STRONG PETROCHEMICAL HOLDINGS LIMITED

海峽石油化工控股有限公司*

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

Annual Report 2020

* *For identification purposes only*

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

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

BOARD COMMITTEES

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

COMPANY SECRETARY

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

AUTHORISED REPRESENTATIVES

Mr. WANG Jian Sheng
Mr. YAO Guoliang

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
(resigned on 10 December 2020)
BDO Limited
Certified Public Accountants
(appointed on 14 December 2020)

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
(formerly known as "SMP Partners (Cayman) Limited")
Suite 3204, Unit 2A
Block 3, Building D, P.O. Box 1586
Gardenia Court, Camana Bay
Grand Cayman KY1-1100
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of Communications (Hong Kong) Limited
China CITIC Bank International Limited
Credit Suisse AG
DBS Bank (Hong Kong) Limited

WEBSITE

www.strongpetrochem.com

SHARE INFORMATION

The Stock Exchange of Hong Kong Limited
Stock code: 00852

Five-Year Financial Summary

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

	2020	2019	2018	2017	2016
Results (HK$'000)					
Revenue	**6,572,314**	17,356,253	22,810,604	12,162,601	8,617,315
(Loss) profit before taxation from continuing operations	**(65,120)**	124,125	8,227	20,985	41,396
Income tax (expense) credit	**(19,294)**	57	(776)	(21)	1,476
(Loss) profit from continuing operations	**(84,414)**	124,182	7,451	20,964	42,872
Profit from discontinued operations	**–**	–	–	–	133,049
(Loss) profit for the year	**(84,414)**	124,182	7,451	20,964	175,921
Assets and Liabilities (HK$'000)					
Total assets	**1,747,967**	3,872,982	3,663,110	3,766,064	3,333,558
Total liabilities	**(326,339)**	(2,365,018)	(2,289,159)	(2,387,064)	(2,104,182)
Total equity	**1,421,628**	1,507,964	1,373,951	1,379,000	1,229,376

Chairman's Statement

To all shareholders,

I present herewith the audited consolidated financial results of the Group for the year ended 31 December 2020 (the "year").

Revenue for the year ended 31 December 2020 was approximately Hong Kong dollar ("HK$") 6,572.3 million (2019: approximately HK$17,356.3 million). Loss attributable to owners of the Company for the year was approximately HK$93.0 million (2019: profit of approximately HK$125.0 million).

BUSINESS REVIEW AND PROSPECTS

Trading of Commodities

In the depths of the unfavourable year 2020, the remorseless outbreak and spread of the COVID-19 pandemic together with the rapidly deteriorating relationship between the People's Republic of China (the "PRC") and the United States of America (the "US") shocked the world and triggered one of the deepest economic recession over a century. In 2020, it has been a difficult time for the Group. The unstoppable blows of the COVID-19 pandemic and the oil price shock, together gave a hard slam particularly to the Group, being one of the commodities traders within the energy sector. Many of these commodities traders, including us, were dependent upon the global demand of energy products, especially for oil and gas which fell grievously due to the significant effect brought by seriously disrupted economic activities. Commodities traders were already grappling with increasing levels of debt and multifaceted economic fragility, and struggling for survival in the present crisis. Under the severe impact of the abovementioned circumstances, the Group's trading business and business expansion had hit a snag.

Since the outbreak of COVID-19 in early 2020, the impact of the pandemic on commodities had been uneven and had lasting effects for energy markets. Brent oil prices fell dramatically in the early stages of COVID-19 from the highest price of the year in January 2020 of United States dollar (US$) 68.91 per barrel ("BBL") to the lowest price since June 1999 in April 2020 of US$19.33 per barrel. The oil price started to plunge in mid-March 2020 while the demand for energy related commodities slumped. With countries and major cities on blockade, which involved the restriction of people's movement and social distancing policies, the demand for oil and gas fell significantly. Moreover, the outburst of the devastating oil war between Saudi Arabia and Russia in March 2020 due to disagreement on oil production further pushed the oil price down. The energy sector has experienced an imbalance of supply and demand, further exacerbating the decline in oil price. During the second half of the year, demand for oil rose back mainly because of the PRC's fast rebound in economic recovery from lockdown. The Caixin China General Manufacturing Purchasing Managers' Index rebound from its lowest 49.4 in April 2020 and reached its record high for the year in November 2020 of 54.9. In addition, global economic activities were anticipated to return to normal when the spread of pandemic was under control, thus Brent oil prices had mostly regained pre-pandemic price levels of US$51.80 per barrel at the end of the year.

2020 was a tough year for the Group and we have tried our best to overcome the difficulties we encountered. In view of the adverse market condition with uncertain oil price trend, our crude oil team continued to focus on back-to-back trade arrangement, instead of keeping inventories, which was less risky in nature. During the year, the sharp fall of sales of crude oil because of weak demand had led to the overall decrease in the Group's revenue for the year. Moreover, the scandal in the Singapore's energy sector caused banks to restrict the grant of credit line facilities to oil traders. As a result, the Group could only obtain limited bank financing for trades and missed some profitable deals, which further explained the reason for the depressed plunge of sales of crude oil for the year. Despite the weak demand, we made every endeavor to explore our sales channels in the PRC for the tradings of petroleum products and petrochemicals. The effort paid off, with the increase in revenue generated from trading of petroleum products and the growth in trading volume of petrochemicals. To deal with the critical trading situation, we did our utmost to maintain business relationships with our key customers, to strengthen our trading networks and to expand our commodities range.

Chairman's Statement

Storage and Other Ancillary Services for Petroleum Products and Petrochemicals and Leases

Strong Petrochemical (Nantong) Logistics Company Ltd. ("Strong Nantong"), our indirect wholly-owned subsidiary, operates its storage facilities with 21 storage tanks and a capacity of 139,000 cubic meters in Jiangsu Province, the PRC. During the year, Strong Nantong continued to develop business relationship with long-term core customers. Due to the ability to charge higher service fee premium, the increased utilisation rate of storage tanks, the increased proportion of long-term lease storage tanks with core customers and the effort of the management, Strong Nantong reported growths in storage revenue and net profit in the year comparing to those in 2019. We are confident that Strong Nantong can maintain its profitability in the coming years and secure a stable revenue stream for the Group.

Huizhou Daya Bay Nicefame Chemical Storage and Trading Co., Ltd. ("Huizhou Nicefame"), our previously indirect non wholly-owned subsidiary, provided storage services of petrochemicals with a capacity of 105,000 cubic meters in Guangdong Province, the PRC. Huizhou Nicefame was disposed in December 2020 because there were different points of view between the Group and the minority shareholder of Huizhou Nicefame, and therefore, a common consensus in terms of business strategies, operational goals and direction of future development could not be reached. Huizhou Nicefame was principally engaged in providing storage services for liquid petrochemicals and other hazardous chemicals. Huizhou Nicefame achieved an increase in storage revenue which was benefited by the increase in demand for storage of slow-moving petrochemicals and petroleum products during the year.

Prospects

In August 2020, the Group agreed to make a capital commitment to subscribe for the participating shares in SH Energy Fund 1 ("SH Energy") of up to US$25.0 million (equivalent to approximately HK$195.0 million). The principal purpose of this investment is to diversify the investment portfolio of the Group with aims to enhance profitability and broaden its revenue streams. In 2020, SH Energy has invested in a Tianjin oil fields project which is profitable and generates positive cash flows. We believe that there is a good prospect for the performance of SH Energy with the continual increase in production output of such oil fields. In view of the increasing demand of oil, we are confident that oil price should recover gradually, although the price may be volatile. We believe that the investment in SH Energy will enable the Group to exploit profitable investment opportunities by investing in targets of privately held oil and gas assets and companies in the explorative and/or production stage, as well as assets and companies involved in the upstream and/or downstream oil and gas production processes.

Quality Global Holdings Limited ("Quality Global"), an indirect wholly-owned subsidiary of the Company, has acquired the entire share capital of Copower Properties Investments Company Limited ("Copower Properties") which owns properties in Hong Kong, at a consideration of HK$78.0 million in August 2020. Despite the Hong Kong property market initially comes off in terms of value in 2020, the Group still sees the long-term value in the market. COVID-19 did soften the property market and dent sentiment, however, as the political situation in Hong Kong becomes stabilised, this gives buyers a lot more confidence to return and invest. Looking forward, the Group is positive about the value growth of investment properties and expects that the properties will generate a stable and recurrent lease income for the Group.

Fujian Hong Kong Petrochemical Limited ("Fujian Petrochemical"), an indirect wholly-owned subsidiary of the Company, was established in Quanzhou City, Fujian Province, the PRC in April 2019 with principal activities of manufacturing and trading of petrochemicals. Fujian Petrochemical has been in the process of setting up a petrochemicals manufacturing plant (the "Fujian Plant") in Fujian Province of the PRC. We expect to begin the construction of the Fujian Plant in the second quarter of 2021. The expected commencement date of operation of the Fujian Plant is late 2021. In the meantime before the plant construction takes place, Fujian Petrochemical participated in a number of trade and business activities. Fujian Petrochemical obtained various trade certifications and qualifications, and was granted a certain degree of credibility in the local trade market by establishing trading relationship with industry leading companies and has accumulated valuable marketing experience and improved its business capabilities. We are confident that the production and sales departments of Fujian Petrochemical can connect seamlessly while the manufacturing process commences, which we can foresee would lead to an increase in revenue generated from trading of petrochemicals.

Chairman's Statement

Looking forward to 2021, despite the COVID-19 pandemic continuing to cast its shadow over global businesses and economies, on the bright side, the world sees the light at the end of the tunnel due to the execution of globalised vaccination programmes and the forthcoming recovery of trade and business activities. Especially in the PRC, manufacturers have implemented returns to operation when the spread of virus leveled off. The successful containment policies and measures of the PRC government led to a quick economic recovery in the country. Meanwhile, thanks to the foreseeable euphoria about COVID-19 fight back, Brent oil prices have recently raised above US$65 per BBL for the first time since the beginning of 2020. Indeed, we are optimistic that oil market has moved away from shallow backwardation, and are looking ahead to efforts of oil producers to consolidate the oil price recovery. Fighting the COVID-19 pandemic is an arduous and long-lasting battle which requires perseverance and patience. We will closely monitor the changes in the international oil prices, the fast-changing global environment and the worldwide economic recovery progress, especially in the PRC. We will also keep a close eye with caution on the potential trading opportunities in the PRC following its further improving economy. Under these special circumstances, we will maintain our cost competitiveness to sustain our level of gross profit margin, carry out prudent decisions in our trades and investments, devote in cutting distribution and selling expenses and administrative expenses to a reasonable level by implementing stringent cost controls and put extra efforts to make various attempts for bank financing in support of our trade transactions. Furthermore, we will strengthen our cash flow management to overcome the impact of the unprecedented COVID-19 pandemic and safeguard the Group's profitability and sustainability in the long run.

APPRECIATION

Finally, on behalf of the board of directors of the Company ("Directors", collectively, the "Board"), I wish to take this opportunity to express my sincere gratitude to our shareholders and business partners for their continued support over the year on this painful road to overcoming the challenges posed by the global pandemic and fluctuating oil prices. I believe that with the joint efforts of our fellow Directors, our management and our committed colleagues, we will remain confident and positive, and be undaunted in our determination to succeed.

Wang Jian Sheng
Chairman

Hong Kong, 31 March 2021

Management Discussion and Analysis

BUSINESS REVIEW

Trading of Commodities

Affected by the global macro economy in 2020, our trading business of commodities was severely and massively impacted. Due to the poor worldwide economic environment and adverse market condition, a significant decrease in overall revenue compared to last year was as expected. The situation was similarly faced by other commodities traders and we were no exception. In 2020, our trading strategy on crude oil continued to apply by focusing on back-to-back trade arrangement which was considered less risky and we inclined to keep a low level of inventories to minimise inventory risk. The major cause of critical drop in revenue generated from trading of crude oil was due to significant declined demand in the PRC market and drop of crude oil price, which were the consequences of the COVID-19 crisis. On the other hand, our petroleum products team inspirationally expanded its sales channels which enhanced its trading activities in the PRC, thus facilitated an increase in revenue generated from petroleum products for the year by 2.3 times, compared to that in last year, after offsetting the effect brought by the declined demand in the PRC. For trading of petrochemicals, the steep drop in price of petrochemicals in the PRC led to the decrease in revenue generated from trading of petrochemicals. The trading volume of coal decreased deeply because of the decreased demand from the Vietnam power plants under the backdrop of the pandemic. As a result of the huge market price volatility and bank credit crunch, revenue generated from trading of iron ore recorded a decrease, and the trading of iron ore was suspended since March 2020.

Storage and Other Ancillary Services for Petroleum Products and Petrochemicals and Leases

Strong Nantong, our indirect wholly-owned subsidiary, provides storage services with 21 storage tanks and a capacity of 139,000 cubic meters. Strong Nantong is principally engaged in providing storage services for gas oil and diesel fuel. The total throughput increased from approximately 1,947,000 metric tons (“MT”) in 2019 to approximately 1,980,000 MT in 2020. During the year, Strong Nantong has recorded increases in both revenue and profit which were benefited by its ability to charge for higher service fee premium and the increase in total throughput. By increasing the percentage of long-term lease storage, reducing temporary storage lease, and by virtue of the enduring business cooperation with core customers, Strong Nantong maintained a stable source of income from the storage business.

Huizhou Nicefame, our previously indirect non wholly-owned subsidiary, operated its storage facilities with a capacity of 105,000 cubic meters and was principally engaged in providing storage services for liquid petrochemicals, petroleum products and other hazardous chemicals. During the year and up to the disposal of Huizhou Nicefame in December 2020, Huizhou Nicefame’s continuous effort on providing quality services, with the benefits of synergy effect of its storage and trading businesses contributed to a boost in storage revenue.

