— Convertible loan notes	**(10,254)**	–
Finance expenses	**(45,507)**	(26,532)
Interest income	**312**	1,510
Finance income	**312**	1,510
Finance expenses — net	**(45,195)**	(25,022)
Discontinued operations		
Interest income	**–**	12
Finance income	**–**	12

11 INCOME TAX EXPENSE/(CREDIT)

	2019 HK$'000	2018 HK$'000
Continuing operations		
Current income tax:		
Overprovision in prior years — Hong Kong	–	(1,271)
Current income tax on profits for the year — PRC	**10,105**	1,218
Underprovision in prior years — PRC	–	796
	10,105	2,014
Total current income tax	**10,105**	743
Deferred income tax	–	(6,673)
Income tax expense/(credit)	**10,105**	(5,930)
Discontinued operations		
Current income tax:		
Current income tax on profits for the year — Hong Kong	–	3,075
Current income tax on profits for the year — PRC	–	302
Underprovision in prior years — PRC	–	716
	–	1,018
Total current income tax	–	4,093
Deferred income tax	–	(671)
Income tax expense	–	3,422

11 INCOME TAX EXPENSE/(CREDIT) *(Continued)*

No provision for Hong Kong profits tax has been made, as the Group's subsidiaries in Hong Kong did not derive any assessable profit (2018:16.5% on the estimated assessable profits of the Group's subsidiaries in Hong Kong).

Taxation on PRC income has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the PRC in which the Group operates. The Company's subsidiaries incorporated in the PRC are subject to Enterprise Income Tax ("**EIT**") at the rate of 25% (2018: 25% except for Dongguan Shinhint Audio Technology Limited (Discontinued Operations) which are subject to EIT at the rate of 15%). Dongguan Shinhint Audio Technology Limited obtained the "Certificate of High and New Technology Enterprises" issued by Guangdong Provincial Department of Science and Technology, Department of Finance, State Administration of Taxation and Local Administration of Taxation. The certificate is valid for 3 years from October 2015 to October 2018.

Pursuant to the PRC Enterprise Income Tax Law and its detailed implementation rules, the profits of the PRC subsidiaries of the Group derived since 1 January 2008 will be subject to withholding tax upon the distribution of such profits to foreign investors. For the year ended 31 December 2018, deferred income tax liabilities have been provided for at the applicable tax rate of 10% in this regard based on the expected dividends to be distributed from the Group's PRC subsidiaries in the foreseeable future in respect of the profits generated since 1 January 2008.

11 INCOME TAX EXPENSE/(CREDIT) *(Continued)*

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

	2019 **HK$'000**	2018 HK$'000
Continuing operations		
Loss before income tax	**(588,024)**	(372,527)
Tax calculated at domestic tax rates applicable to loss in the respective countries	**(141,311)**	(89,953)
Tax effects of:		
— Expenses not deductible for tax purpose	**17,429**	316
— Tax losses for which no deferred income tax asset was recognised	**6,623**	9,504
— Overprovision in prior years	**–**	(476)
— Withholding tax on unremitted earnings	**–**	(3,532)
— Temporary differences not recognised	**128,255**	78,193
— Tax effect of income not taxable for tax purpose	**(643)**	(58)
— Tax relief	**(203)**	–
— Others	**(45)**	76
Income tax expense/(credit)	**10,105**	(5,930)

	2019 **HK$'000**	2018 HK$'000
Discontinued operations		
Profit before income tax	**–**	17,091
Tax calculated at domestic tax rates applicable to profits in the respective countries	**–**	2,796
Tax effects of:		
— Expenses not deductible for tax purpose	**–**	48
— Underprovision in prior years	**–**	717
— Withholding tax on unremitted earnings	**–**	59
— Temporary differences not recognised	**–**	91
— Tax effect of prior years' unrecognised tax loss utilised in the year	**–**	(91)
— Tax effect of progress rate	**–**	(165)
— Tax effect of income not taxable for tax purpose	**–**	(20)
— Others	**–**	(13)
Income tax expense	**–**	3,422

12 (LOSS)/EARNINGS PER SHARE

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

	2019 **HK$'000**	2018 HK$'000
Loss for the year attributable to owners of the Company from continuing operations	**(599,250)**	(366,597)
Profit for the year from discontinued operations	**–**	14,786
	(599,250)	(351,811)

	'000	'000
Number of shares		
Weighted average number of ordinary shares at 31 December for the purpose of basic (loss)/earnings per share	**3,299,832**	3,094,517
(Loss)/earnings per share		
— Basic (loss)/earnings per share (in cents per share)		
Continuing operations	**(18.16)**	(11.85)
Discontinued operations	**–**	0.48
	(18.16)	(11.37)

For the year ended 31 December 2019, the Company's share options granted and convertible loan notes were anti-dilutive since their assumed exercise would result in decrease in loss per share from continuing operations.

For the year ended 31 December 2018, the Company's share options granted have no dilutive effect on the (loss)/earnings per share. Calculations are done to determine the number of shares that could have been acquired at fair value (determined by using average market share price of the Company's shares for the twelve months ended 31 December 2018) based on the monetary value of the subscription rights attached to outstanding share options.

Diluted (loss)/earnings per share is therefore equal to basic (loss)/earnings per share. There were no dilutive potential ordinary shares outstanding during the years.

13 SUBSIDIARIES

The following is a list of the principal subsidiaries of the Group at 31 December 2019:

Company	Place of incorporation	Principal activities	Particulars of issued share capital/registered capital	Proportion of shareholding 2019 (%)	Proportion of shareholding 2018 (%)
Continuing operations					
Indirect subsidiaries:					
Shinhint Industries Limited	Hong Kong	Investment holding	HK$5,000,000	**100**	100
Fully Sino Industrial Limited	Hong Kong	Investment holding	HK$1	**100**	100
Max Achieve Holdings Limited	Hong Kong	Trading of speaker units	HK$1	**100**	100
Perfect Goal Holdings Limited	Hong Kong	Trading of speaker units	HK$1	**100**	100
Yuhua Tankers Corporation Limited (note c)	Hong Kong	General trading and investment	HK$1	**–**	100
Yuhua Energy (China) Limited	Hong Kong	Trading of energy products	HK$1	**100**	100
Yuhua Energy Holdings Group (Fujian) Co., Ltd.* (裕華能源控股集團(福建)有限公司)	PRC	Trading of energy products	HK$1,500,000,000	**100**	100
Yuhua Dongshan Energy Co., Ltd.* (裕華東山能源有限公司)	PRC	Trading of energy products	RMB20,000,000	**100**	100
Yuhua Energy (Xiamen) Co., Ltd.* (裕華能源(廈門)有限公司)	PRC	Trading of energy products	RMB150,000,000	**100**	100
Yuhua (Shanghai) Trading Co., Ltd.* (裕華(上海)貿易有限公司)	PRC	Oil trade center	RMB100,000,000	**100**	100
Yuhua Energy (Hong Kong) Limited (note c)	Hong Kong	Oil tanker transportation	HK$1	**–**	100

13 SUBSIDIARIES *(Continued)*

Company	Place of incorporation	Principal activities	Particulars of issued share capital/registered capital	Proportion of shareholding 2019 (%)	Proportion of shareholding 2018 (%)
Continuing operations *(Continued)*					
China Oriental Gold Honour Joy International (Hong Kong) Co., Limited (note e)	Hong Kong	Trading of energy products	HK$10,000	**100**	–
NingXia Deru Energy Co., Ltd.* (寧夏德儒石油化工有限公司) (note e)	PRC	Trading of energy products	RMB100,000,000	**100**	–
NingXia Delihang Youqi Jishu Fuwu Co., Ltd.* (寧夏德力恒油氣技術服務有限公司) (note e)	PRC	Trading of energy products	RMB100,000,000	**100**	–
Shandong Tai Xue Energy Co., Ltd.* (山東泰學能源有限公司) (note e)	PRC	Asset Management	RMB100,000,000	**100**	–
Shandong deru Energy Co., Ltd.* (山東德儒能源有限公司) (note e)	PRC	Trading of energy products	RMB100,000,000	**100**	–
China Oriental Tide Investment Co., Limited (note e)	Hong Kong	Investment holding	HK$10,000	**100**	–
Shandong Tai Xue Energy Co., Ltd.* (山東德學能源有限公司) (note e)	PRC	Trading of energy products	RMB100,000,000	**100**	–
Beijing Century Energy Co., Ltd.* (北京金寶世紀能源有限公司) (note e)	PRC	Trading of energy products	RMB100,000,000	**100**	–