Management Discussion and Analysis

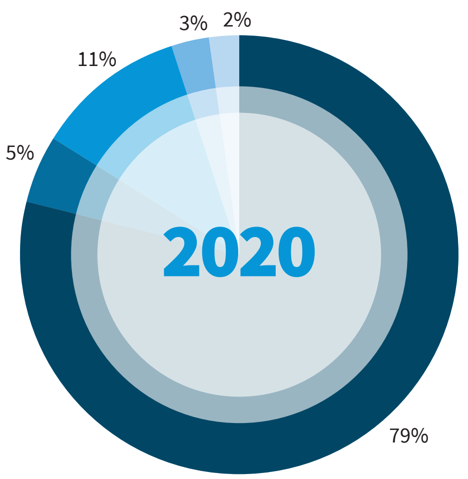
FINANCIAL REVIEW

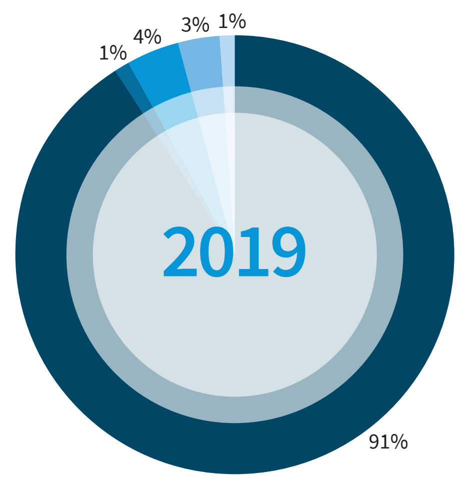
Revenue

Trading of commodities

The Group is principally engaged in the trading of commodities. The revenue from trading business of the Group was approximately HK$6,481.0 million (2019: approximately HK$17,288.2 million) for the year. Approximately 79% (2019: 91%) of the Group's revenue from trading business was generated from trading of crude oil for the year, while the revenue generated from trading of petroleum products was approximately 5% (2019: 1%) and the revenue generated from trading of petrochemicals was approximately 11% (2019: 4%). Revenue generated from trading of coal was approximately 3% (2019: 3%). The trading of iron ore generated approximately 2% (2019: 1%) of the Group's revenue from trading business.

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





2020		2019	
79%	Trading of crude oil	91%	Trading of crude oil
5%	Trading of petroleum products	1%	Trading of petroleum products
11%	Trading of petrochemicals	4%	Trading of petrochemicals
3%	Trading of coal	3%	Trading of coal
2%	Trading of iron ore	1%	Trading of iron ore

Management Discussion and Analysis

The trading volume of crude oil decreased from 30,167,689 BBL in the last year to 15,398,408 BBL for the year since the overall demand in crude oil from the PRC customers decreased significantly. Due to the successful expansion of sales channels in the PRC, the trading volumes of petroleum products and petrochemicals increased from 23,225 MT in the last year to 79,196 MT for the year and 147,567 MT in the last year to 190,046 MT for the year, respectively. The market shrinkage in Vietnam drove the trading volume of coal to decrease from 1,351,131 MT in the last year to 621,894 MT for the year. The trading volume of iron ore decreased from 175,753 MT in the last year to 156,778 MT for the year due to price volatility and limited grant of credit line facilities from banks.

		Year ended 31 December					
		2020			2019		
Products	Unit	**Number of contracts**	**Sales quantity**	**Revenue *HK$'000***	Number of contracts	Sales quantity	Revenue *HK$'000*
Trading of commodities							
Crude oil	BBL	**16**	**15,398,408**	**5,099,469.7**	33	30,167,689	15,715,380.7
Petroleum products	MT	**26**	**79,196**	**353,676.3**	8	23,225	106,476.9
Petrochemicals	MT	**157**	**190,046**	**696,811.3**	190	147,567	826,931.7
Coal	MT	**6**	**621,894**	**224,168.9**	14	1,351,131	523,499.1
Iron ore	MT	**1**	**156,778**	**106,894.8**	1	175,753	115,891.3
Total		**206**		**6,481,021.0**	246		17,288,179.7

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

Revenue generated from the provision of general storage and other ancillary services for petroleum products and petrochemicals was approximately HK$42.2 million for the year (2019: approximately HK$53.8 million). Approximately 54% (2019: 76%) of the Group's revenue from storage business was generated from general storage services, while approximately 46% (2019: 24%) was generated from other ancillary services such as pipeline transmission, waste treatment and vehicle loading.

Revenue generated from leases was approximately HK$49.1 million (2019: approximately HK$14.2 million) for the year.

Fair Value Changes on Derivative Financial Instruments

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

During the year, the Group reported an aggregate gain on fair value changes on derivative financial instruments of approximately HK$25.4 million (2019: approximately HK$26.3 million).

Gross Profit

The overall gross profit of the Group for the year increased to approximately HK$424.0 million (2019: approximately HK$331.1 million). The increase in gross profit was primarily a result of the increase in gross profit margin in relation to crude oil trading in the third quarter of 2020.

Management Discussion and Analysis

Loss Attributable to Owners of the Company

Loss attributable to owners of the Company for the year was approximately HK$93.0 million (2019: profit of approximately HK$125.0 million).

Properties Held for Investment

As at 31 December 2020, the Group held properties in Hong Kong with address of Penthouse and Car Parking Space Nos. 13 & 14 on 2/F, Overseas Trust Bank Building, No. 160 Gloucester Road, Hong Kong, which will be marketed for lease to generate rental income for the Group.

Liquidity and Financial Resources

The Group generally finances its daily operations from internally generated cash flows (the "Internal Funds") and banking facilities. As at 31 December 2020, the Group had deposits placed with brokers, pledged bank deposits, and bank balances and cash of approximately HK$87.6 million (2019: approximately HK$77.2 million), nil balance (2019: approximately HK17.1 million) and approximately HK$144.2 million (2019: approximately HK$358.1 million) respectively. The total of deposits placed with brokers, pledged bank deposits, and bank balances and cash (collectively, the "Liquidity Resources") were approximately HK$231.8 million (2019: approximately HK$452.4 million). Most of the Liquidity Resources were denominated in US$.

The equity attributable to owners of the Company decreased by approximately HK$70.5 million to approximately HK$1,421.1 million as at 31 December 2020 (2019: approximately HK$1,491.6 million).

As at 31 December 2020, the Group had bank and other borrowings, represented by short-term loans of approximately HK$20.2 million (2019: approximately HK$1,006.5 million) and shareholder loans of HK$120.0 million (2019: nil). As at 31 December 2020, the Group's gearing ratio dropped from approximately 26% in 2019 to approximately 8% mainly because of the decrease in trust receipt loans and bank borrowings. The gearing ratio is calculated as the Group's total borrowings divided by total assets.

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

As at 31 December 2020, the Group has banking facilities of US$258.0 million and Renminbi ("RMB") 35.0 million (equivalent to approximately HK$2,054.0 million in total) from several banks. The decrease in amount of banking facilities was mainly caused by the tightening approach of banks to limit the grant of banking facilities for the sake of minimising potential credit risk.

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

Pledge of Group Assets

As at 31 December 2020, right-of-use assets of approximately HK$17.1 million (2019: right-of-use assets and pledged bank deposits of approximately HK$82.8 million) had been pledged to secure bank and other borrowings and certain banking facility granted to the Group.

Contingent Liabilities

As at 31 December 2020, the Group did not have any significant contingent liabilities.

Litigations

(a) Litigation against Shandong Yuhuang Shengshi Chemical Co., Ltd., Shandong Yuhuang Chemical Co., Ltd. and Mr. Wang Jinshu for unpaid trade debts

Reference is made to the announcements of the Company dated 12 October 2020 and 15 December 2020, Strong Petrochemical Limited (Macao Commercial Offshore) ("Strong Macao"), an indirect wholly-owned subsidiary of the Company, instituted legal proceedings against Shandong Yuhuang Shengshi Chemical Co., Ltd. (山東玉皇盛世化工股份有限公司) (the "First Defendant") and Shandong Yuhuang Chemical Co., Ltd. (山東玉皇化工有限公司) (the "Second Defendant") and Mr. Wang Jinshu (王金書) (the "Third Defendant") (collectively, the "Defendants") in Heze Intermediate People's Court of Shandong Province of the People's Republic of China (中華人民共和國山東省菏澤市中級人民法院) (the "Heze Court") in relation to unpaid trade debts which were due and payable to Strong Macao (the "Shandong Yuhuang Legal Proceedings").

According to the long-term cooperation agreement signed by Strong Macao and the First Defendant in January 2018, Strong Macao agreed to sell crude oil to the First Defendant and the First Defendant agreed to purchase crude oil from Strong Macao. The Second Defendant and the Third Defendant agreed to act as chargor (in respect of the shares in the First Defendant) and guarantor respectively for repayment of the debts of the First Defendant under the long-term cooperation agreement.

The First Defendant defaulted on its payment of the price of the crude oil payable to Strong Macao (the "Shandong Yuhuang Default") in the total sum of approximately US$62.5 million (equivalent to approximately HK$487.5 million) (the "Shandong Yuhuang Outstanding Sum"). During the period from 22 January 2020 to 11 September 2020, the First Defendant made partial repayments of the Shandong Yuhuang Outstanding Sum in a total sum of approximately US$31.3 million (equivalent to approximately HK$244.1 million). The unsettled Shandong Yuhuang Outstanding Sum amounted to approximately US$31.2 million (equivalent to approximately HK$243.4 million) (the "Shandong Yuhuang Unsettled Outstanding Sum"). Strong Macao filed a Writ for the commencement of the Shandong Yuhuang Legal Proceedings to claim for the Shandong Yuhuang Unsettled Outstanding Sum on 24 September 2020, which was accepted by the Heze Court on the same day.

Pursuant to a ruling made by the Heze Court on 5 November 2020, the First Defendant and the Second Defendant entered into bankruptcy settlement procedures (the "Shandong Yuhuang Settlement Procedures"). Creditors of the First Defendant and the Second Defendant (the "Creditors"), including Strong Macao, filed declarations of their claims to the bankruptcy administrator appointed by the Heze Court. According to the Enterprise Bankruptcy Law of the People's Republic of China, the litigation attachment of the First Defendant granted by the Heze Court on 12 October 2020 in favour of Strong Macao for preserving the property of the First Defendant had been lifted.

Based on the finalised settlement proposals made by the First Defendant and the Second Defendant and their related companies in the Shandong Yuhuang Settlement Procedures on 14 December 2020, the amount to be recovered by Strong Macao would be 10% of the Shandong Yuhuang Outstanding Sum which was eventually verified in the Creditors' meeting and confirmed by the Heze Court (the "Recoverable Amount"). Thus, a provision of impairment on trade and other receivables from the First Defendant in the sum of approximately US$27.8 million (equivalent to approximately HK$216.8 million) in respect of the Shandong Yuhuang Default is made in the consolidated financial statements for the year. On 11 March 2021, the Recoverable Amount of approximately US$3.4 million (equivalent to approximately HK$26.5 million) was settled.

(b) Litigation against Shandong Shengxing Chemical Co., Ltd. for unpaid trade debts

Reference is made to the announcement of the Company dated 11 December 2020, Strong Macao has instituted legal proceedings against Shandong Shengxing Chemical Co., Ltd. (山東勝星化工有限公司) ("Shandong Shengxing") in Dongying Intermediate People's Court of Shandong Province of the People's Republic of China (中華人民共和國山東省東營市中級人民法院) (the "Dongying Court") in relation to unpaid trade debts which were due and payable to Strong Macao (the "Shandong Shengxing Legal Proceedings").

According to the long-term trading cooperation agreements signed by Strong Macao and Shandong Shengxing on 24 August 2017 and 6 December 2019 respectively, Strong Macao agreed to sell crude oil to Shandong Shengxing and Shandong Shengxing agreed to purchase crude oil from Strong Macao.

Shandong Shengxing defaulted on its payment of the price of the crude oil payable to Strong Macao (the "Shandong Shengxing Default") in the total sum of approximately US$91.5 million (equivalent to approximately HK$713.7 million) (the "Shandong Shengxing Outstanding Sum"). During the period from 1 June 2020 to 22 July 2020, Shandong Shengxing has made partial repayments of the Shandong Shengxing Outstanding Sum in a total sum of US$8.5 million (equivalent to approximately HK$66.3 million). As at 16 November 2020 and 31 December 2020, the unsettled Shandong Shengxing Outstanding Sum amounted to approximately US$83.0 million (equivalent to approximately HK$647.4 million) (the "Shandong Shengxing Unsettled Outstanding Sum"). Strong Macao filed a Writ for the commencement of the Shandong Shengxing Legal Proceedings to claim for the Shandong Shengxing Unsettled Outstanding Sum on 16 November 2020, which was accepted by the Dongying Court on the same day.

Pursuant to a ruling made by the Dongying Court on 21 December 2020, the Shandong Shengxing Default constituted a breach of contract. It was adjudged that Shandong Shengxing should bear the payment responsibility and compensate the economic loss of Strong Macao resulting from the Shandong Shengxing Default. Shandong Shengxing is therefore liable for the payment of Shandong Shengxing Unsettled Outstanding Sum to Strong Macao. As at 25 January 2021, Strong Macao has received approximately US$1.5 million (equivalent to approximately HK$11.7 million) as partial settlement of the Shandong Shengxing Unsettled Outstanding Sum.

Considering the availability of securities held by the Group including the share charge in relation to 49% equity interest of Shandong Shengxing and the share charge in relation to the entire equity interest of a related company of Shandong Shengxing, the Board considers that the Shandong Shengxing Legal Proceedings will not have any material adverse impact on the overall operation and financial condition of the Company, and thus, no provision of impairment on trade receivables from Shangdong Shengxing is made. The Group will continue to proactively recover the Shandong Shengxing Unsettled Outstanding Sum.

Capital Commitments

Save as disclosed in note 38 to the consolidated financial statements, the Group did not have any other significant capital commitments as at 31 December 2020.

Actual Use of Proceeds from the Subscription

As announced on 21 July 2020 in relation to the subscription of 353,603,681 new shares under the general mandate on 17 July 2017, up to 31 December 2019, the remaining amount of the subscription proceeds of approximately HK$154.6 million has been fully utilised as general working capital as intended by the Group.

Management Discussion and Analysis

Significant Investment

The Group held a significant investment in SH Energy as at 31 December 2020, which represented over 5% of the Group's total assets and a significant portion in the net assets of the Group as at 31 December 2020.

Set below are the brief description of the business, performance and prospect of SH Energy.

As announced on 7 August 2020 and 14 August 2020, Strong New Energy Global Limited ("Strong New Energy"), an indirect wholly-owned subsidiary of the Company, has agreed to make a capital commitment to subscribe for the participating shares in SH Energy, of up to US$25.0 million (equivalent to approximately HK$195.0 million). SH Energy is managed by a fund manager and seeks to achieve its investment objective by investing in privately held oil and gas assets and companies in the explorative and/or production stage, as well as assets and companies involved in the upstream and/or downstream oil and gas production processes. By investing in SH Energy, it is expected that the Group can benefit from diversifying its revenue stream through investments in oil and gas assets and companies which demonstrate a strong performance record, which will in turn broaden the Groups revenue base in the future. As at 31 December 2020, the accumulated investment made by the Group in SH Energy amounted to US$17.5 million (equivalent to approximately HK$136.5 million). The fair value of SH Energy was US$25.0 million (equivalent to approximately HK$195.0 million) as at 31 December 2020, which represented approximately 11% of the Group's total assets. During the year, no distribution of dividend was received from the investment in SH Energy.

Save as disclosed above, there are no other significant investments held by the Group as at 31 December 2020.

Material Acquisitions and Disposals, and Future Plans for Material Investments

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

In August 2020, Strong New Energy, an indirect wholly-owned subsidiary of the Company, has agreed to make a capital commitment to subscribe for the participating shares in SH Energy, of up to US$25.0 million (equivalent to approximately HK$195.0 million). Please refer to section "Significant Investment" for details.

As announced on 27 August 2020, the acquisition of the entire share capital of Copower Properties which owns properties in Hong Kong was completed on 27 August 2020. The Group is optimistic about the growth potential of investment properties and expects that the properties will generate a stable and recurrent lease income for the Group.

In December 2020, Excellent Harvest Holdings Ltd. ("Excellent Harvest"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement. Excellent Harvest disposed 51% equity interest in Nicefame Global Limited ("Nicefame Global"), which owns 90% equity interest in Huizhou Nicefame, at a consideration of US$3.3 million (equivalent to approximately HK$25.7 million) due to different points of view in the business direction of Huizhou Nicefame between the Group and the minority shareholder. Moreover, this disposal can strengthen the overall financial position of the Group and allow us to seek new business opportunities.

Fujian Petrochemical, an indirect wholly-owned subsidiary of the Company, is in the process of setting up the Fujian Plant in Fujian Province of the PRC. The expected construction date of the Fujian Plant will be in the second quarter of 2021 and the expected commencement date of operation will be late 2021. Fujian Petrochemical was engaged in trading of petrochemicals during the year.

Save as disclosed above and in notes 18 and 42 to the consolidated financial statements, there were no other plans for material investments of capital assets as at the date of this report, nor other material acquisitions and disposals of subsidiaries during the year.

Employees

Due to the disposal of Nicefame Global and its subsidiary in December 2020, the number of employees of the Group decreased to 94 as at 31 December 2020 (2019: 140). The Group's remuneration packages are maintained at competitive level and are determined on the basis of performance, qualification and experience of individual employee.

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

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. WANG Jian Sheng ("Mr. Wang"), aged 67, is an executive Director and the chairman of the Company (the "Chairman") since 1 February 2008. He has been a member of the remuneration committee of the Company (the "Remuneration Committee") and the chairman of the nomination committee of the Company (the "Nomination Committee") since 28 November 2008 and 16 March 2012 respectively. In October 2000, Mr. Wang invested in the Group and acted as a substantial shareholder. At the same time, he joined the Group as a supervisor. He graduated from Henan University of Science and Technology, previously known as Luoyang Industrial College, with a bachelor degree in metallic materials and heat process. He is responsible for overseeing the function of the Board, formulating major corporate and business strategies, and identifying business goals and the related business plan at the high level. Mr. Wang owns the entire issued share capital of Sino Century Holdings Limited ("Sino Century") which in turn holds 50% shareholding in Forever Winner International Ltd. ("Forever Winner"), a shareholder of the Company holding 1,041,746,000 shares of the Company. Furthermore, since Mr. Wang and Mr. Yao Guoliang ("Mr. Yao") jointly control Forever Winner which in turn holds 1,041,746,000 shares of the Company, Mr. Wang and Mr. Yao are deemed as parties acting in concert. Therefore, as Mr. Yao currently beneficially owns approximately 5.89% equity interest in the Company, Mr. Wang shall be deemed to hold the same equity interest in the Company.

Mr. YAO Guoliang, aged 55, is an executive Director and the chief executive officer of the Company (the "CEO") since 1 February 2008. In November 1999, Mr. Yao founded the Group, and has been a Director and a trader of the Group since then. He graduated from University of International Business and Economics with a bachelor degree in economics. He has more than 30 years of experience in handling crude oil trading and associated hedging activities. Leveraging on his extensive experience in the oil industry, Mr. Yao is responsible for formulating our corporate and business strategies, business development and management, trade solicitation as well as hedging implementation. In addition to be the direct and beneficial owner of 124,984,000 shares of the Company, Mr. Yao also owns the entire issued share capital of Jin Yao Holdings Ltd. ("Jin Yao") which in turn holds 50% shareholding in Forever Winner, a shareholder of the Company holding 1,041,746,000 shares of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. CHEUNG Siu Wan ("Ms. Cheung"), aged 54, is an independent non-executive director of the Company (an "INED") since 1 January 2012. Ms. Cheung has been the chairman of the audit committee of the Company (the "Audit Committee") and a member of the Nomination Committee since 1 January 2012 and 16 March 2012 respectively. Ms. Cheung graduated from City University of Hong Kong with a Bachelor of Arts in Business Studies in 1988, Hong Kong University of Science and Technology with a Master of Science in Accounting in 1995 and Lingnan University of Hong Kong with a Master of Arts in Practical Philosophy in 2017. Ms. Cheung has extensive experience in China tax services. Ms. Cheung joined KPMG Hong Kong in 1996, and from 2004 to 2011, she was a partner of KPMG China. Ms. Cheung served as a member of Steering Team of Association of Chartered Certified Accountants ("ACCA") Southern China from May 2008 to March 2017, of which from May 2009 to April 2011, as the chairman of Steering Team of ACCA Southern China. Ms. Cheung was also a member of Steering Team of ACCA Shanghai from March 2010 to March 2013 and a member of the China Expert Forum of ACCA China since 2016. From April 2009 to March 2013, Ms. Cheung acted as a member of the Accountancy Training Board of Vocational Training Council and became a member of the Working Group of Seminars of the Accountancy Training Board from April 2013 onwards. Ms. Cheung is a member of the Customer Liaison Group for SMEs of the Trade and Industry Department since 2017. Ms. Cheung is a part-time teacher of University of Macau and a lecturer of Xiamen National Accounting Institution. Ms. Cheung is a fellow member of the Hong Kong Institute of Certified Public Accountants and the ACCA. Ms. Cheung has been an independent non-executive director of Activation Group Holdings Limited (stock code: 9919) whose shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the "HKEx") since 19 December 2019.

Biographical Details of Directors and Senior Management

Dr. CHAN Yee Kwong ("Dr. Chan"), aged 58, is an INED since 1 July 2017. Dr. Chan has been the chairman of the Remuneration Committee and a member of the Audit Committee since 1 July 2017. Dr. Chan holds BBA, MBA and PhD in business from the Chinese University of Hong Kong. He further holds LLB and LLM degrees in Law from the University of London. Dr. Chan acquired his Barrister qualification from the Honourable Society of the Middle Temple. Dr. Chan is a professor of marketing of Auckland University of Technology. He has been appointed as a subject specialist (Marketing) by the Hong Kong Council for Accreditation of Academic and Vocational Qualifications since 2008. In addition to academic research, Dr. Chan was engaged in consultancy projects for such organisations as the Hongkong Electric Company, Limited, Sa Sa International Holdings Limited and the Direct Selling Association of Hong Kong Limited.

Mr. DENG Heng ("Mr. Deng"), aged 51, is an INED since 1 January 2018. Mr. Deng has been a member of the Audit Committee, the Remuneration Committee and the Nomination Committee since 1 January 2018. Mr. Deng graduated from China Agricultural University with a Bachelor of Science in 1992 and Beijing Jiaotong University with a Master of Business Administration. He currently serves as the Overseas Committee Member of All-China Federation of Returned Overseas Chinese and the Secretary General of Cross-Strait China Culture Communication Foundation. Mr. Deng has extensive experience in corporate management and social activities. He had worked at COFCO Corporation ("COFCO") from 1996 to 2008, including serving as the managing director of a member company within COFCO in London for more than 7 years.

SENIOR MANAGEMENT

Mr. ZHUANG Jia ("Mr. Zhuang"), aged 55, is the deputy general manager of the Group. He is responsible for the trading, shipping and business development of the Group and overseeing the petrochemicals trading business. He is also a trader of the Group. His duties include negotiating with suppliers and customers on terms and pricing of trades, considering and executing hedging strategies, and monitoring open positions of derivative financial instruments of the Group. Mr. Zhuang obtained his bachelor of engineering degree from East China University of Science and Technology, previously known as East China Institute of Chemical Technology, in the PRC, majoring in petroleum processing in 1988. He has more than 30 years of experience in the oil industry. After university graduation, he joined Sinochem Shanghai as a salesman in the petroleum department and was involved in the hedging activities from April 1993 to February 1994. During the period from March 1994 to January 1997, he was seconded to SCHECO (Hong Kong) Co., Limited, an overseas branch of Sinochem Shanghai, as trading manager and later promoted to deputy general manager. After the secondment, he returned to Sinochem Shanghai and accepted the position as a manager in the import department until March 1998. Prior to joining the Group in March 2007, he had been the trading manager for ICC Chemical Corporation (Shanghai Office) for more than 8 years and was responsible for trading petrochemicals.

Mr. SUN Lei ("Mr. Sun"), aged 33, is the deputy general manager of Strong Petrochemical Limited (Macao Commercial Offshore) ("Strong Macao"). Mr. Sun obtained his bachelor of logistics engineering and management degree from the Hong Kong Polytechnic University in 2010. He obtained a master degree in transport policy and planning from the University of Hong Kong in 2011. Mr. Sun joined the Group in 2011 and was responsible for trading crude oil, petroleum products and petrochemicals. He is currently responsible for the trading activities of Strong Macao.

Mr. Francis TAN Boon Chye ("Mr. Tan"), aged 67, is the general manager and a director of Strong Petroleum Singapore Private Ltd. ("Strong Singapore"). Mr. Tan is a member of the Institute of Petroleum (London) since 1984. Mr. Tan has over 35 years of experience in the oil industry from cargo and blending operations, shipping and chartering, oil broking (middle distillates) to oil trading. Mr. Tan is responsible for the overall oil operations of Strong Singapore since he joined the Group in 2009.

Ms. KUANG Tingting ("Ms. Kuang"), aged 50, is the managing director of Strong Singapore. Ms. Kuang obtained a Master of International Business Management from University of Hamburg, Germany, and she has more than 25 years of trading experience in the oil industry, both in crude oil and oil products. Her working experience in Sinochem and Equinor provided her with global perspective, and she had led the crude oil trading business of Equinor Asia Pacific from 2013 to mid-2018. Ms. Kuang joined the Group in July 2018 and is responsible for the trading activities of Strong Singapore.

Corporate Governance Report

The Board has pleasure to present the Corporate Governance Report of the Company for the year ended 31 December 2020. The Company is committed to strict adherence to the high corporate governance standards. The Board believes it is fundamental and essential to fulfill public and corporate responsibilities, develop the Group sustainably, enhance shareholders' value and safeguard interests of stakeholders.

The Company has adopted and is fully compliant with all the provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2020, with the exception of the following deviation:

Pursuant to Code Provision A.6.7 of the CG Code, generally independent non-executive directors and other non-executive directors should attend the general meetings to gain and develop a balanced understanding of the views of shareholders. Mr. Wang Jian Sheng, the executive Director, Dr. Chan Yee Kwong and Mr. Deng Heng, the INEDs, were unable to attend the annual general meeting of the Company (the "AGM") held on 28 May 2020 due to other prior business engagements.

THE BOARD

Responsibilities

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

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

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

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

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

Corporate Governance Report

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

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

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

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

Board Diversity Policy

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

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

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

Delegation by the Board

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

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

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

Corporate Governance Report

BOARD COMPOSITION, BOARD AND COMMITTEE MEETINGS

As at 31 December 2020, the Board comprises two executive Directors and three INEDs. Their biographical details are set out in the section of this annual report headed "Biographical Details of Directors and Senior Management" and are posted on the Company's website. The Company has met the requirements of the Listing Rules relating to the appointment of at least three INEDs with at least one of whom is with appropriate professional qualifications or accounting or related financial management expertise throughout the year. All Directors give sufficient time and attention to the affairs of the Group.

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

Practices and Conduct of Meetings

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

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

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

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

BOARD COMMITTEES

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

Audit Committee

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

No non-audit services were provided by Messrs. BDO Limited during the financial year ended 31 December 2020. The resigned auditor, Messrs. Deloitte Touche Tohmatsu, provided non-audit services to the Group during the financial year ended 31 December 2020. The Audit Committee has recommended to the Board that Messrs. BDO Limited be nominated for reappointment as external auditor of the Company at the forthcoming AGM.