13 SUBSIDIARIES *(Continued)*

Company	Place of incorporation	Principal activities	Particulars of issued share capital/registered capital	Proportion of shareholding 2019 (%)	Proportion of shareholding 2018 (%)
Continuing operations *(Continued)*					
Tianjin Tanhao Energy Product Co., Ltd.* (天津唐昊石油製品銷售有限公司) (note d)	PRC	Trading of energy products	RMB30,000,000	**51**	–
Shanxi Xin Dexue Energy Co., Ltd.* (陝西新德學能源有限公司) (note e)	Hong Kong	Trading of energy products	RMB50,000,000	**100**	–
Ningxia Weiguan Shiyou Huagong Co., Ltd.* (寧夏偉冠石油化工有限公司) (note e)	PRC	Trading of energy products	RMB100,000,000	**100**	–
Discontinued operations					
Crown Million Industries (International) Limited (note f)	Hong Kong	Investment holding and trading of speaker units	HK$10,000	**–**	–
DongGuan Shinhint Audio Technology Limited* (東莞成謙有限公司) (note f)	PRC	Manufacturing of speaker units	HK$10,000,000	**–**	–

Notes:

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

(b) The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or asset of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

(c) The subsidiaries were disposed of on 30 December 2019.

(d) The subsidiary was acquired on 11 November 2019.

(e) The subsidiaries were newly incorporated during the year ended 31 December 2019.

(f) Subsidiaries disposed of on 4 June 2018 (Note 41(a)(1))

* For identification purpose only.

14 PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery HK$'000	Oil tanker HK$'000	Moulds HK$'000	Furniture fixtures and office equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2018							
Cost	5,784	45,795	524	8,110	12,679	3,785	76,677
Accumulated depreciation	(3,867)	(2,099)	(303)	(6,435)	(12,157)	(2,218)	(27,079)
Net book value	1,917	43,696	221	1,675	522	1,567	49,598
Year ended 31 December 2018							
Opening net book amount	1,917	43,696	221	1,675	522	1,567	49,598
Additions	–	–	11	500	197	88	796
Disposal	(1,004)	(42,360)	–	(536)	(208)	(51)	(44,159)
Impairment	–	–	–	–	–	(116)	(116)
Disposal of subsidiaries	(848)	–	(217)	(812)	(394)	(44)	(2,315)
Depreciation charge	(119)	(1,336)	(20)	(312)	(123)	(576)	(2,486)
Currency translation differences	54	–	5	11	6	(22)	54
Closing net book amount	–	–	–	526	–	846	1,372
At 31 December 2018							
Cost	–	–	–	1,559	–	2,199	3,758
Accumulated depreciation	–	–	–	(1,033)	–	(1,353)	(2,386)
Net book amount	–	–	–	526	–	846	1,372

14 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Plant and machinery HK$'000	Oil tanker HK$'000	Moulds HK$'000	Furniture, fixtures and office equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 31 December 2019							
Opening net book amount	–	–	–	526	–	846	1,372
Additions	–	–	2,273	273	4,293	286	7,125
Disposal	–	–	–	–	–	(65)	(65)
Depreciation charge	–	–	(253)	(265)	(132)	(475)	(1,125)
Impairment	–	–	–	–	(4,161)	–	(4,161)
Currency translation differences	–	–	–	(11)	–	(11)	(22)
Closing net book amount	–	–	2,020	523	–	581	3,124
At 31 December 2019							
Cost	–	–	2,273	1,814	4,293	2,245	10,625
Accumulated depreciation and impairment	–	–	(253)	(1,291)	(4,293)	(1,664)	(7,501)
Net book amount	–	–	2,020	523	–	581	3,124

Depreciation expenses of continuing operations for the year ended 31 December 2019 of HK$253,000 and HK$872,000 have been charged in 'cost of sale' and 'administrative expenses', respectively.

Depreciation expenses for the year ended 31 December 2018 of HK$1,614,000 and HK$872,000 have been charged in 'discontinued operations' and 'continuing operations', respectively.

As at 31 December 2019, there was no property, plant and equipment pledged as security (2018: HK$Nil).

The Group recognised significant losses during the year ended 31 December 2019, the management of the Group concluded there was indication for impairment and conducted impairment assessment on recoverable amounts of property, plant and equipment, with carrying amounts of HK$7,285,000. Based on the result of the assessment, management of the Group determined that an impairment of HK$4,161,000 has been recognised against the carrying amount of leasehold improvement.

15 INVESTMENT PROPERTIES

	2019 HK$'000	2018 HK$'000
Investment properties — at fair value		
Opening balance at 1 January	**95,028**	122,005
Fair value losses on investment properties (Note 9)	**(22,279)**	(22,130)
Currency translation differences	**(1,839)**	(4,847)
Closing balance at 31 December	**70,910**	95,028

The investment properties of the Group are certain office floors with area of 6,344 sqm. The properties are located in Xiamen city of Fujian Province, the PRC.

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

	2019 HK$'000	2018 HK$'000
Rental income (Note 8)	**53**	335
Direct operating expenses	**(31)**	(34)
Fair value losses on investment properties (Note 9)	**(22,279)**	(22,130)

The investment properties have been pledged as security for the borrowings of the Group as disclosed in Note 27.

Some of the investment properties are leased to tenants under 5 years operating leases with rentals payable monthly. Minimum lease payments receivable under non-cancellable operating leases of investment properties not recognised in the financial statements are as follows:

	2019 HK$'000	2018 HK$'000
Within one year	**105**	362
In the second year	**69**	182
In the third year	**18**	42
In the fourth year	**34**	44
In the fifth year	**10**	34
	236	664

16 RIGHT-OF-USE ASSETS

	Leased properties HK$'000
As at 1 January 2019	
Carrying amount	–
As at 31 December 2019	
Carrying amount	4,721
Impairment loss	(4,721)
	–
For the year ended 31 December 2019	
Depreciation charge	944
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16	2,086
Additions to right-of-use assets	5,665
Total cash outflow for leases	2,801

During year ended 31 December 2019, the Group leases offices for its operations. Lease contracts are entered into for fixed term of 3 years. 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.

17 INTANGIBLE ASSETS

	2019 HK$'000	2018 HK$'000
Club membership		
Cost and carrying amount		
Opening balance at 1 January	**–**	978
Disposal	**–**	(978)
Cost and carrying amount	**–**	–

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

The club membership was disposed at approximately HK$380,000 (net of transaction cost) on 27 August 2018. The loss on disposal of intangible assets was HK$598,000 (note 9).

18 FINANCIAL INSTRUMENTS BY CATEGORY

	2019 HK$'000	2018 HK$'000
Assets as per statement of financial position		
Financial assets at amortised cost		
Trade and other receivables (excluding prepayments to suppliers, prepayments and export tax rebate receivables)	**260,317**	114,230
Cash and cash equivalents	**320,284**	16,462
Restricted cash	**153**	19,694
	580,754	150,386

	2019 HK$'000	2018 HK$'000
Liabilities as per statement of financial position		
Other financial liabilities at amortised cost		
Borrowings	**1,163,735**	396,532
Trade and other payables (excluding payroll and welfare payables and taxes payables)	**313,712**	129,642
Convertible loan notes	**103,637**	–
	1,581,084	526,174

19 INVENTORIES

	2019 HK$'000	2018 HK$'000
Finished goods		
— Speaker trading	**2,592**	8,710
— Energy trading	**362,874**	–
	365,466	8,710

The cost of inventories (continuing operations) recognised as expense and included in 'cost of sales' amounted to HK$2,914,864,000 (2018: HK$1,829,134,000) which included inventory write-down of HK$nil (2018: HK$236,000) (note 6).