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

Relationships with the Company's auditor

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

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

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

Review of the Company's financial information

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

(a) any changes in accounting policies and practices;

(b) major judgmental areas;

(c) significant adjustments resulting from audit;

(d) the going concern assumptions and any qualifications;

(e) compliance with accounting standards; and

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

(v) Regarding (iv) above:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

During the year ended 31 December 2020, the Audit Committee held four meetings and reviewed the preliminary interim and annual results, the change of auditor and internal controls of the Group, and performed the duties and responsibilities under the terms of reference and as set out in the CG Code.

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

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

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

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

Subsequent to the financial year end, the Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2020, including the accounting principles and practices adopted by the Group, and recommended them to the Board for approval.

Remuneration Committee

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

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

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

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

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

(iii) Either:

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

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

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

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

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

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

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

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

During the year ended 31 December 2020, the Remuneration Committee held one meeting to review the remuneration package, including the treatment and the vesting recommendations for the share options granted, of the Directors and senior management.

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

The remuneration of senior management was within the following bands:

	Number of individuals	
The emolument bands (in HK$)	**2020**	2019
Nil to HK$1,000,000	**–**	–
HK$1,000,001 – HK$2,000,000	**3**	2
HK$2,000,001 – HK$3,000,000	**–**	1
HK$3,000,001 – HK$4,000,000	**–**	–
HK$4,000,001 – HK$5,000,000	**–**	–
Above HK$5,000,000	**1**	1

Nomination Committee

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

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

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

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

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

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

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

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

(vi) To assess the independence of INEDs.

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

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

During the year ended 31 December 2020, the Nomination Committee held one meeting to review the composition of the Board and the suitability of Directors proposed for re-appointment at the AGM.

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

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

The Nomination Committee has recommended the re-nomination of Mr. Yao Guoliang and Mr. Deng Heng for re-election at the forthcoming AGM. The Board has accepted the Nomination Committee's recommendation.

Meetings Held and Attendance

Details of Directors' attendance of the Board meetings, three committees meetings and the AGM held during the year ended 31 December 2020 are set out as follows:

	Meetings attended/Meetings held				
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**AGM held on 28 May 2020**
Executive Directors					
Mr. Wang Jian Sheng *(Chairman)*	17/17	N/A	1/1	1/1	0/1
Mr. Yao Guoliang *(CEO)*	17/17	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Ms. Cheung Siu Wan	17/17	4/4	N/A	1/1	1/1
Dr. Chan Yee Kwong	17/17	4/4	1/1	N/A	0/1
Mr. Deng Heng	17/17	4/4	1/1	1/1	0/1

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

Apart from the AGM held on 28 May 2020, the Company has not held any other general meetings.

Corporate Governance Report

CORPORATE GOVERNANCE FUNCTIONS

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

DIVIDEND POLICY

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

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

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

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

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

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

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

INDUCTION AND CONTINUOUS DEVELOPMENT OF DIRECTORS

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

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

COMPANY SECRETARY

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

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

Mr. Lau is currently a practicing solicitor in Hong Kong. He has over 10 years of experience in the legal industry. He was admitted as a solicitor in Hong Kong in 2008. Mr. Lau has been a partner of Tsang, Chan & Woo Solicitors & Notaries from December 2013 to July 2020. Mr. Lau is the principal of Lau & Co, Solicitors & Notaries, a practicing law firm in Hong Kong since July 2020. He graduated from City University of Hong Kong with a bachelor of laws degree in 2005 and obtained Postgraduate Certificate in Laws also from City University of Hong Kong in 2006. He has been an independent non-executive director of Affluent Foundation Holdings Limited (stock code: 1757) whose shares are listed on the main board of the HKEx. Mr. Lau is not an employee of the Company and he provides services to the Company as an external service provider. Mr. Lau has complied with the requirement under Rule 3.29 of the Listing Rules during the period from 14 February 2020 to 31 December 2020.

The Company Secretary is responsible for facilitating the Board's processes and communications among Board members, with shareholders and with the Management. The Company Secretary will undertake at least 15 hours of relevant professional training in the year ending 31 December 2021 to update his skills and knowledge.

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

ACCOUNTABILITY AND AUDIT

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

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

The statement of the external auditor about the reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 56 to 61 of the annual report.

AUDITORS' REMUNERATION

For the year ended 31 December 2020, auditors' remuneration in relation to audit amounted to HK$2,085,000. The external auditors are refrained from engaging in non-assurance services except for limited tax related services or specifically approved items. The Audit Committee reviews and approves the external auditors' statutory audit scope and non-audit services (if any).

The following remuneration was paid by the Group to its auditor, Messrs. BDO Limited:

	HK$'000
Audit service	**1,800**

The following remuneration was paid by the Group to its resigned auditor, Messrs. Deloitte Touche Tohmatsu:

	HK$'000
Audit service	**285**
Non-audit services	**499**
	784

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

The Management maintains and monitors the internal control systems on an ongoing basis. Risk assessment and evaluation are an integral part of the annual planning process. Our internal audit team performs regular review on our internal control system and risk assessment system and reports its recommendation to the Audit Committee. In addition, the Group's external auditors, previously Messrs. Deloitte Touche Tohmatsu and now Messrs. BDO Limited, reports findings to the Audit Committee and contributes an independent perspective on relevant internal controls arising from the audit. The Audit Committee reports to the Board on matters in relation to the oversight of the financial reporting system, internal control procedures and risk management system. The Board has conducted a review on the effectiveness of Company's internal control systems for the year ended 31 December 2020 by considering the work performed by the Audit Committee.

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

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

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHTS

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

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

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

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

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

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

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

There was no change to the Company's memorandum and articles of association during the year ended 31 December 2020.

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

Environmental, Social and Governance Report

SUSTAINABILITY STRATEGY AND REPORTING

As a responsible commodities trading company, the Group does not only provide quality energy supplies and services, but also consider and minimise the environmental and social impacts of the business. This Environmental, Social and Governance ("ESG") Report ("Report") is to address the Group's sustainability performance covering the period from 1 January 2020 to 31 December 2020 (the "reporting period"), and to report the Group's efforts on embedding sustainability into the business operation.

REPORTING STANDARD AND SCOPE

This Report is prepared in accordance with Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Listing Rules. The Group adheres the principles of materiality, quantitative, balance and consistency to report on the measures and performances in the reporting period. To ensure the materiality and balance of the Report, the Group has considered the material ESG topics identified by the Board. Following the principles of quantitative, consistency and balance, the Group also fully disclosed the key performance indicators ("KPIs") which have been disclosed last year regardless of the performance. Information regarding corporate governance is addressed in the Corporate Governance Report on pages 17 to 29 of this annual report according to Appendix 14 to the Listing Rules.

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

MESSAGE FROM THE CHAIRMAN

To all stakeholders,

On behalf of the Board, I am pleased to present the Group's 2020 ESG Report.

Dating back to 2020, it was full of challenges such as the COVID-19 pandemic outbreak, the intensified U.S.-China trade war, as well as the dramatical plummeted oil prices in early 2020. Yet, the Group stands amidst the adversities strongly and firmly. In the purpose of seeking to be resilient against uncertainties, the Group consistently extended its effort to seek improvements on sustainability.

The Board takes full responsibility to oversee and make decision on the Group's ESG while other departments act as supporting roles under the stewardship. Through the cooperation of different departments within the Group, ESG approaches, policies and action plans are smoothly implemented on group level. Our effort paid off, the China Federation of Logistics and Purchasing granted the "Safety Management Award" to the Group as a recognition of the Group's stringent safety management.

On the other hand, the Group had been conducting regular stakeholder engagement to gather opinions from its significant internal and external stakeholders, in an effort to keep a clear direction on the long-term business development. The identified material topics were reviewed by the Board.

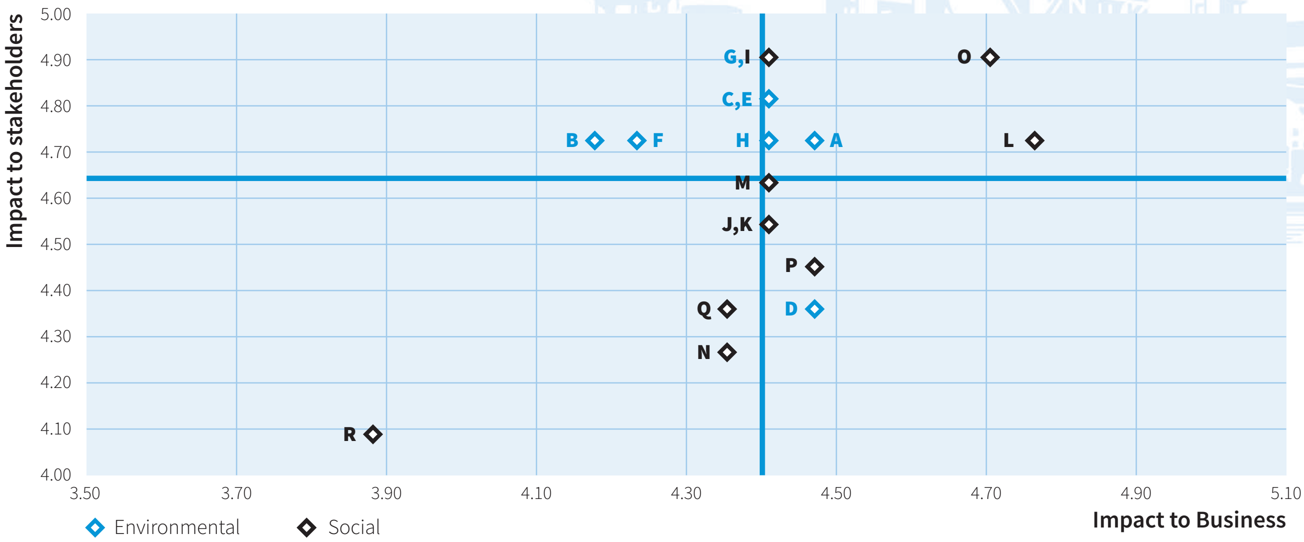
Sustainability is important to the Group in terms of business continuity. The Group is on its pace to stipulate ESG-related goals and targets in the future for cultivating a more sustainable operation practice.

Wang Jian Sheng
Chairman
Hong Kong, 31 March 2021

MATERIALITY ASSESSMENT

The Group engaged an independent sustainability consultant to identify the material ESG issues. Under the facilitation of the consultant, the Group has collected the opinions from its internal and external stakeholders upon the important topics to the business. In the reporting period, the Group conducted an online survey to engage its significant stakeholders. The invited stakeholders, such as employees, suppliers, service providers and customers, provided a more comprehensive direction for the Group's long-term sustainable development. The materiality matrix below pinpoints the important ESG topics to the Group.

Materiality Matrix



Topics	Indicators
Compliance with relevant environmental laws and regulations	A
Climate change and greenhouse gas emissions	B
Air pollutants emission	C
Use of renewable energy	D
Resource efficiency	E
Wastewater discharge and water management	F
Hazardous and dangerous materials management	G
Hazardous and non-hazardous waste management	H
Compliance with relevant local social laws and regulations	I
Employment practices	J
Development and training	K
Occupational health and safety	L
Supply chain management	M
Procurement practices	N
Ethics and integrity	O
Customer/client privacy	P
Diversity and equal opportunities	Q
Community investment	R

After analysing the stakeholders' feedback and obtaining the consultant's advice, the Board confirmed and identified the following material environmental and social issues associated with the Group's business operation:

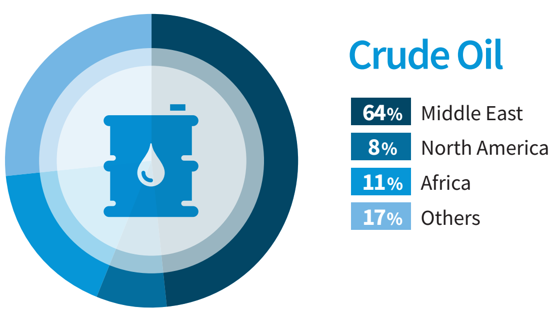
RESPONSIBLE OPERATIONS

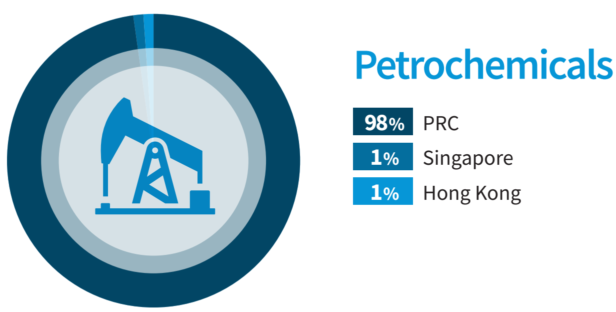
To practise responsibly on the business operation, the Group strives to maintain the operation efficiency while minimising its environment footprints and the use of natural resources. In this regard, the Group focuses on supplier selection and environmental management to reduce the associated operational risks.

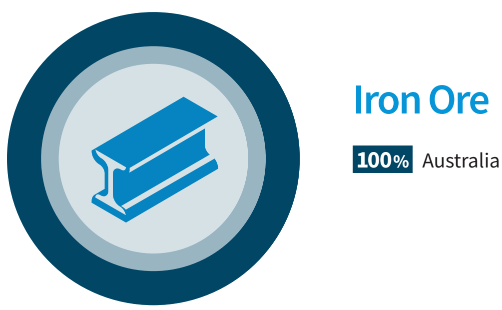
Supply Chain Management

Due to the business nature, maintaining stable commodities sources is vital to the Group. Realising the importance of the suppliers, the Group selects its suppliers with an open and transparent procedure which aligns with the principles of green procurement policy. In addition to the product quality and business ethics, the Group conducts background check for suppliers to ensure their products or services comply with laws and regulations. To promote a sustainable supply chain, the Group prioritises suppliers certified with international environmental standards such as ISO 14001. After evaluating the potential suppliers, the Group provides corresponding selection results and suggests improvements to both successful and unsuccessful suppliers. In order to maintain the quality of the supply chain, the procurement team of the Group conducts inspections and evaluations on the existing suppliers regularly. The procurement team evaluates the performances of suppliers in terms of their punctuality, product quality and efficiency. If the performances of the suppliers do not meet the standard of the Group, the procurement team will provide suggestions and re-evaluate the suppliers.