During the year ended 31 December 2018, the cost of inventories (discontinued operations) recognised as expense and included in 'cost of sales' amounted to HK$165,298,000 which included inventory write-down of HK$118,000 (note 6).

20 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2019 **HK$'000**	2018 HK$'000
Trade receivables from third parties	**362,849**	131,089
Trade receivables from related parties	**–**	187
Less: allowance for impairment of trade receivables	**(104,419)**	(21,137)
Trade receivables — net	**258,430**	110,139
Prepayment to suppliers	**1,277,136**	683,267
Less: allowance for impairment of prepayment to suppliers	**(656,952)**	(276,097)
Prepayment to suppliers — net	**620,184**	407,170
Export tax rebate receivables	**49,496**	1,343
Other receivables and deposits	**13,647**	4,091
	941,757	522,743
Deduct: Non-current portion	**(3,044)**	–
Total	**938,713**	522,743

The Group's normally allows a credit period of 45 days to 75 days for speaker business and cash on delivery for energy business to its customers and may further extend the credit period to selected customers depending on their trade volume and settlement history. At 31 December 2019 and 2018, the aging analysis of trade receivables based on invoice date was as follows:

	2019 **HK$'000**	2018 HK$'000
Within 30 days	**256,501**	9,787
31 to 60 days	**1,155**	9,018
61 to 90 days	**204**	7,605
91 to 120 days	**1**	–
121 to 365 days	**–**	83,620
Over 365 days	**569**	109
	258,430	110,139

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

Included in the provision for impairment of trade and other receivables is a provision for individually impaired trade receivables and prepayments of approximately RMB75,183,000 (2018: RMB18,520,000) (equivalent to HK$85,326,000 (2018: HK$21,891,000)) and RMB347,617,000 (2018: RMB241,916,000) (equivalent to HK$394,514,000 (2018: HK$285,952,000), respectively. The individually impaired trade receivables and prepayments related to customers and suppliers that were in financial difficulties. The directors of the Company estimated the amounts of impairment is after taking into consideration the below events:

It came to the attention of management that there were media reports about the liquidity problem of a customer, Zhangjiagang Free Trade Zone Baota Petrochemical Co., Ltd* (張家港保税區寶塔石化有限公司) and a supplier, Shanghai Baota Petrochemical Co., Ltd* (上海寶塔石化有限公司), and their performance on subsequent settlements of the Group's trade receivables and prepayments respectively.

* *For identification purpose only*

The Group's prepayments to suppliers are mainly related to the energy business. The Group pays prepayment to suppliers to secure the supply of fuel oil and kerosene. The prepayments are normally utilised for a period of 30 to 90 days.

Movements in the provision for impairment of prepayments to suppliers that are assessed for impairment are as follows:

	2019 **HK$'000**	2018 HK$'000
At 1 January	**276,097**	–
Provision for impairment recognised during the year	**394,514**	285,952
Currency translation differences	**(13,659)**	(9,855)
At 31 December	**656,952**	276,097

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

	2019 **HK$'000**	2018 HK$'000
RMB	**929,514**	494,795
US$	**2,438**	23,594
HK$	**6,761**	4,354
	938,713	522,743

21 CASH AND BANK BALANCES

	2019 **HK$'000**	2018 HK$'000
Cash and cash equivalents		
Cash on hand and at bank	**320,284**	16,462
Restricted cash		
Deposits at banks	**153**	19,694
Total of cash and bank balances	**320,437**	36,156

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

	2019 **HK$'000**	2018 HK$'000
US$	**5,474**	1,637
RMB	**296,824**	425
HK$	**17,946**	14,356
Other currencies	**40**	44
	320,284	16,462

The restricted cash as at 31 December 2019 of HK$153,000 were bank interest for restricted deposits held at bank.

The restricted cash as at 31 December 2018 of HK$19,694,000 were restricted deposits held at bank as deposit and pledge for bills payables of the Group (note 25).

22 SHARE CAPITAL

	Number of shares	Share capital
		HK$'000
Ordinary shares		
Authorised:		
As at 1 January 2018 (HK$0.0025 each)	8,000,000,000	20,000
Share subdivision (note a)	8,000,000,000	–
As at 31 December 2018 and 2019 (HK$0.00125 each)	**16,000,000,000**	**20,000**
Issued and fully paid:		
As at 1 January 2018 (HK$0.0025 each)	1,547,258,704	3,868
Share subdivision (note a)	1,547,258,704	–
As at 31 December 2018 (HK$0.0025 each)	**3,094,517,408**	**3,868**
Subscription of shares (note b)	**540,000,000**	**675**
Subscription of shares (note c)	**78,000,000**	**98**
As at 31 December 2019 (HK$0.00125 each)	**3,712,517,408**	**4,641**

Notes:

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

(b) On 7 August 2019, the Company has entered into the subscription agreement with the subscriber for the subscription of an aggregate 540,000,000 new shares for aggregate consideration of HK$67,500,000 at the subscription price HK$0.125 per subscription share. Completion of the subscription took place on 21 August 2019.

(c) On 23 September 2019, the Company has entered into the subscription agreement with the subscriber for the subscription of an aggregate 78,000,000 new shares for aggregate consideration of HK$9,516,000 at the subscription price HK$0.122 per subscription share. Completion of the subscription took place on 22 November 2019.

23 OTHER RESERVES

	Share premium HK$'000	Special reserve HK$'000	Statutory reserve HK$'000	Exchange reserve HK$'000	Share option reserve HK$'000	Capital reserve HK$'000	Convertible loan notes equity reserve HK$'000	Total HK$'000
At 1 January 2018	151,656	4,950	14,573	(913)	32,895	–	–	203,161
Currency translation differences	–	–	–	(11,958)	–	–	–	(11,958)
Reclassification of translation reserve upon disposal of subsidiaries	–	–	–	(1,117)	–	–	–	(1,117)
Reclassification of statutory reserve upon disposal of subsidiaries	–	–	(6,402)	–	–	–	–	(6,402)
Appropriation to statutory reserve	–	–	(441)	–	–	–	–	(441)
At 31 December 2018	151,656	4,950	7,730	(13,988)	32,895	–	–	183,243
At 1 January 2019	**151,656**	**4,950**	**7,730**	**(13,988)**	**32,895**	**–**	**–**	**183,243**
Release translation reserve upon deregistration of subsidiaries	**–**	**–**	**–**	**142**	**–**	**–**	**–**	**142**
Currency translation differences	**–**	**–**	**–**	**4,892**	**–**	**–**	**–**	**4,892**
Recognition of equity-settled share-based payments	**–**	**–**	**–**	**–**	**14,411**	**–**	**–**	**14,411**
Contribution by shareholder	**–**	**–**	**–**	**–**	**–**	**1,245**	**–**	**1,245**
Recognition of equity component of convertible loan notes	**–**	**–**	**–**	**–**	**–**	**–**	**11,268**	**11,268**
Share placement	**76,244**	**–**	**–**	**–**	**–**	**–**	**–**	**76,244**
Appropriation to statutory reserve	**–**	**–**	**1,859**	**–**	**–**	**–**	**–**	**1,859**
Reclassification of statutory reserve to accumulated losses upon disposal of subsidiaries	**–**	**–**	**(415)**	**–**	**–**	**–**	**–**	**(415)**
At 31 December 2019	**227,900**	**4,950**	**9,174**	**(8,954)**	**47,306**	**1,245**	**11,268**	**292,889**

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

The convertible loan notes equity reserve represents the equity component (conversion rights) of convertible loan notes issued by the Company. Items included in convertible loan notes equity reserve will not be reclassified subsequently to profit or loss.

Special reserve represents the difference between the nominal value of the entire issued share capital of Shinhint Industries Limited and the aggregate nominal value of the shares issued by the Company pursuant to the group reorganisation in 2005.

24 SHARE-BASED PAYMENTS

On 25 June 2005, a share option scheme was approved and adopted by the shareholders of the Company. Subsequently on 16 September 2019, a revised share option scheme (the "**Share Option Scheme**") was approved and adopted by the shareholders of the Company. The particulars of the Share Option Scheme are as follows:

Purpose

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

Eligible Participants

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

Total number of ordinary shares available for issue

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

Maximum entitlement of each eligible participant

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

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

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

In current year, share options were granted on 24 September 2019 with an aggregate estimated fair value of approximately HK$14,411,000.

The closing price of the Company's shares immediately before 24 September 2019, the date of grant, was HK$0.125.

24 SHARE-BASED PAYMENTS *(Continued)*

These fair values were calculated using the Binominal model. The inputs into the model were as follows:

Date of grant	24.9.2019
Share price at grant date	HK$0.125
Exercise price	HK$0.15
Expected volatility	84.22%
Expected life	10 years
Risk-free rate	1.27%
Expected dividend yield	0%
Sub-optimal exercise factor	11 for employees of the Group and 12 for consultants of the Group

Expected volatility was determined by using the annualised standard deviation of historical share price daily movements of the Company. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised the share-based payments of HK$14,411,000 for the year ended 31 December 2019 (2018: nil) in relation to share options granted by the Company during the year.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in the computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

At 31 December 2019, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 485,700,000, which totally representing 13.08% of the shares of the Company in issue at that date.

24 SHARE-BASED PAYMENTS *(Continued)*

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

For the year ended 31 December 2019

					Number of share options		
Category of participants	**Date of grant**	**Exercise price after (before) share subdivision in 2018**	**Vesting date**	**Exercisable period**	**As at 01/01/2019**	**Granted during the year**	**As at 31/12/2019**
Employees	**19/06/2015**	**HK$0.64125 (HK$1.2825)**	**19/06/2015**	**19/06/2015– 18/06/2025**	**123,200,000**	**–**	**123,200,000**
Employees	**24/09/2019**	**HK$0.15**	**24/09/2019**	**24/09/2019– 23/09/2029**	**–**	**113,000,000**	**113,000,000**
Consultants	**24/09/2019**	**HK$0.15**	**24/09/2019**	**24/09/2019– 23/09/2029**	**–**	**249,500,000**	**249,500,000**

For the year ended 31 December 2018

					Number of share options		
Category of participants	Date of grant	Exercise price after (before) share subdivision	Vesting date	Exercisable period	As at 01/01/2018	Adjustment on share (a)	As at 31/12/2018
Employees	19/06/2015	HK$0.64125 (HK$1.2825)	19/06/2015	19/06/2015– 18/06/2025	61,600,000	61,600,000	123,200,000

(a) Pursuant to the subdivision of ordinary shares of the Company effective on 17 January 2018 as mentioned in Note 22, the number of shares and the exercise price related to the share options granted on 19 June 2015 were adjusted accordingly to 123,200,000 shares and HK$0.64125 respectively.

25 TRADE AND OTHER PAYABLES

	2019 **HK$'000**	2018 HK$'000
Trade payables to third parties	**216,222**	53,625
Trade payables to related parties	**–**	284
Trade payables	**216,222**	53,909
Bills payables	**8,692**	55,923
Payroll and welfare payables	**5,093**	1,077
Amounts due to related parties	**32,354**	7,051
Other payable and accrued expenses	**28,297**	2,027
Interest payable	**32,049**	12,759
	322,707	132,746

The bills payables as at 31 December 2019 were secured by (i) guarantees provided by the Company and (ii) Mr. Lin Caihuo ("**Mr. Lin**") (please refer to Note 39), a director and substantial shareholder of the Company.

The bills payables as at 31 December 2018 were secured by (i) restricted bank deposits of the Group amounting to HK$19,694,000, and (ii) guarantees provided by Mr. Lin and a related company beneficially owned by Mr. Lin.

As at 31 December 2019 and up to the date of this report, the bills payable amounting to HK$8,692,000 were not repaid in accordance with the scheduled payment dates.

As at 31 December 2018, the bank loan principal of HK$204,738,000 (included in the Group's borrowings) and the interest payables amounting to HK$12,759,000 were not repaid in accordance with the scheduled payment dates. This constituted event of defaults resulted in cross-default of bills payables amounting to HK$55,923,000 as at 31 December 2018, of which had original contractual repayment dates beyond 31 December 2018. As a result of the above cross-default, the Group's bills payables became repayable on demand.

25 TRADE AND OTHER PAYABLES *(Continued)*

The suppliers normally allow a credit period of 60 days for speaker business and cash on delivery for energy business of the Group. At 31 December 2019 and 2018, the aging analysis of the trade payables (including bills payables) based on invoice date is as follows:

	2019 **HK$'000**	2018 HK$'000
Within 30 days	**172,959**	6,366
31 to 60 days	**448**	12,712
61 to 90 days	**912**	5,767
91 to 120 days	**1,107**	28,871
Over 120 days	**49,488**	56,116
	224,914	109,832

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

	2019 **HK$'000**	2018 HK$'000
RMB	**271,649**	119,629
HK$	**51,058**	13,117
	322,707	132,746

26 CONTRACT LIABILITIES

	2019 HK$'000	2018 HK$'000
Advances from customers	**525,413**	67,764

Note:

(i) The contract liabilities relate to the advance consideration received from customers for the purchase of energy trading products.

(ii) Movements in contract liabilities during the year is as follows:

	2019 HK$'000	2018 HK$'000
At 1 January	**67,764**	198,585
Increase in contract liabilities as a result of advance consideration received from customers for the purchase of energy trading products	**469,106**	55,822
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(153)**	(181,856)
Decrease in contract liabilities as a result of repaying to customer during the year that was included in the contract liabilities at the beginning of the year	**(1,235)**	–
Currency translation differences	**(10,069)**	(4,787)
At 31 December	**525,413**	67,764

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

— Energy trading products

The Group receives a designated amount of the contract value from customers when the sale and purchase agreement is signed. The advances result in contract liabilities being recognised until the customer obtains control of a promised energy trading products and the entity satisfies a performance obligation.

27 BORROWINGS

	2019 HK$'000	2018 HK$'000
Current		
Bank borrowings		
— secured	**279,595**	258,322
— unsecured	**25,829**	39,821
	305,424	298,143
Notes payable	**–**	98,389
Other borrowings	**209,362**	–
Loans from related companies	**152,670**	–
A loan from the non-controlling interests of a subsidiary	**3,343**	–
Shareholders' loan	**492,936**	–
Total borrowings	**1,163,735**	396,532

(a) Bank borrowings

The secured bank borrowings as at 31 December 2019 were secured by (i) investment properties of the Group (Note 15), (ii) investment properties of Mr. Lin (please refer to Note 39) and a related company beneficially owned by Mr. Lin, (iii) guarantees provided by Mr. Lin and his spouse and two related companies beneficially owned by Mr. Lin, (iv) Corporate guarantee provided by the Company, (v) pledged cash deposit amounted of approximately RMB462,000 (equivalent to approximately HK$515,000), and (vi) ordinary shares of a related company beneficially owned by Mr. Lin.

The secured bank borrowings as at 31 December 2018 were secured by (i) investment properties of the Group (Note 15), (ii) investment properties of Mr. Lin and a related company beneficially owned by Mr. Lin, and (iii) guarantees provided by Mr. Lin and his spouse and two related companies beneficially owned by Mr. Lin.

The unsecured bank borrowings as at 31 December 2019 and 31 December 2018 were supported by guarantees provided by Mr. Lin.

As at 31 December 2019, bank borrowings with principal and interest payables of HK$278,011,000 (2018: HK$204,738,000) and HK$27,917,000 (2018: HK$3,610,000) were default and not repaid in accordance with the scheduled payment dates. In this connection, as at 31 December 2019 and 2018, the investment properties of the Group were seized (note 9).