The sources of petroleum products and petrochemicals were defined based on the business location of suppliers while the sources of crude oil, coal and iron ore were defined based on the actual extraction location. There was no purchase of petroleum products within the scope of the Report during the reporting period. The sources of the Group's commodities in the reporting period are shown as below:







The number of suppliers by geographical region is as follows:

Geographical Region	Number of suppliers
The PRC	38
Hong Kong	8
Singapore	7
Indonesia	2
The US	1
	56

Quality Assurance

The Group promised to put its best effort to fulfil the needs and satisfactions of its customers and clients. Quality assurance is a crucial key to the promise as well as the success of its business. The Group is committed to providing high-quality products and services to the customers and clients in a safe manner. In addition to the stringent supplier selection procedure, the Group has also stipulated a clear storage procedure to prevent accident occurrence and supplies quality products and services. The quality assurance team is responsible for conducting regular on-site inspections to ensure the operation meets the Group's standard on service quality and site safety. To prevent spill and sustain operation efficiency, the Group conducts comprehensive safety assessments on the storage tanks and pipelines regularly.

To enhance the qualities of the products and services, the Group values the feedback of its customers and clients and treats them as a drive for improvement. Thus, the Group has established various communication channels to understand the expectation of customers and clients. During the reporting period, there were no products and service-related complaints received.

Air Emission

The Group reckons its oil storage business in Strong Nantong released air pollutants such as non-methane hydrocarbon and methylbenzene from evaporation. As a responsible corporation, the Group is dedicated to minimising the evaporation and subsequent air emissions that will bring negative impacts to the air quality and public health. In regard to this, the Group has installed monitoring devices to prevent the leakage and the abnormal evaporation of the storage tanks. The Group is committed to conducting inspections and repairing immediately to ensure safety and prevent wastage. Apart from regular examination, the Group has installed inner floating roof inside the storage tanks to minimise the evaporation rate.

Storage evaporation comes up with not only air pollution but also a wastage of resources. In order to improve the resource efficiency, the Group has installed oil gas facilities in Strong Nantong to reclaim the vapour back to the storage tanks. The air pollutants such as Sulphur oxides, Nitrogen oxides and Nitrogen dioxides produced during the operation are immaterial to the Group. Hence, the relevant data is excluded in the Report. During the reporting period, the Group has complied with all laws and regulations relating to air emissions such as the Air Pollution and Prevention Control Law of the PRC.

Water Consumption and Wastewater Discharge

Although water consumption is not the most material topic to the operation, the Group endeavours to improve its water efficiency through utilising the water usage. The Group's water consumption was mainly attributed to the operation in Strong Nantong. In order to reduce the potable water consumption, the Group has reused the water reclaimed by the greywater recycling facilities for irrigation in Strong Nantong. The Group also requires its employees to turn off the water tap after using and report any water leakage or dripping for prompt maintenance.

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

Water Consumption	Unit	2020	2019
Total water consumption	m^3	**2,471**	2,380
Total water intensity	m^3/total floor area[1] (m^2)	**1.50[2]**	1.60
	m^3/revenue (HK$ million)	**0.38[3]**	0.14

Waste Management

Hazardous waste is one of the most material environmental issues to the business. Storage business generates harmful wastes such as scrapped storage tanks that requires a rigorous and careful treatment. In light of this, the Group has established stringent guidelines to ensure the hazardous wastes are treated properly. Specific waste areas are designated to sort and store the waste safely prior to disposal. Licensed waste disposal service companies are appointed to dispose and treat the waste appropriately. For non-hazardous waste management, the Group encourages general waste sorting and reducing waste from source. Moreover, recycling reusable materials, such as metals, is also implemented in Strong Nantong to reduce the generation of waste.

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

Waste Discharged in Strong Nantong		Unit	2020	2019
Hazardous waste		tonnes	**8.63[5]**	6.36
Hazardous waste intensity		tonnes/total floor area (m^2)	**0.0052**	0.0043
		tonnes/revenue (HK$ million)	**0.0013[3]**	0.0004
Non-hazardous waste	Recycled materials:			
	Metal, plastic and paper	tonnes	**2.52[4]**	7.10
	Disposed general waste	tonnes	**10.60**	11.00
Non-hazardous waste intensity		tonnes/total floor area (m^2)	**0.014**	0.012
		tonnes/revenue (HK$ million)	**0.0020[4]**	0.0010

Energy Consumption and Greenhouse Gases Emission

The major source of energy consumption and indirect greenhouse gas ("GHG") emission is the use of electricity in storage business and office activities. For achieving high energy efficiency in operation, the Group has established a wide range of energy-saving practices such as installing LED lights in the workplace. In order to ensure the efficiency of the equipment and electrical appliances, the Group conducts energy audit regularly to identify malfunction or abnormality. Also, the Group advocates culture of green office through executing various initiatives such as encouraging its staff to maintain the office temperature between 24 to 26 degree Celsius during summer time and switch off the idle electric appliances to reduce electricity wastage.

Electricity Consumption	Unit	2020	2019
Offices	kilowatt-hour (kWh)	**75,747**[2]	54,716
Strong Nantong	kWh	**544,708**[6]	526,789
Total electricity consumption	kWh	**620,455**	581,505
Total electricity intensity	kWh/total floor area (m^2)	**376**[2]	391
	kWh/revenue (HK$ million)	**94.35**[3]	33.64

Source of Scope 1 and 2 GHG Emission[7]	Unit	2020	2019
Offices	tonnes of CO_2 equivalent (tCO_2e)	**57**[2]	41
Strong Nantong	tCO_2e	**448**[6]	342
Total Scope 1 GHG emission	tCO_2e	**10**[8]	–
Total Scope 2 GHG emission	tCO_2e	**495**	383
Total GHG emission	tCO_2e	**505**	383
GHG intensity	tCO_2e/total floor area (m^2)	**0.31**	0.26
	tCO_2e/revenue (HK$ million)	**0.077**[3]	0.022

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

2 The newly included Quanzhou office contributed to the variances of water consumption, electricity consumption and Scope 2 GHG emission with the 2020's figures, as well as the intensity under the above categories.

3 The total revenue of 2020 decreased significantly as a result of the adverse market condition and the poor worldwide economy. Meanwhile, the increases in water and energy consumptions, GHG emission and hazardous waste production of the storage business remained steady comparing to the last reporting period, and resulted in increases in the intensities in terms of revenue.

4 Less consumption of metal and plastic in Strong Nantong has lowered the non-hazardous waste discharge of recycled materials in 2020. Both revenue and amount of non-hazardous waste have declined in 2020, whereas the former has a larger scale of decrease which resulted in a higher intensity in terms of revenue.

5 The increase in amount of hazardous waste resulted from the increases in sewage treatment and solid waste.

6 The total throughput of Strong Nantong has increased in the reporting period and led to an increment of its electricity consumption and indirect Scope 2 GHG emission.

7 The major source of direct Scope 1 GHG emission of the Group was transportation. Scope 2 GHG emission refers to indirect GHG emission resulting from the generation of the electricity which the Group purchased.

8 Due to the data collection system refinement, the Scope 1 GHG emission data has been collected and included since 2020.

HARMONIOUS WORKING ENVIRONMENT

The Group treats its employees as one of the most valuable assets. The Group is committed to promoting its employees' health, wellness, fairness and safety in the workplace.

Talent Acquisition

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

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

As of 31 December 2020, the total number of employees in Hong Kong, Macao, Singapore and the PRC was 94, including 91 full-time employees and 3 part-time employees. The breakdowns of employees by gender, staff grade, employment type, age group, education level and geographical region are as listed below:

Gender

74% Male
26% Female

Staff Grade

15% Senior Management
22% Managerial / Supervisory
63% General Staff

Employment Type

97% Full-time
3% Part-time

Age Group

14% Below 31
53% 31–50
33% Above 50

Education Level

Master 9%
Bachelor 32%
Diploma 30%
Others 29%

Geographical Region

65% The PRC
20% Hong Kong
8% Singapore
7% Macao

Occupational Health and Safety

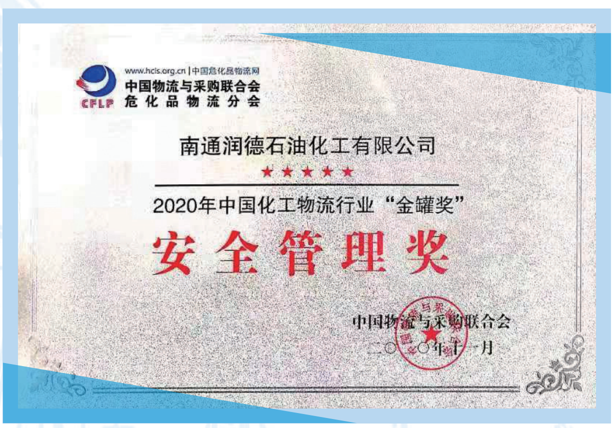
Employees' health and safety is one of the most material topics of the Group. In order to create a safe and secure environment to the employees, the Group has developed a standardised Safety Management System in accordance with Occupational Safety and Health Ordinance and Law of the PRC and Occupational Safety and Health Ordinance of Hong Kong. Adhering to the principle of "safety comes first", the Group also has formulated Special Equipment Safety Technical Supervision Procedures for the Strong Nantong employees to operate the equipment safely and reduce the embedded risks. To monitor the safety measures' effectiveness, EHS department is responsible for overseeing the implementation of the safety management system and the safety procedure:

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

In recognition of the rigorous and outstanding safety management, China Federation of Logistics and Purchasing granted the "Safety Management Award" to Strong Nantong during the reporting period. The award recognised the Group's promise and effort on protecting the employees' safety.

Under the relentless effort of the EHS Department, there were no work-related injury or fatality during the reporting period.

"Safety Management Award" granted from China Federation of Logistics and Purchasing



Safety slogans of Strong Nantong

Storage facilities of Strong Nantong

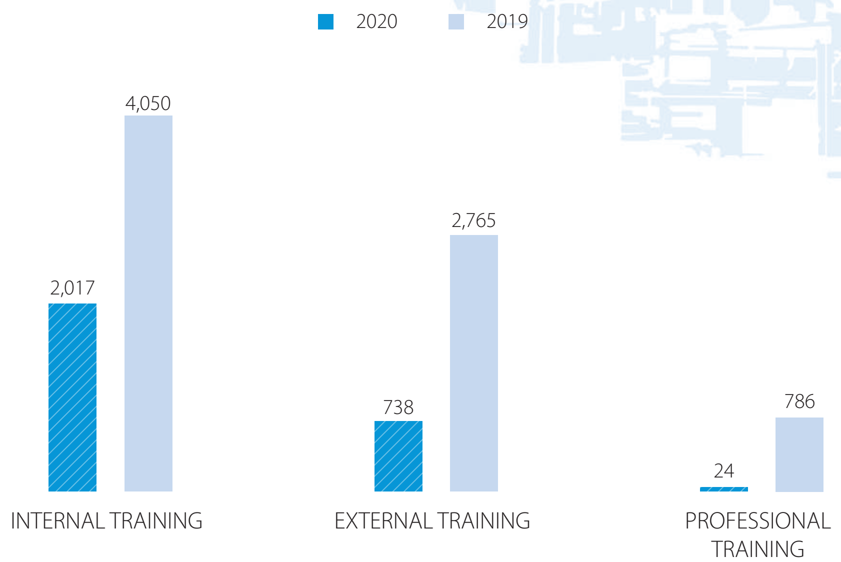
Emergency drills in Strong Nantong

Safety training in Strong Nantong

Talent Development

Apart from employees' health and safety, the Group also takes the employees' growth into account that bring significant impact to the Group's long-term development. For the purpose of promoting their skills development and potentials release, HR Department has instituted a comprehensive Training Management Standard to provide the employees with trainings based on respective roles, positions and requirements. In order to encourage the employees to pursue external training or education which are beneficial to the business and their career development, the Group offers subsidies for training and education fees to motivate them, as well as easing their financial burdens.

TRAINING HOURS



Ethical Corporate Image

Anti-corruption

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

During the reporting period, the Group has complied with all local laws and regulations relating to anti-corruption including Prevention of Bribery Ordinance of Hong Kong. There were no legal cases regarding corrupt practices brought against the Group or its employees during the reporting period.

Data Protection

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

COMMUNITY INVESTMENT

The Group regards social responsibility as one of the essential elements of its sustainable business development and is devoted to contributing to the communities in which it operates. The Group has participated and sponsored various charity activities to support different non-profit organisations' work on helping underprivileges. The Group treasures the youth development and sees them as future pillars of the community. Hence, the Group has been supporting their development by offering scholarship to the outstanding students in Youth College of Vocational Training Council since 2015.

LOOKING FORWARD

The Group is not only providing high-quality products and responsible services to the customers and clients, but also consistently embedding sustainability ideas into its business operation and future development. The Group strongly believes the sustainable operation will bring positive impacts in terms of both financial, environmental and social aspects along with the differentiated image development in the niche market in the PRC.

PERFORMANCE TABLE

Environmental Performance	Unit	2020	2019
Water			
Total water consumption	m^3	2,471	2,380
Total water intensity	m^3/total floor area[1] (m^2)	1.50[2]	1.60
	m^3/revenue (HK$ million)	0.38[3]	0.14
Waste			
Recycled materials (Metal, plastics and paper)	tonnes	2.52[4]	7.10
Disposed general waste	tonnes	10.60	11.00
Hazardous waste	tonnes	8.63[5]	6.36
Non-hazardous waste intensity	tonnes/total floor area (m^2)	0.014	0.012
	tonnes/revenue (HK$ million)	0.0020[4]	0.0010
Hazardous waste intensity	tonnes/total floor area (m^2)	0.0052	0.0043
	tonnes/revenue (HK$ million)	0.0013[3]	0.0004
Electricity			
Offices	kWh	75,747[2]	54,716
Strong Nantong	kWh	544,708[6]	526,789
Total electricity consumption	kWh	620,455	581,505
Total electricity intensity	kWh/total floor area (m^2)	376[2]	391
	kWh/revenue (HK$ million)	94.35[3]	33.64
Greenhouse gas (GHG) emission[7]			
Offices	tCO_2e	57[2]	41
Strong Nantong	tCO_2e	448[6]	342
Total Scope 1 GHG emission	tCO_2e	10[8]	–
Total Scope 2 GHG emission	tCO_2e	495	383
Total GHG emission	tCO_2e	505	383
GHG intensity	tCO_2e/total floor area (m^2)	0.31	0.26
	tCO_2e/revenue (HK$ million)	0.077[3]	0.022

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

2 The newly included Quanzhou office contributed to the variances of water consumption, electricity consumption and Scope 2 GHG emission with the 2020's figures, as well as the intensity under the above categories.