Up to the date of this report, bank loan principal of HK$305,424,000 and bank loan interest payable of HK$28,983,000 were default and not repaid in accordance with the scheduled payment dates.

27 BORROWINGS *(Continued)*

(a) Bank borrowings *(Continued)*

The outstanding bank borrowings of the Group carry interest at effective interest rate is range from 5.87% to 10.62% (2018: 5.069% to 7.347%) per annum.

As at 31 December 2019 and 31 December 2018, all of the Group's bank borrowings were repayable within one year, and are denominated in the following currencies:

	2019 **HK$'000**	2018 HK$'000
RMB	**292,037**	271,293
HK$	**13,387**	26,850
	305,424	298,143

The Group has the following undrawn bank borrowing facilities:

	2019 **HK$'000**	2018 HK$'000
Fixed rate:		
— Expiring within one year	**–**	–

(b) Notes payable

On 26 April 2017, the Company and Zhongtai Financial Investment Limited ("**Zhongtai**") entered into a subscription agreement, pursuant to which, the Company issued notes with an aggregate principal amount of HK$100,000,000 with interest rate of 6% per annum and due on 28 April 2018 ("**the Notes**").

The Notes were further renewed by amendment deeds signed on 27 April 2018 and 9 November 2018 with extended maturity date on 28 April 2019.

The Notes were supported by Mr. Lin providing a personal guarantee and the pledged his 1,821,053,112 ordinary shares of the Company (representing 58.85% of the issued share capital of the Company as at 31 December 2018) in favour of Zhongtai.

The Notes bear interest from 28 April 2017 at the rate of 6% per annum, payable quarterly in arrear up to 28 April 2019. In addition to the interest payments, the arrangement fee of 5%, 2.5% and 2.5% of the principal amount have to be paid on 27 April 2017, 28 April 2018 and 28 October 2018.

27 BORROWINGS *(Continued)*

(b) Notes payable *(Continued)*

The Company failed to pay the total arrangement fee of HK$5,000,000 on 28 April 2018 and 28 October 2018. In addition to the default in payments of arrangement fee, the Company failed to pay the interest payments and the overdue interest payments of approximately HK$4,149,000 as at 31 December 2018.

Upon occurrence of an event of default, the Notes become immediately due and payable in accordance with the conditions of the Notes, and Zhongtai is entitled to request early redemption of the principal and interest of the Notes. In addition to the event of the interest default, the Company also breached other covenants of the Notes.

The amortized cost of the notes payable was HK$98,389,000 as at 31 December 2018.

On 17 July 2019, the Company issued HK$110,952,907, 10% convertible notes at a par value of HK$1,000,000 each, the Company used the proceeds from the issue of the Convertible Notes for redemption of the Notes and settlement of any outstanding indebtedness in relation thereto. For details, please refer to note 29.

(c) Other borrowings

Borrowings from other third parties were unsecured, interest-free and has a term of 12 months from the date of drawdown.

(d) Loans from related companies

The amount due to related companies is unsecured, interest-free and has a term of 12 months from the date of drawdown.

(e) A loan from the non-controlling interests of a subsidiary

A loan from the non-controlling interests of a subsidiary is unsecured, interest-free and has a term of 12 months from the date of drawdown.

(f) Shareholders' loan

The balance is unsecured, with an average effective annual interest rate of 3% and has a term of 12 months from the date of drawdown.

28 LEASE LIABILITIES

	31 December 2019 HK$'000
Lease liabilities payable:	
Within one year	**1,861**
Within a period of more than one year but not more than two years	**3,283**
	5,144
Less: Amount due for settlement within 12 months shown under current liabilities	**1,861**
Amount due for settlement after 12 months shown under non-current liabilities	**3,283**

29 CONVERTIBLE LOAN NOTES

The Company issued HK$110,952,907, 10% convertible loan notes ("**Convertible Notes**") at a par value of HK$1,000,000 each on 17 July 2019. The Convertible Notes are denominated in Hong Kong dollars and are secured by shareholders of the Company, who have jointly, severally unconditionally and irrevocably guaranteed the due and punctual payment of all sums expressed to be payable by the Company under the Convertible Notes. The Convertible Notes entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the Convertible Notes and their settlement date on 17 July 2020 at a conversion price of HK$0.184 per Convertible Notes. The Company have the options to redeem all or some of the Convertible Notes at par value plus accrued interest at any time between the date of issue of the Convertible Notes and the settlement date. If the Convertible Notes have not been converted or redeemed, they will be redeemed on 17 July 2020 at par. Interest of 10% will be paid annually up until the settlement date.

At initial recognition, the equity component of the Convertible Notes was separated from the liability component. The equity element is presented in equity heading Convertible Notes equity reserve. The early redemption option is considered as closely related to the host debt. The effective interest rate of the liability component is 24.32%.

The movement of the liability component of the convertible loan notes for the year is set out below:

	2019 HK$'000
Carrying amount at the issue date	**98,931**
Interest charge	**10,254**
Interest paid	**(5,548)**
Carrying amount at the end of the year	**103,637**

30 ACQUISITION OF A SUBSIDIARY

On 11 November 2019, the Group acquired 51% of the issued share capital of Tianjin Tanghao Energy Product Co., Ltd.* ("**Tianjin Tanghao**") for consideration of RMB510,000 (equivalent to HK$570,000). This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was RMB509,000 (equivalent to HK$569,000). Tianjin Tanghao is engaged in trading of energy products. Tianjin Tanghao was acquired so as to continue the expansion of the Group's energy products trading operations.

Consideration transferred

	2019 **HK$'000**
Cash	**570**
Total	**570**

Acquisition-related costs have been excluded from the consideration transferred and have been recognised as an expense in the current year in the consolidated statement of profit or loss.

Assets acquired and liabilities recognised at the date of acquisition

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	2019 **HK$'000**
Trade and other receivables	**670**
Bank balances and cash	**1**
Trade and other payable	**(669)**
	2

The fair value of trade and other receivables at the date of acquisition amounted to approximately HK$670,000. The gross contractual amounts of those trade and other receivables acquired amounted to approximately HK$670,000 at the date of acquisition.

* For identification only

30 ACQUISITION OF A SUBSIDIARY *(Continued)*

Goodwill arising on acquisition

	2019 HK$'000
Consideration transferred	570
Plus: non-controlling interests (49% in Tianjin Tanghao)	1
Less: net assets acquired	(2)
Goodwill arising on acquisition	569

Goodwill arose in the acquisition of Tianjin Tanghao because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Tianjin Tanghao. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash outflow on acquisition of Tianjin Tanghao

	2019 HK$'000
Cash consideration paid	(570)
Less: cash and cash equivalents balances acquired	1
Net cash outflow	(569)

Included in the loss for the year is profit of HK$2,289,000 attributable to the additional business generated by Tianjin Tanghao. Revenue for the year includes HK$76,370,000 generated from Tianjin Tanghao.

Had the acquisition been completed on 1 January 2019, revenue for the year of the Group would have been approximately HK$3,390,758,000, and loss for the year of the Group would have been HK$599,010,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2019, nor is it intended to be a projection of future results.

The non-controlling interests recognized at the acquisition date was measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets.

30 ACQUISITION OF A SUBSIDIARY *(Continued)*

Net cash outflow on acquisition of Tianjin Tanghao *(Continued)*

In determining the 'pro-forma' revenue and profit of the Group had Tianjin Tanghao been acquired at the beginning of the current year, the directors of the Company have:

- calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

31 GOODWILL

	2019 HK$'000
Acquisition of a subsidiary (note 30)	**569**
Currency translation differences	**(2)**
At 31 December 2019	**567**

For the purposes of impairment testing, goodwill arising from business combination was allocated to the segment of energy trading business.