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7 The major source of direct Scope 1 GHG emission of the Group was transportation. Scope 2 GHG emission refers to indirect GHG emission resulting from the generation of the electricity which the Group purchased.

8 Due to the data collection system refinement, the Scope 1 GHG emission data has been collected and included since 2020.

Social Performance		Unit	2020	2019
Total workforce		No. of people	94	140
By gender	Male	No. of people	70	103
	Female	No. of people	24	37
By age group	<31	No. of people	13	32
	31–50	No. of people	50	79
	>50	No. of people	31	29
By employee type	Senior management	No. of people	14	16
	Manager	No. of people	21	30
	General	No. of people	59	94
By employment type	Full time	No. of people	91	138
	Part time	No. of people	3	2
Training				
By gender	Male	Training percentage	100%	78%
		Average training hours	70.3	62.5
	Female	Training percentage	100%	73%
		Average training hours	43.8	31.3
By employee type	Senior management	Training percentage	100%	94%
		Average training hours	47.0	65.6
	Manager	Training percentage	100%	57%
		Average training hours	56.6	32.7
	General	Training percentage	100%	80%
		Average training hours	77.6	59.2
Lost days due to injuries		Days	0	0
Number of fatalities		No. of people	0	0
Rate of fatalities		Percentage	0	0

ESG CONTENT INDEX

Aspect	KPI	Description	Section	Page No.
SUBJECT AREA (A) ENVIRONMENT				
A1: EMISSIONS				
A1	*General disclosure*	Information on: (a) the policies; and (b) compliance	Air Emission & Energy Consumption and GHG Emission	34, 36
	A1.1	The types of emissions and respective emissions data.	Air Emission & Energy Consumption and GHG Emission	34, 36
	A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Energy Consumption and GHG Emission	36
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management	35
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management	35
	A1.5	Description of measures to mitigate emissions and results achieved.	Air Emission & Energy Consumption and GHG Emission	34, 36
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Waste Management	35
A2: USE OF RESOURCES				
A2	*General disclosure*	Policies	Air Emission, Water Consumption and Wastewater Discharge & Energy Consumption and GHG Emission	34–36
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Energy Consumption and GHG Emission	36
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Water Consumption and Wastewater Discharge	35
	A2.3	Description of energy use efficiency initiatives and results achieved.	Energy Consumption and GHG Emission	36
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Water Consumption and Wastewater Discharge	35
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable	

Aspect	KPI	Description	Section	Page No.
A3: THE ENVIRONMENT AND NATURAL RESOURCES				
A3	*General disclosure*	Policies	Air Emission, Water Consumption and Wastewater Discharge & Energy Consumption and GHG Emission	34–36
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Air Emission, Water Consumption and Wastewater Discharge & Energy Consumption and GHG Emission	34–36
SUBJECT AREA (B) SOCIAL				
B1: EMPLOYMENT				
B1	*General disclosure*	Information on: (a) the policies; and (b) compliance	Talent Acquisition	37
	B1.1	Total workforce by gender, employment type, age group and geographical region.	Talent Acquisition	37
	B1.2	Employee turnover rate by gender, age group and geographical region.	Not disclosed	
B2: HEALTH AND SAFETY				
B2	*General disclosure*	Information on: (a) the policies; and (b) compliance	Occupational Health and Safety	38–40
	B2.1	Number and rate of work-related fatalities.	Performance table	44
	B2.2	Lost days due to work injury.	Performance table	44
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Occupational Health and Safety	38–40
B3: DEVELOPMENT AND TRAINING				
B3	*General disclosure*	Policies	Talent Development	41
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Performance table	44
	B3.2	The average training hours completed per employee by gender and employee category.	Performance table	44
B4: LABOUR STANDARDS				
B4	*General disclosure*	Information on: (a) the policies; and (b) compliance	Talent Acquisition	37
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	Talent Acquisition	37
	B4.2	Description of steps taken to eliminate such practices when discovered.	Talent Acquisition	37

Aspect	KPI	Description	Section	Page No.
B5: SUPPLY CHAIN MANAGEMENT				
B5	*General disclosure*	Policies	Supply Chain Management	33
	B5.1	Number of suppliers by geographical region.	Supply Chain Management	34
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management	33
B6: PRODUCT RESPONSIBILITY				
B6	*General disclosure*	Information on: (a) the policies; and (b) compliance	Quality Assurance	34
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable	
	B6.2	Number of products and service related complaints received and how they are dealt with.	Quality Assurance	34
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	Not applicable	
	B6.4	Description of quality assurance process and recall procedures.	Quality Assurance	34
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Ethical Corporate Image	42
B7: ANTI-CORRUPTION				
B7	*General disclosure*	Information on: (a) the policies; and (b) compliance	Ethical Corporate Image	42
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Ethical Corporate Image	42
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Ethical Corporate Image	42
B8: COMMUNITY INVESTMENT				
B8	*General disclosure*	Policies	Community Investment	42
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment	42
	B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment	42

Directors' Report

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal associates and subsidiaries are set out in notes 18 and 42 to the consolidated financial statements respectively.

BUSINESS REVIEW

Detailed business review as required by Schedule 5 to the new Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including the particulars of important events affecting the Group, a discussion of the principal risks and uncertainties facing the Group, an indication of likely future developments in the Group's business and an analysis of the Group's performance using financial key performance indicators, is set out in the Chairman's Statement and the Management Discussion and Analysis on pages 4 to 6 and pages 7 to 14 respectively.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

Detailed environmental policies and performance of the Group are set out in the Environmental, Social and Governance Report on pages 30 to 47.

COMPLIANCE WITH LAWS AND REGULATIONS

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

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Employees

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

Customers and Suppliers

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

Directors' Report

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 62 to 63.

The Board does not recommend the payment of final dividends for the year ended 31 December 2020 (2019: nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from, Monday, 24 May 2021 to Thursday, 27 May 2021, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM to be held on 27 May 2021, all completed share transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 21 May 2021.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 30 to the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

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

DISTRIBUTABLE RESERVES

The distributable reserves of the Company as at 31 December 2020, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK$970.5 million.

Directors' Report

DIRECTORS

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

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

In accordance with Article 87 of the Company's articles of association, Mr. Yao Guoliang and Mr. Deng Heng should retire at the forthcoming AGM and, being eligible, offer themselves for re-election at the forthcoming AGM.

The Directors' biographical details are set out on pages 15 to 16.

The Company received confirmation from each of the INEDs of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considered all the INEDs as independent from the date of their appointment to 31 December 2020.

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

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the section headed "Connected Transactions" of this report and note 37 to the consolidated financial statements, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at any time during the year or at the end of the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 31 December 2020, the interest and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of Company's associated corporations (within the meaning of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")), as recorded in the register required to be kept under Section 352 of Part XV of the SFO, or as otherwise notified to the Company and the HKEx pursuant to the Model Code are set out below:

Long Position in Ordinary Shares of Hk$0.025 Each of the Company

Name of Director	Nature of interest	Number of ordinary shares held	Approximate percentage of the issued share capital of the Company (%)
Mr. Wang Jian Sheng	Interest of a controlled corporation *(note 1)*	1,041,746,000	49.06
	Interest of concert parties *(note 2)*	124,984,000	5.89
Mr. Yao Guoliang	Beneficial owner	124,984,000	5.89
	Interest of a controlled corporation *(note 1)*	1,041,746,000	49.06

Notes:

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

2. Since Mr. Wang and Mr. Yao jointly control Forever Winner which in turn holds 1,041,746,000 shares of the Company, Mr. Wang and Mr. Yao are deemed as parties acting in concert. Therefore, as Mr. Yao beneficially owns approximately 5.89% equity interest in the Company as at 31 December 2020, Mr. Wang shall be deemed to hold the same equity interest in the Company.

Save for those disclosed above, as at 31 December 2020, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to Company and the HKEx pursuant to the Model Code.

None of the Directors or chief executive of the Company (including their spouses and children under the age of 18), during the year ended 31 December 2020, held any interests in or was granted any right to subscribe for the securities of Company and its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

SHARE OPTIONS

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

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

		Price of share of the Company			Number of share options[2]			
Nature or category of participant	Date of grant[1] (dd/mm/yy)	Exercise price HK$	At the grant date of share options HK$	At the exercise date of share options HK$	Outstanding at 01/01/2020	Exercised during the year	Lapsed during the year	Outstanding at 31/12/2020
Other participants in aggregate	05/09/14	0.78	0.77	N/A	138,000,000	–	–	138,000,000
Total					138,000,000	–	–	138,000,000

Notes:

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

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

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

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 31 December 2020, the Directors are not aware of any other person, (other than the interests of the Director or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO:

Long Position in Shares of the Company

Name of shareholder	Nature of interest	Number of ordinary shares	Approximate percentage of shareholding (%)
Forever Winner	Beneficial Owner *(note 1)*	1,041,746,000	49.06
Mr. Yao Guoliang	Beneficial Owner	124,984,000	5.89
Hongkong Hengyuan Investment Limited	Beneficial Owner *(note 2)*	353,603,681	16.65

Notes:

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

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

Directors' Report

INTERESTS OF CONTROLLING SHAREHOLDERS IN CONTRACTS

Save as disclosed below in the section of "Connected Transactions", and in notes 27 and 37 to the consolidated financial statements, there was no contract of significance between the Company or any of its subsidiaries and controlling shareholders (as defined in paragraph 16 of Appendix 16 to the Listing Rules) or any of its subsidiaries, at any time during the year.

CONNECTED TRANSACTIONS

Shareholder Loan Agreements

On 11 December 2020, the Group entered into shareholder loan agreements with Mr. Wang Jian Sheng and Mr. Yao Guoliang respectively, the controlling shareholders of the Company, pursuant to which each of Mr. Wang and Mr. Yao agreed to provide an unsecured term loan of HK$60.0 million, in aggregate of HK$120.0 million to the Group. Each of the shareholder loans bore an interest of 1-month Hong Kong Interbank Offered Rate plus 1.75% per annum. The Group shall repay the shareholder loans in full on 10 March 2021 or upon demand. The repayment date was extended to 10 June 2021 as mutually agreed by the parties. The shareholder loans had been utilised by the Group to support its operating activities. Please refer to the announcement of the Company dated 11 December 2020 for more details. During the year, the shareholder loan agreements constituted connected transactions and related party transactions and the details are set out in note 37 to the consolidated financial statements.

The connected transactions under the above shareholder loans are not secured by any assets of the Group and are conducted on normal commercial terms or better and therefore are exempted from the reporting, annual review and independent shareholders' approval requirements contemplated under Rule 14A.90 of the Listing Rules.

Tenancy Agreement

During the year, the Group entered into a tenancy agreement with Strong Property Limited, which constituted connected transaction and related party transaction and the details are set out in note 37 to the consolidated financial statements.

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

CONTINUING CONNECTED TRANSACTIONS

The Group had no continuing connected transactions during the year.

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to HK$50,000 (2019: HK$50,000).

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers and purchases from the five largest suppliers accounted for approximately 59% and approximately 71% of the total sales and purchases for the year, respectively. The Group's largest customer and supplier accounted for approximately 20% and approximately 32% of the total sales and purchases for the year, respectively.

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

EMOLUMENT POLICY

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

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

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

RETIREMENT BENEFIT SCHEMES

Other than operating a Hong Kong Mandatory Provident Fund Scheme, participating in the defined contribution pension scheme operated by the Macao government authority, the Central Provident Fund operated by Singapore government and the PRC state-managed retirement benefit scheme, the Group has not operated any other retirement benefit scheme for the Group's employees. Particulars of the retirement benefit schemes are set out in note 32 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISION

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

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

EVENTS AFTER THE REPORTING PERIOD

The Group had no significant events after 31 December 2020.

EQUITY-LINKED AGREEMENT

Save as disclosed in the section headed "Share Options" of this report, no equity-linked agreements were entered into during the year or subsisted at the end of the year ended 31 December 2020.

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

During the year, the Company repurchased a total of 348,000 ordinary shares of the Company at an aggregate purchase price of HK$129,740 on the HKEx, representing approximately 0.02% of the issued share capital of the Company as at the date of the passing of the ordinary resolution under which the general mandate to repurchase shares was granted. Particulars of the shares repurchase are as follows:

Month of repurchase	**No. of ordinary shares of HK$0.025 each**	**Purchase price paid per share**		**Aggregate consideration paid**
		Highest	**Lowest**	
		HK$	*HK$*	*HK$*
January 2020	348,000	0.380	0.365	129,740

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

The repurchased shares were cancelled during the year and the issued share capital of the Company was reduced by the nominal value thereof.

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

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

On 10 December 2020, Messrs. Deloitte Touche Tohmatsu has resigned as the auditor of the Company with effect from 10 December 2020 as the Company and Messrs. Deloitte Touche Tohmatsu could not reach a consensus on the auditor's remuneration for the year ended 31 December 2020. The Board, with the recommendation from the Audit Committee, has resolved to appoint Messrs. BDO Limited as the auditor of the Company with effect from 14 December 2020 to fill the casual vacancy following the resignation of Messrs. Deloitte Touche Tohmatsu and to hold office until the conclusion of the next AGM. Pursuant to Article 158 of the byelaws of the Company, the Board has the power to fill any casual vacancy in the office of auditor and to fix the remuneration of the auditor so appointed. Accordingly, no extraordinary general meeting was held for such purpose.