32 NON-CONTROLLING INTERESTS

	Share of net assets of a subsidiary HK$'000
Non-controlling interests arising on acquisition of a subsidiary	1
Share of profit for the year	1,121
Currency translation differences	(20)
At 31 December 2019	1,102

33 DEFERRED INCOME TAX

The analysis of deferred income tax liabilities is as follows:

	2019 **HK$'000**	2018 HK$'000
Deferred income tax liabilities — net:		
— To be recovered after more than 12 months	–	(190)

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

	Provisions for inventory write-down HK$'000	**Provisions for long-term service** HK$'000	**Tax losses** HK$'000	**Total** HK$'000
Deferred income tax assets				
At 1 January 2018	71	213	3,676	3,960
(Charge)/Credit to profit or loss	18	(77)	(3,676)	(3,735)
Disposal of subsidiaries (note 42(a)(4))	(92)	(140)	–	(232)
Currency translation differences	3	4	–	7
At 31 December 2018	–	–	–	–
(Charge)/Credit to profit or loss	–	–	–	–
Disposal of subsidiaries	–	–	–	–
Currency translation differences	–	–	–	–
At 31 December 2019	–	–	–	–

33 DEFERRED INCOME TAX *(Continued)*

	Changes in fair value of investment property HK$'000	Withholding tax HK$'000	Acceleration depreciation difference HK$'000	Total HK$'000
Deferred income tax liabilities				
At 1 January 2018	(3,178)	(4,688)	(4,493)	(12,359)
Charge to profit or loss	3,140	3,446	4,493	11,079
Disposal of subsidiaries (note 42(a)(4))	–	1,074	–	1,074
Currency translation differences	38	358	–	396
At 31 December 2018	**–**	**190**	**–**	**190**
Deregistration of subsidiaries	**–**	**(182)**		**(182)**
Currency translation differences	**–**	**(8)**	**–**	**(8)**
At 31 December 2019	**–**	**–**	**–**	**–**

As at 31 December 2019, the Group had unutilised tax loss carried forward to offset future taxable profits of HK$73,710,000 (2018: HK$54,107,000), which was not recognised as deferred income tax asset, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. Included in unrecognised tax losses are losses of HK$16,049,000 (2018: HK$Nil) that will expire in 2024, other losses may be carried forward indefinitely).

At the end of the reporting period, the Group has deductible temporary differences of HK$828,374,000 (2018: HK$317,995,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$16,734,000 (2018: HK$Nil) 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 reverse in the foreseeable future.

34 DIVIDENDS

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: nil).

35 CASH FLOW INFORMATION

(a) Cash used in operations

	2019 HK$'000	2018 HK$'000
Loss for the year	**(598,129)**	(351,811)
Adjustments for:		
— Income tax expenses/(credit)	**10,105**	(2,508)
— Depreciation of property, plant and equipment (Note 6)	**1,125**	2,486
— Depreciation of right-of-use assets (Note 6)	**944**	–
— Equity-settled share-based payment	**14,411**	–
— Fair value losses on investment properties (Note 9)	**22,279**	22,130
— Gain on disposal of property, plant and equipment (Note 9)	**(61)**	(1,609)
— Loss on disposal of intangible assets (Note 9)	**–**	598
— Written-off of other payable (Note 9)	**–**	(316)
— Inventory write-down (Note 6)	**–**	354
— Finance expenses (Note 10)	**45,507**	26,532
— Interest income (Note 10)	**(312)**	–
— Gain on disposal of subsidiaries (Note 36, 42(a)(3))	**(3,138)**	(1,117)
— Gain on deregistration of subsidiaries	**(41)**	–
— Impairment of trade receivables	**85,326**	22,804
— Impairment of prepayments	**394,514**	285,952
— Impairment loss of property, plant and equipment (Note 14)	**4,161**	116
— Impairment loss of right-of-use assets	**4,721**	–
Operating cash flows before movements in working capital	**(18,588)**	3,611
— (Increase)/decrease in inventories	**(363,448)**	14,216
— Decrease in restricted cash	**19,654**	82,195
— (Increase)/decrease in prepayments to supplier	**(607,528)**	182,115
— (Increase)/decrease in trade and other receivables	**(307,488)**	3,522
— Increase/(decrease) in contract liabilities	**467,718**	(126,034)
— Increase/(decrease) in trade and other payables	**149,783**	(247,727)
Cash used in operations	**(659,897)**	(88,102)

35 CASH FLOW INFORMATION *(Continued)*

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

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

	2019 **HK$'000**	2018 HK$'000
Net book amount (Note 14)	**65**	44,159
Gain on disposal of property, plant and equipment (Note 9)	**61**	1,609
Proceeds from disposal of property, plant and equipment	**126**	45,768

In the statement of cash flows, proceeds from disposal of intangible assets comprise:

	2019 **HK$'000**	2018 HK$'000
Net book amount (Note 16)	**–**	978
Loss on disposal of intangible assets (Note 9)	**–**	(598)
Proceeds from disposal of intangible assets (Note 16)	**–**	380

35 CASH FLOW INFORMATION *(Continued)*

(b) Net debt reconciliation

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

	Interest payable (included in trade and other payables)	Amounts due to related parties (included in trade and other payables)	Bank borrowings	Shareholders' loan	A loan from the non-controlling interests of a subsidiary	Loan from related companies	Other borrowings	Lease liabilities	Notes payable	Convertible loan notes	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 January 2019	12,759	7,051	298,143	–	–	–	–	–	98,389	–	416,342
Proceeds	–	16,406	27,919	948,018	3,405	602,666	213,223	–	–	–	1,811,637
Repayment	(2,093)	(4,569)	(272)	(447,158)	–	(447,181)	–	(715)	–	(5,548)	(907,536)
Net cash flows	(2,093)	11,837	27,647	500,860	3,405	155,485	213,223	(715)	–	(5,548)	904,101
Interest expenses amortisation	33,448	–	–	–	–	–	–	–	1,611	10,254	45,313
Lease interest	–	–	–	–	–	–	–	194	–	–	194
New lease entered	–	–	–	–	–	–	–	5,665	–	–	5,665
Repayment on behalf of the Company by shareholder	–	13,513	(13,513)	–	–	–	–	–	–	–	–
Settlement of notes payable by issuing of convertible loan notes	(11,444)	–	–	–	–	–	–	–	(100,000)	98,931	(12,513)
Currency translation differences	(621)	(47)	(6,853)	(7,924)	(62)	(2,815)	(3,861)	–	–	–	(22,183)
As at 31 December 2019	32,049	32,354	305,424	492,936	3,343	152,670	209,362	5,144	–	103,637	1,336,919

35 CASH FLOW INFORMATION *(Continued)*

(b) Net debt reconciliation *(Continued)*

	Interest payable (included in trade and other payables) HK$'000	Amounts due to related parties (included in trade and other payables) HK$'000	Bank borrowings HK$'000	Notes payable HK$'000	Total HK$'000
As at 1 January 2018	295	74,875	210,848	98,165	384,183
Proceeds	–	–	311,459	–	311,459
Repayment	(188)	(67,725)	(211,965)	(13,531)	(293,409)
Net cash flows	(188)	(67,725)	99,494	(13,531)	18,050
Interest expenses amortisation	12,777	–	–	13,755	26,532
Currency translation differences	(125)	(99)	(12,199)	–	(12,423)
As at 31 December 2018	12,759	7,051	298,143	98,389	416,432

36 DISPOSAL OF SUBSIDIARIES

On 30 November 2019, the Group entered into a disposal agreement with Zurich Equities Ltd. to dispose of its subsidiaries, Silver Lane Global Limited, Yuhua Energy (Hong Kong) Limited and Yuhua Tankers Corporation Limited ("**Disposal Group**"). The disposal was completed on 30 December 2019. The net assets of the Disposal Group at the date of disposal were as follows:

	2019 HK$'000
Cash receivables	100
Total consideration receivables	100

36 DISPOSAL OF SUBSIDIARIES *(Continued)*

Analysis of assets and liabilities over which control was lost:

	2019 HK$'000
Bank balances and cash	**37**
Current tax liabilities	**(3,075)**
Net liabilities disposed of	**(3,038)**

Gain on disposal of a subsidiary:

	2019 HK$'000
Consideration receivables	**100**
Less: net liabilities disposed of	**(3,038)**
Gain on disposal	**3,138**

Net cash outflow arising on disposal:

	2019 HK$'000
Cash consideration	**–**
Less: bank balances and cash disposed of	**(37)**
	(37)

37 COMMITMENTS

(a) Capital commitments

At the end of the year, the Group had commitments for future payment for acquisition of property, plant and equipment as follow:

	2019 HK$'000	2018 HK$'000
Within 1 year	**6,891**	–
Later than 1 year and no later than 5 years	**223**	–
	7,114	–

(b) Operating lease commitments — as lessee

At 31 December 2018, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2018 HK$'000
Within 1 year	146
	146

(c) Marketing expenses

	2019 HK$'000	2018 HK$'000
Contractual obligation for future marketing expenses		
Within 1 year	**2,640**	1,400
Later than 1 year and no later than 5 years	**1,540**	–
	4,180	1,400

37 COMMITMENTS *(Continued)*

(d) Inventory management service expenses

	2019 **HK$'000**	2018 HK$'000
Contractual obligation for future inventory management service expenses		
Within 1 year	–	600

38 MAJOR NON-CASH TRANSACTION

During the year, the Group entered into new lease agreements for the use of office for three years. On the lease commencement, the Group recognised approximately HK$5,665,000 of right-of-use asset and approximately HK$5,665,000 lease liability.

During the year, the shareholder repaid the bank borrowings approximately HK$13,513,000 on behalf of the Group.

As at 17 July 2019, the Group issued the convertible loan notes at fair value of approximately HK$110,199,000 to settle the notes payable and the accrual interests amount to approximately HK$111,444,000.

As at 24 September 2019, the Group granted the share options to 23 eligible persons. The Group recognised approximately HK$14,411,000 shares-based payment expenses and approximately HK$14,411,000 share options reserve.

39 SIGNIFICANT RELATED PARTY TRANSACTIONS

A director and substantial shareholder of the Company is Mr. Lin Caihuo who owns beneficially 928,284,839 shares (2018: 1,821,053,112), representing 25.01% shareholding of the Company.

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following significant related party transactions during the year ended 31 December 2019:

(a) Related parties

Name of related parties	Relationship
Tai Sing Industrial Company Limited ("**Tai Sing**")	Beneficially owned by a director of certain speaker subsidiaries of the Company.
陳金洁 ("Chen Jinjie")	Legal representative of certain subsidiaries
北京眾誠嘉業化工貿易有限公司 ("**Beijing Zhongcheng Jiaye Huagong Trading Company**")	Director of the related party is legal representative of a subsidiary

(b) Related party transactions

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

	Transactions	Note	2019 HK$'000	2018 HK$'000
Tai Sing	— Sales of goods	(i)	**–**	4,017
	— Purchase of materials	(i)	**6,229**	9,902
	— Technical service expense	(i)	**2,400**	2,400
	— Rental expenses	(ii)	**1,728**	1,728

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

(ii) Rental payment to Tai Sing were expenses relating to lease with lease term shorter than 12 months.

39 SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

(c) Related party balances

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

	2019 HK$'000	2018 HK$'000
Trade receivables (Note 20)		
— Tai Sing	**–**	187
Amounts due to related parties (Note 25) (Note)		
— A substantial shareholder	**24,957**	7,051
— Tai Sing	**7,397**	–
	32,354	7,051
Trade payable (Note 25)		
— Tai Sing	**–**	284
Loans from related companies (Note 27)		
— Chen Jinjie	**122,580**	–
— Beijing Zhongcheng Jiaye Huagong Trading Company	**30,090**	–
	152,670	–

Note: The amount due to a substantial shareholder of HK$24,957,000 (2018: HK$7,051,000) represented advances from Mr. Lin to support the working capital requirements of the Group and the purchases of properties, plant and equipment of the Group. The amounts with related parties are all unsecured, interest free and repayable on demand.

(d) Compensation of key management personnel

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

	2019 HK$'000	2018 HK$'000
Salaries and other short-term benefits	**5,592**	1,996

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

40 SUMMARY FINANCIAL INFORMATION OF THE COMPANY

(a) Statement of financial position of the Company

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
Assets		
Non-current assets		
Investment in subsidiaries	**14,607**	1,230
Amounts due from subsidiaries — non-current	**154,176**	248,608
Right-of-use assets	**–**	–
Property, plant and equipment	**168**	–
	168,951	249,838
Current assets		
Other receivables	**2,225**	841
Cash and cash equivalents	**181**	182
	2,406	1,023
Total assets	**171,357**	250,861

40 SUMMARY FINANCIAL INFORMATION OF THE COMPANY *(Continued)*

(a) Statement of financial position of the Company *(Continued)*

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
Equity		
Share capital	**4,641**	3,868
Other reserves	**395,366**	292,198
Accumulated losses	**(555,188)**	(362,922)
Total equity	**(155,181)**	(66,856)
Liabilities		
Non-current liabilities		
Lease liabilities	**3,283**	–
Deferred income tax liabilities	**–**	–
	3,283	–
Liabilities		
Current liabilities		
Amount due to subsidiaries	**179,175**	179,175
Other payables	**25,195**	13,303
Lease liabilities	**1,861**	–
Convertible loan notes	**103,637**	–
Borrowings	**13,387**	125,239
	323,255	317,717
Total liabilities	**326,538**	317,717
Total equity and liabilities	**171,357**	250,861

The statement of financial position of the Company was approved by the Board of Directors on 15 April 2020 and was signed on its behalf.

Chen Jinle	**Yuan Hongbing**
Director	*Director*

40 SUMMARY FINANCIAL INFORMATION OF THE COMPANY *(Continued)*

(b) Reserve movement of the Company

	Share premium HK$'000	Special reserve HK$'000	Share option reserve HK$'000	Capital reserve HK$'000	Convertible loan notes equity reserve HK$'000	Retained earnings/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2018	151,656	107,647	32,895	–	–	32,108	324,306
Loss for the year	–	–	–	–	–	(395,030)	(395,030)
At 31 December 2018	151,656	107,647	32,895	–	–	(362,922)	(70,724)
At 1 January 2019	**151,656**	**107,647**	**32,895**	**–**	**–**	**(362,922)**	**(70,724)**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(192,266)**	**(192,266)**
Recognition of equity-settled share-based payments	**–**	**–**	**14,411**	**–**	**–**	**–**	**14,411**
Recognition of equity component of convertible loan notes	**–**	**–**	**–**	**–**	**11,268**	**–**	**11,268**
Issue of ordinary share	**76,244**	**–**	**–**	**–**	**–**	**–**	**76,244**
Contribution by shareholder	**–**	**–**	**–**	**1,245**	**–**	**–**	**1,245**
At 31 December 2019	**227,900**	**107,647**	**47,306**	**1,245**	**11,268**	**(555,188)**	**(159,822)**

(c) Contingencies of the Company

The Company provided guarantee to a subsidiary of the Company's (i) bill payables in the amount of RMB7,800,000 (2018: RMB8,000,000) (equivalent to HK$8,692,000 (2018: HK$9,130,000)) and (ii) bank borrowing in the amount of RMB11,165,000 (2018: RMB11,365,000) (equivalent to HK$12,442,000 (2018: HK$12,971,000)) with a guarantee ceiling of RMB50,000,000 (2018: RMB50,000,000) (note 25, 27).

41 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director is set out below:

Name	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Other emoluments HK$'000	Total HK$'000
For the year ended 31 December 2019:						
Executive directors						
Chen Jinle (Note (ii))	–	2,100	–	–	–	2,100
Lin Caihuo	–	1,200	–	–	–	1,200
Wang Enguang (Note (iii))	–	83	–	–	–	83
Yuan Hongbing (Note (ii))	–	840	–	–	–	840
Non-executive director						
Wang Shoulei	240	–	–	–	–	240
Independent non-executive directors						
Lum Pak Sum (Note (iv))	39	–	–	–	–	39
Liu Yang	120	–	–	–	–	120
Tche Heng Hou Kevin (Note (v))	93	–	–	–	–	93
Xu Changyin (Note (vi))	76	–	–	–	–	76
Gao Han (Note (vii))	31	–	–	–	–	31
Total	599	4,223	–	–	–	4,822

41 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' emoluments *(Continued)*

Name	Fees	Salary	Discretionary bonuses	Employer's contribution to a retirement benefit scheme	Other emoluments	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
For the year ended 31 December 2018:						
Executive directors						
Lin Caihuo	–	1,200	–	–	–	1,200
Wang Enguang (Note (iii))	–	200	–	–	–	200
Non-executive director						
Wang Shoulei	240	–	–	–	–	240
Independent non-executive directors						
Lum Pak Sum (Note (iv))	120	–	–	–	–	120
Liu Yang	120	–	–	–	–	120
Wong Yan Ki, Angel (Note (i))	116	–	–	–	–	116
Total	596	1,400	–	–	–	1,996

Notes:

(i) Resigned on 17 December 2018.

(ii) Appointed on 31 May 2019.

(iii) Resigned on 31 May 2019.

(iv) Resigned on 25 April 2019.

(v) Appointed on 25 June 2019.

(vi) Appointed on 16 June 2019.

(vii) Appointed on 29 October 2019.

41 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits during the year (2018: HK$Nil).

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

During the year ended 31 December 2019, the Company did not pay consideration to any third parties for making available directors' services (2018: HK$Nil).

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

During the year ended 31 December 2019, there is no loans, quasi-loans and other dealing arrangements in favour of directors, or controlled bodies corporate by and connected entities with such directors (2018: HK$Nil).

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

Save as disclosed in the consolidated financial statements, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2018: HK$Nil).

42 DISCONTINUED OPERATIONS

(a)(1) Description

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

The Target Group was sold on 4 June 2018 (the "**Completion Date**") for a cash consideration of HK$32,655,000 pursuant to the Amendment to the Share Purchase Agreement dated on 5 December 2018. The results of the Target Group are presented in the consolidated statement of profit or loss as a discontinued operation.

42 DISCONTINUED OPERATIONS *(Continued)*

(a)(2) Financial performance and cash flow information

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

	2018.01.01– 2018.06.04 HK$'000
Revenue	229,868
Cost of sales	(209,187)
Gross profit	20,681
Distribution expenses	(1,455)
Administrative expenses	(13,409)
Other income	18
Other losses — net	(3,485)
Operating profit	2,350
Finance income	12
Profit before income tax	2,362
Income tax expense	(1,164)
Profit after income tax	1,198

42 DISCONTINUED OPERATIONS *(Continued)*

(a)(2) Financial performance and cash flow information *(Continued)*

The profit from the discontinued operations is analysed as follows:

	2018.01.01– 2018.06.04 HK$'000
Profit of discontinued operations for the period	1,198
Gain on disposal of the Target Group	1,117
	2,315
Currency translation differences from discontinued operations	801
Reclassification of translation reserve upon disposal of subsidiaries	(1,117)
Other comprehensive losses from discontinued operations	(316)
Net cash outflow from operating activities	(7,778)
Net cash outflow from investing activities	(340)
Net cash outflow from financing activities	–
Net decrease in cash from discontinued operation	(8,118)

42 DISCONTINUED OPERATIONS *(Continued)*

(a)(3) Gain on disposal of the Target Group

	2018 HK$'000
Net assets disposed of	32,655
Reclassification of translation reserve upon disposal of subsidiaries	(1,117)
	31,538
Gain on disposal	1,117
Total consideration	32,655
Satisfied by:	
Cash received or receivable as consideration	32,655
Net cash inflow arising on disposal:	
Cash received or receivable as consideration	32,655
Consideration receivable	(3,265)
Total cash consideration received	29,390
Less: bank balance and cash disposed of	(4,857)
	24,533

The consideration was determined by reference of the net asset value of the Target Group as at the Completion Date. As at 31 December 2018, the consideration has been 90% paid according to the disposal agreement.

42 DISCONTINUED OPERATIONS *(Continued)*

(a)(4) Analysis of assets and liabilities over which control was lost:

	2018 HK$'000
Assets	
Non-current assets	
Property, plant and equipment	2,315
Rental deposits	624
Deferred income tax assets	232
	3,171
Current assets	
Inventories	44,206
Trade and other receivables and prepayments	124,212
Cash and cash equivalents	4,857
	173,275
Total assets	176,446
Liabilities	
Non-current liabilities	
Deferred income tax liabilities	1,074
Current liabilities	
Trade and other payables	142,419
Current income tax liabilities	298
	142,717
Total liabilities	143,791
Net assets disposal of	32,655

42 DISCONTINUED OPERATIONS *(Continued)*

(b)(1) Description

On 17 August 2018, the Group entered into a disposal agreement with an independent third party in relation to the disposal of a vessel owned by a wholly owned subsidiary of the Company.

The vessel was sold on 17 August 2018 (the "**Completion Date**") for cash consideration of approximately HK$45,702,000. Gain of HK$3,317,000 was resulted from the disposal. Subsequent to the disposal of vessel, the segment of oil tanker transportation was discontinued. The results of the segment of oil tanker transportation are presented in the consolidated statement of profit or loss as a discontinued operation.

(b)(2) Financial performance and cash flow information

Financial information relating to the oil tanker transportation segment for the year is set out below.

	2018 HK$'000
Revenue	29,471
Cost of services	(17,712)
Gross profit	11,759
Administrative expenses	(536)
Other gains — net	3,506
Profit before income tax	14,729
Income tax expense	(2,258)
Profit after tax	12,471
Net cash inflow from operating activities	11,894
Net cash inflow from investing activities	45,703
Net cash outflow from financing activities	(58,299)
Net decrease in cash from discontinued operation	(702)

43. EVENT OCCURRING AFTER THE REPORTING PERIOD

After the end of the reporting period, the outbreak of novel coronavirus (COVID-19) continues to spread across the world.

The COVID-19 has impact on the business operations of the Group and the degree of the impact depends on the situation of the epidemic preventive measures and the duration of the epidemic.

The Group will monitor the developments of COVID-19 situation closely, assess and react actively to its impacts on the financial position and operating results of the Group. Up to the date of this report, the assessment is still in progress.

Given the dynamic nature of these circumstances, the related impact on the Group's consolidated results of operations, cash flows and financial condition could not be reasonably estimated at this stage and will be reflected in the Group's 2020 interim and annual financial statements.

Financial Summary

	Year ended 31 December				
	2015 HK$'000	2016 HK$'000	2017 HK$'000 (Restated)	2018 HK$'000	**2019** **HK$'000**
RESULTS					
Continuing operations:					
Revenue	4,735,523	5,915,428	9,500,029	1,848,844	**3,003,380**
Profit/(Loss) for the year from continuing operations	(10,172)	24,370	29,154	(366,597)	**(598,129)**
Profit for the year from discontinued operations	–	–	17,699	14,786	**–**
Profit/(Loss) for the year	(10,172)	24,370	46,853	(351,811)	**(598,129)**
Attributable to:					
Owners of the Company	(10,172)	24,370	46,853	(351,811)	**(599,250)**
Non-controlling interests	–	–	–	–	**1,121**
	(10,172)	24,370	46,853	(351,811)	**(598,129)**

	At 31 December				
	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019** **HK$'000**
ASSETS AND LIABILITIES					
Total assets	733,243	922,016	1,530,130	664,009	**1,714,437**
Total liabilities	(379,487)	(566,768)	(1,102,543)	(601,308)	**(2,140,909)**
Shareholders' funds	353,756	355,248	427,587	62,701	**(426,472)**
Equity attributable to owners of the Company	353,756	355,248	427,587	62,701	**(427,574)**
Non-controlling interests	–	–	–	–	**1,102**
	353,756	355,248	427,587	62,701	**(426,472)**

Certain comparative figures have been restated to conform with current year's presentation.