Please refer to the announcement of the Company dated 14 December 2020 for more details.

The consolidated financial statements for the year ended 31 December 2020 have been audited by Messrs. BDO Limited, who will retire and, being eligible, offer itself for re-appointment at the forthcoming AGM of the Company.

On behalf of the Board
Wang Jian Sheng
Chairman

31 March 2021

Independent Auditor's Report

BDO

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

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

OPINION

We have audited the consolidated financial statements of Strong Petrochemical Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 62 to 156 which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Valuation of interest in an associate	
We identified the valuation of the Group's interest in an associate located in the People's Republic of China (the "PRC"), Sinochem Tianjin Port Petrochemical Terminal Co., Ltd. ("Sinochem Port"), as a key audit matter due to the significant estimation involved by the management of the Group in determining the recoverable amount of Sinochem Port. As set out in Note 18 to the consolidated financial statements, the carrying amount of the Group's interest in Sinochem Port as at 31 December 2020 is HK$52,080,000. Sinochem Port is principally engaged in provision of crude oil and petrochemicals storage services in the PRC. Its financial performance is highly dependent on the service charges and demand for these storage services, which are influenced by market conditions. Sinochem Port performed unsatisfactorily in prior years and impairment losses of HK$11,116,000 have been provided for. In 2020, Sinochem Port performs satisfactorily and the Group recognises its share of profit of HK$4,203,000 for the year. For the year ended 31 December 2020, the management of the Group has performed an impairment assessment on its interest in this associate and concluded that the recoverable amount of Sinochem Port approximates its carrying value. Thus, no further impairment or reversal of impairment is required. This conclusion is based on the value-in-use calculation using a discounted cash flow model developed by the management expertise. The model requires significant estimation on growth rates and gross profit margin which form parts of the underlying future cash flows of this associate and the appropriate discount rate.	Our procedures to the valuation of the Group's interest in an associate included: • Understanding the basis adopted in the valuation methodology prepared by the management; • Assessing the reasonableness of the key assumptions made by the management, including growth rates and gross profit with reference to the current market circumstances; • Assessing the appropriateness of key inputs applied by the management in preparing the cash flow forecast against historical performance, including revenue, cost of sales and operating expenses, and with reference to the future strategic plans of this associate; and • Involving our internal valuation specialists in evaluating the reasonableness of the value in use model and discounted cash flow method adopted, projection periods, terminal growth rate, and the discount rates used in the impairment assessment.

Key audit matter	How our audit addressed the key audit matter
Recoverability of trade receivables	
As set out in Note 20, as at 31 December 2020, the carrying value of the Group's trade receivables amounted to HK$713,876,000, representing approximately 63% of total current assets. Of which, HK$668,866,000 was past due over 90 days. To measure the expected credit losses ("ECLs") of trade receivables, the Group assesses the overdue balances individually by reference to past default experience, current past due exposure of the debtors, an analysis of the debtors' current financial position, and also taking into account the market value of the collateral held against overdue trade receivables, if any. We identified the recoverability of trade receivables as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant degree of judgements made by the management in assessing the impairment of trade receivables and determining the allowance for impairment losses.	Our procedures to assess the recoverability of trade receivables included: • Obtaining an understanding of the basis of management's judgements about the recoverability of individual balances and evaluating the impairment allowances with reference to debtors' financial condition, the industry in which the debtors are operating, historical and post year-end payment records, legal documents in relation to disputes with debtors and other relevant information obtained from other audit procedures; • Assessing the assumptions and estimates made by the management in development of the ECLs including considering the debtors' expected payment pattern along with macroeconomic information; and • Obtaining a summary of subsequent settlements relating to trade receivable balances as at 31 December 2020 and inspecting underlying documents relating to the payments received on a sample basis.

Key audit matter	How our audit addressed the key audit matter
Valuation of financial assets at fair value through profit or loss	
As set out in Note 21, as at 31 December 2020,the Group has financial assets at fair value through profit or loss that comprise mainly an unlisted equity investment with a carrying value of HK$195,000,000. The management of the Group has assessed the fair value of this investment using discounted cash flow model and concluded that its fair value approximates its carrying value. Fair value measurement of this investment is classified as Level 3 of the fair value hierarchy as set out in Note 4. We identified the valuation of this investment as a key audit matter due to the significance of judgement and assumptions involved in the management's assessment and the subjectivity in determination of the Level 3 fair value given the lack of availability of market-based data.	Our procedures in relation to the valuation of Level 3 financial assets included: • Reviewing the valuation report prepared by the management expertise and understanding the valuation basis, methodology used and underlying assumptions applied; • Evaluating the competency, capabilities and objectivity of the management expertise; • Assessing the appropriateness of the valuation methodology used by the management expertise; • Considering the appropriateness of the multiples selected from the market comparable, the discount of lack of control and the discount for lack of marketability with the assistance of our internal valuation specialists; • Checking the accuracy and the relevant of the input data used; and • Assessing the adequacy of fair value disclosures in relation to the financial assets.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's 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.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors 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 directors are also responsible for overseeing the Group's financial reporting process. The audit committee of the Company ("Audit Committee") assists the directors in discharging their responsibilities in this regard.

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. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

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

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

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

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

- 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 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 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, 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.

BDO Limited
Certified Public Accountants

Amy Yau Shuk Yuen
Practising Certificate No. P06095
Hong Kong, 31 March 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	NOTES	2020 HK$'000	2019 HK$'000
Revenue	5		
Goods and services		**6,523,194**	17,342,010
Leases		**49,120**	14,243
		6,572,314	17,356,253
Cost of sales		**(6,148,292)**	(17,025,181)
Gross profit		**424,022**	331,072
Other income	7	**17,691**	25,154
Other gains and losses	7	**(49)**	(4,653)
Impairment loss under expected credit loss model		**(227,737)**	(20,000)
Gain on changes in fair value of derivative financial instruments, net		**25,436**	26,307
Distribution and selling expenses		**(192,463)**	(88,694)
Administrative expenses		**(94,177)**	(93,165)
Finance costs	8	**(20,351)**	(51,084)
Share of results of associates		**4,203**	(812)
Loss on disposal of subsidiaries	31	**(1,695)**	–
(Loss) profit before taxation	10	**(65,120)**	124,125
Income tax (expense) credit	9	**(19,294)**	57
(Loss) profit for the year		**(84,414)**	124,182
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**24,239**	(5,348)
Reclassification of cumulative translation reserve to profit or loss upon disposal of subsidiaries		**(394)**	–
Reclassification adjustment upon deregistration of an associate		**–**	(2,023)
Other comprehensive income (expense) for the year		**23,845**	(7,371)
Total comprehensive (expense) income for the year		**(60,569)**	116,811

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	NOTE	2020 HK$'000	2019 HK$'000
(Loss) profit for the year attributable to:			
Owners of the Company		**(93,013)**	125,044
Non-controlling interests		**8,599**	(862)
		(84,414)	124,182
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(70,381)**	118,402
Non-controlling interests		**9,812**	(1,591)
		(60,569)	116,811
(Loss) earnings per share	13		
— basic (HK cents)		**(4.38)**	5.89
— diluted (HK cents)		**(4.38)**	5.89

Consolidated Statement of Financial Position

At 31 December 2020

	NOTES	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	14	**84,881**	260,104
Investment properties	15	**209,987**	–
Right-of-use assets	26	**68,695**	67,034
Goodwill	16	**–**	3,551
Other assets	17	**1,865**	1,059
Prepayment		**3,045**	–
Rental deposit		**321**	203
Interests in associates	18	**52,080**	44,825
Financial asset at fair value through profit or loss	21	**195,000**	–
		615,874	376,776
Current assets			
Inventories	19	**24,399**	23,553
Trade receivables	20	**713,876**	2,687,502
Other receivables, deposits and prepayments	20	**107,566**	298,332
Tax reserve certificates		**–**	8,175
Derivative financial instruments	28	**53,253**	25,424
Financial assets at fair value through profit or loss	21	**1,233**	825
Deposits placed with brokers	22	**87,593**	77,202
Pledged bank deposits	23	**–**	17,118
Bank balances and cash	23	**144,173**	358,075
		1,132,093	3,496,206
Current liabilities			
Trade payables	24	**28,945**	1,219,025
Other payables and accrued charges	24	**104,181**	85,000
Contract liabilities	25	**6**	25,965
Lease liabilities	26	**2,085**	1,242
Taxation payable		**–**	269
Bank and other borrowings	27	**140,198**	871,418
Derivative financial instruments	28	**50,428**	22,996
		325,843	2,225,915
Net current assets		**806,250**	1,270,291
Total assets less current liabilities		**1,422,124**	1,647,067

Consolidated Statement of Financial Position

At 31 December 2020

	NOTES	2020 HK$'000	2019 HK$'000
Non-current liabilities			
Deferred tax liabilities	29	–	3,897
Lease liabilities	26	496	128
Bank borrowing	27	–	135,078
		496	139,103
Net assets		1,421,628	1,507,964
Capital and reserves			
Share capital	30	53,084	53,093
Reserves		1,368,041	1,438,543
Equity attributable to owners of the Company		1,421,125	1,491,636
Non-controlling interests		503	16,328
Total equity		1,421,628	1,507,964

The consolidated financial statements on pages 62 to 156 were approved and authorised for issue by the Board of Directors on 31 March 2021 and are signed on its behalf by:

Wang Jian Sheng
DIRECTOR

Yao Guoliang
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Attributable to owners of the Company										
	Share capital	Share premium	Special reserve	Legal reserve	Share-based payments reserve	Translation reserve	Other reserve	Retained profits	Sub-total	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000 (note (i))	HK$'000 (note (ii))	HK$'000	HK$'000	HK$'000 (note (iii))	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2019	53,110	566,448	(1,922)	49	50,391	(5,784)	12,295	698,880	1,373,467	484	1,373,951
Profit (loss) for the year	–	–	–	–	–	–	–	125,044	125,044	(862)	124,182
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(4,619)	–	–	(4,619)	(729)	(5,348)
Reclassification adjustment upon deregistration of an associate	–	–	–	–	–	(2,023)	–	–	(2,023)	–	(2,023)
Total comprehensive (expense) income for the year	–	–	–	–	–	(6,642)	–	125,044	118,402	(1,591)	116,811
Repurchase of shares (Note 30)	(17)	(216)	–	–	–	–	–	–	(233)	–	(233)
Acquisition of subsidiaries (Note 31)	–	–	–	–	–	–	–	–	–	17,435	17,435
	(17)	(216)	–	–	–	–	–	–	(233)	17,435	17,202
At 31 December 2019	53,093	566,232	(1,922)	49	50,391	(12,426)	12,295	823,924	1,491,636	16,328	1,507,964
(Loss) profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(93,013)**	**(93,013)**	**8,599**	**(84,414)**
Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**23,026**	**–**	**–**	**23,026**	**1,213**	**24,239**
Reclassification of cumulative translation reserve to profit or loss upon disposal of subsidiaries	**–**	**–**	**–**	**–**	**–**	**(394)**	**–**	**–**	**(394)**	**–**	**(394)**
Total comprehensive income (expense) for the year	**–**	**–**	**–**	**–**	**–**	**22,632**	**–**	**(93,013)**	**(70,381)**	**9,812**	**(60,569)**
Repurchase of shares (Note 30)	**(9)**	**(121)**	**–**	**–**	**–**	**–**	**–**	**–**	**(130)**	**–**	**(130)**
Disposal of subsidiaries (Note 31)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(25,637)**	**(25,637)**
	(9)	**(121)**	**–**	**–**	**–**	**–**	**–**	**–**	**(130)**	**(25,637)**	**(25,767)**
At 31 December 2020	**53,084**	**566,111**	**(1,922)**	**49**	**50,391**	**10,206**	**12,295**	**730,911**	**1,421,125**	**503**	**1,421,628**

Notes:

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

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

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
OPERATING ACTIVITIES			
(Loss) Profit before taxation		**(65,120)**	124,125
Adjustments for:			
Bank interest income	7	**(474)**	(9,932)
Interest income from loan receivables	7	**–**	(1,800)
Interest income from deposits placed with brokers	7	**(69)**	(50)
Dividend income from financial assets at fair value through profit or loss	7	**–**	(393)
Finance costs	8	**20,351**	51,084
Depreciation of property, plant and equipment	10	**20,938**	21,802
Depreciation of investment properties	10	**3,559**	–
Depreciation of right-of-use assets	10	**4,415**	4,219
Amortisation of other assets	10	**1,295**	–
Loss on disposal of subsidiaries	31	**1,695**	–
Losses on disposal of property, plant and equipment	7	**1**	1
Gains on changes in fair value of financial assets at fair value through profit or loss, net	7	**(420)**	(4,879)
Impairment loss on trade receivables	10	**216,301**	–
Impairment loss on interest in an associate	7	**–**	6,353
Impairment loss on other receivables, deposits and prepayments	10	**11,436**	20,000
Impairment loss on goodwill	7	**–**	4,963
Impairment loss on inventories	10	**161**	–
Share of results of associates	10	**(4,203)**	812
Operating cash flows before movements in working capital		**209,866**	216,305
Increase in inventories		**(3,447)**	(6,434)
Decrease in trade receivables		**1,743,467**	84,426
Decrease in other receivables, deposits and prepayments		**41,085**	6,300
Increase in tax reserve certificates		**(2,800)**	(4,500)
Decrease in trade payables		**(1,190,081)**	(511,716)
(Decrease) increase in other payables and accrued charges		**(106,223)**	8,280
Increase (decrease) in contract liabilities		**35,601**	(495,785)
Changes in derivative financial instruments		**(397)**	(496)
Cash generated from (used in) operations		**727,071**	(703,620)
Bank charges		**(6,710)**	(13,077)
Income tax paid		**(8,703)**	(425)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		**711,658**	(717,122)

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
INVESTING ACTIVITIES			
New loan granted		–	(20,000)
(Increase) decrease in deposits placed with brokers		(10,995)	31,306
Payment for acquisition of right-of-use assets		(48,446)	–
Payment for acquisition of other assets		(2,101)	–
Payment for acquisition of property, plant and equipment		(19,247)	(1,540)
Withdrawal of pledged bank deposits		17,118	25,089
Interest received		543	11,782
Dividend received from an associate		–	12,582
Dividend received from financial assets at fair value through profit or loss		–	393
Proceeds from disposal of subsidiaries	31	10,142	–
Payment for acquisition of financial assets at fair value through profit or loss		(136,500)	–
Proceeds from disposal of financial assets at fair value through profit or loss		12	37,062
Net cash inflow from acquisition of subsidiaries		10	1,926
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(189,464)	98,600
FINANCING ACTIVITIES			
Proceeds from bank and other borrowings	40	1,878,807	7,819,009
Repayments of bank and other borrowings	40	(2,605,037)	(7,003,479)
Repayments of lease liabilities		(2,660)	(2,675)
Payment on repurchase of shares		(130)	(233)
Interest paid	40	(13,641)	(38,007)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(742,661)	774,615
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(220,467)	156,093
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		358,075	204,311
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		6,565	(2,329)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTING BANK BALANCES AND CASH		144,173	358,075

For the year ended 31 December 2020

1. GENERAL

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

The Company acts as an investment holding company. The principal activities of the Company's subsidiaries are mainly trading of commodities, including crude oil, petroleum products, petrochemicals, coal and iron ore, and provision of petroleum products and petrochemicals storage services. Details of the principal subsidiaries of the Company are set out in Note 42.

The principal operations of the Group are conducted in Hong Kong Special Administrative Region ("Hong Kong"), Macao, the People's Republic of China (other than Hong Kong, Macao and Taiwan) (the "PRC") and Singapore.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new or amended HKFRSs

The Hong Kong Institute of Certified Public Accountants has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform
Amendments to HKFRS 16	COVID-19-Related Rent Concessions*

* The Amendments to HKFRS 16: COVID-19-Related Rent Concessions is mandatorily effective for annual reporting periods beginning on or after 1 June 2020.

Except for the Amendments to HKFRS 3, these new or amended HKFRSs do not have significant impacts on the Group's results and financial position for the current or prior period.

Amendments to HKFRS 3, Definition of a Business

The amendments clarify the definition of a business and introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election to apply the concentration test is made for each transaction. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the concentration test is met, the set of activities and assets is determined not to be a business. If the concentration test is failed, the acquired set of activities and assets is further assessed based on the elements of a business.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(a) Adoption of new or amended HKFRSs *(continued)*

Amendments to HKFRS 3, Definition of a Business *(continued)*

The Group elected to apply the amendments prospectively to acquisitions for which the acquisition date is on or after 1 January 2020. The Group acquired a set of activities and assets in August 2020 and elected to apply the concentration test to that transaction and the transaction passed the concentration test. Based on the assessment of elements of a business, the Group concluded that the acquired set of activities and assets is not a business.

(b) New or amended HKFRSs that have been issued but are not yet effective

The following new or amended HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[4]
HK Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[4]
Amendments to HKAS 16	Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[2]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.
4 Effective for annual periods beginning on or after 1 January 2023.
5 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company do not anticipate that the applications of the amendments and revision in the future will have significant impacts on the financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) New or amended HKFRSs that have been issued but are not yet effective *(continued)*

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020) ("HK Int 5 (2020)"), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Int 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Int 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

Amendments to HKAS 37, Onerous Contracts — Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Amendments to HKFRS 3, Reference to the Conceptual Framework

The amendments update HKFRS 3 *Business Combinations* so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of Hong Kong (IFRIC) Interpretation 21 ("HK(IFRIC)-Int 21") *Levies*, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs, HKASs and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the provisions of the Hong Kong Companies Ordinance which concern the preparation of financial statements. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the HKEx.

(b) Basis of preparation of the consolidated financial statements

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments that are measured at fair values as explained in the accounting policies set out below.

(c) Functional and presentation currencies

The functional currency of the Company and most of its subsidiaries is United States Dollar ("US$"), as the Group mainly trades in US$ with its customers and suppliers. However, for the convenience of the financial statements' users, the consolidated financial statements are presented in Hong Kong Dollar ("HK$").

(d) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Group. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive processes and whether the acquired set has the ability to produce outputs.

The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of twelve months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Business combination and basis of consolidation *(continued)*

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

Changes in the Group's interests in a subsidiary that do not result in a loss of control of the subsidiary are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal 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 previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for on the same basis as would be required if the relevant assets or liabilities were disposed of.

(e) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (i) power over the investee, (ii) exposure, or rights, to variable returns from the investee, and (iii) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists, the Company considers all relevant facts and circumstances, including:

- the size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- substantive potential voting rights held by the Company and other parties who hold voting rights;
- other contractual arrangements; and
- historic patterns in voting attendance.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses, if any. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable during the year.

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions are eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred, they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of investment, after reassessment, is recognised immediately in profit or loss. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKFRS 9 *Financial Instruments*. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, all amounts previously recognised in other comprehensive income in relation to that associate are recognised on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

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

In the Company's statement of financial position, investments in associates are carried at cost less impairment losses, if any. The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year.

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Goodwill

Goodwill represents the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree over the fair value of the identifiable assets and liabilities measured as at the acquisition date.

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the combination. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is first allocated to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit on a pro-rata basis on the carrying amount of each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

(h) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs 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 recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives of property, plant and equipment are set out in Note 14.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Property, plant and equipment *(continued)*

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate classes of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised as gain or loss on disposal.

(i) Investment properties

Investment properties are properties held either to earn rentals or for capital appreciation or for both.

Investment properties are stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated to write-off the cost of investment properties, less their residual values, if any, using straight-line method over their estimated useful lives of 20 years. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives of investment properties are set out in Note 15.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property, calculated as the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss in the period in which the property is derecognised.

(j) Government grant

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Leases

The Group as a lessee

All leases are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term of less than twelve months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset is initially recognised at cost and would comprise:

(i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability);

(ii) any lease payments made at or before the commencement date, less any lease incentives received;

(iii) any initial direct costs incurred by the lessee; and

(iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Under the cost model, the Group measures the right-of-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

The right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and the lease terms.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Leases *(continued)*

The Group as a lessee *(continued)*

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments:

(i) fixed lease payments less any lease incentives receivable;

(ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date;

(iii) amounts expected to be payable by the lessee under residual value guarantees;

(iv) exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and

(v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by:

(i) increasing the carrying amount to reflect interest on the lease liability;

(ii) reducing the carrying amount to reflect the lease payments made; and

(iii) remeasuring the carrying amount to reflect any reassessment or lease modification, or to reflect revised in-substance fixed lease payments.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Leases *(continued)*

The Group as a lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased assets to the lessee. 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 recognised as an expense on the straight-line basis over the lease term.

Any changes in the scope of the consideration for a lease that was not part of the original terms and conditions of the lease are accounted for as lease modifications. The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, recognising the remaining lease payments as income on a either a straight-line basis or another systematic basis over the remaining lease term.

(l) Financial instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. Trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

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

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

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

All other financial assets are subsequently measured at FVTPL.

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial instruments *(continued)*

(I) Financial assets *(continued)*

Financial assets at FVTPL

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

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

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss (“ECL”) on trade receivables and financial assets measured at amortised cost and debt investments measured at FVTOCI. ECLs are measured on either of the following bases:

- 12-months ECLs: these are ECLs that result from possible default events within the twelve months after the reporting date; and

- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets’ original effective interest rate.

The Group measured loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group’s historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, ECLs are based on lifetime ECLs except when there has not been a significant increase in credit risk since initial recognition and debt investment securities that are determined to have low credit risk at the reporting date, in which case the allowance will be based on the 12-months ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial instruments *(continued)*

(ii) Impairment loss on financial assets *(continued)*

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to action such as realising security (if any is held); or the financial asset is more than 90 days past due.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

The Group considers a financial asset to be credit-impaired when there is:

- a significant financial difficulty of the debtor;
- a breach of contract, such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- probability that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in “FVTOCI reserve (recycling)”.

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group’s recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial instruments *(continued)*

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at FVTPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at FVTPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising the gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the consolidated statement of profit or loss. The net fair value gain or loss recognised in the consolidated statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, and borrowings, are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial instruments *(continued)*

(iv) Derivative financial instruments

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

Embedded derivatives

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

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

(v) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(vi) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

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

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents 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.

(n) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added taxes or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- 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.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

Provisional pricing arrangements in relation to trading of commodities

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Revenue recognition *(continued)*

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

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

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

Principal versus agent

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Revenue recognition *(continued)*

Contract liabilities

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

Contract costs

The Group recognises an asset from the costs incurred to fulfil a contract when those costs meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;

(b) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

The asset recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the cost relate. The asset is subject to impairment review.

As a practical expedient, the Group may recognise the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the entity otherwise would have recognised is one year or less.

(o) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income tax.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Income taxes *(continued)*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill not deductible for tax purposes and initial recognition of assets and liabilities that are not part of the business combination which affect neither accounting nor taxable profits, taxable temporary differences arising on investments in subsidiaries and associates where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised, provided that the deductible temporary differences are not arises from initial recognition of assets and liabilities in a transaction other than in a business combination that affects neither taxable profit nor the accounting profit. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period, and reflects any uncertainty related to income taxes.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(p) Foreign currencies

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which they operate (the “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Foreign currencies *(continued)*

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the gain or loss on disposal.

(q) Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution retirement plans

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

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

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

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

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

Share options granted to suppliers/consultants/advisers

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- investment property under cost model;
- goodwill; and
- interests in associates (except for those classified as held for sale).

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRS.

Value in use is based on the estimated future cash flows expected to be derived from the asset, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

(t) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

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, the existence of which 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.

(u) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits and highly liquid investments with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. For the purpose of the consolidated statement of cash flows, bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

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

(ii) has significant influence over the Company; or

(iii) is a member of key management personnel of the Company or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities 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 the employees of 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 key management personnel of the entity (or of a parent of the entity).

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include (i) that person's children and spouse or domestic partner; (ii) children of that person's spouse or domestic partner; and (iii) dependents of that person or that person's spouse or domestic partner.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(a) Critical judgment in applying accounting policies

Principal versus agent consideration (principal)

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

For the year ended 31 December 2020, the Group recognised revenue from trading of commodities amounting to HK$6,481,021,000.

(b) Key sources of estimation uncertainty

Valuation of interest in an associate

The Group shares the results of an associate, Sinochem Tianjin Port Petrochemical Terminal Co., Ltd (“Sinochem Port”), which is principally engaged in provision of crude oil and petrochemicals storage services. The service charges and demand for these storage services are influenced by the market conditions. In view of the unsatisfactory results of this associate in prior years, impairment losses of HK$11,116,000 have been provided for the Group’s interest in this associate. In 2020, Sinochem Port performs satisfactorily and the share of profit from this associate amounting to HK$4,203,000 is recognised for the year. The carrying amount of the Group’s interest in this associate shall be assessed to determine whether reversal of or further impairment is required for the year ended 31 December 2020.

The management of the Group has performed an impairment assessment and concluded that the recoverable amount of this associate approximates its carrying value. Thus, no further impairment or reversal of impairment is required. This conclusion is based on the value-in-use calculation using a discounted cash flow model developed by the management expertise. The model requires significant estimation on growth rates and gross profit margin which form parts of the underlying future cash flows of this associate and the appropriate discount rate.

As at 31 December 2020, the carrying amount of the Group’s interest in this associate is HK$52,080,000, net of impairment of HK$11,116,000 (2019: HK$44,825,000, net of impairment of HK$11,116,000), and for the year ended 31 December 2020, the Group has share of profit of this associate amounting to HK$4,203,000 (2019: profit of HK$61,000).

Details of this associate and its impairment assessment are set out in Note 18.

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

(b) Key sources of estimation uncertainty *(continued)*

ECLs impairment

The measurement of impairment losses under HKFRS 9 across all categories of financial assets requires judgement. In particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk in overdue trade receivables and long outstanding other receivables. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

Details of the impairment assessment on trade and other receivables are set out in Note 36.

Fair value measurement

A number of assets and liabilities included in the Group's consolidated financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible.

Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs; and
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures a number of items at fair value:

- Financial assets at FVTPL — unlisted equity investment (Note 21);
- Derivative financial instruments (Note 28); and
- Financial assets at FVTPL — listed securities held for trading (Note 21).

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

For the year ended 31 December 2020

5. REVENUE

(i) Disaggregation of revenue from contracts with customers

Segments	For the year ended 31 December 2020 Trading business HK$'000	Storage business HK$'000	Total HK$'000
Types of goods or services in respect of contracts with customers			
Trading of commodities			
Crude oil	5,099,470	–	5,099,470
Petroleum products	353,676	–	353,676
Petrochemicals	696,811	–	696,811
Coal	224,169	–	224,169
Iron ore	106,895	–	106,895
	6,481,021	–	6,481,021
Storage and other ancillary services for petroleum products and petrochemicals			
General storage services	–	22,605	22,605
Other ancillary services	–	19,568	19,568
	–	42,173	42,173
Total	6,481,021	42,173	6,523,194
Geographical markets			
The PRC	5,307,590	42,173	5,349,763
Other regions	1,173,431	–	1,173,431
Total	6,481,021	42,173	6,523,194
Timing of revenue recognition			
A point in time	6,481,021	–	6,481,021
Over time	–	42,173	42,173
Total	6,481,021	42,173	6,523,194

For the year ended 31 December 2020

5. REVENUE (CONTINUED)

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

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

5. REVENUE (CONTINUED)

(ii) Performance obligations for contracts with customers

Trading of commodities

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

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

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

Storage and other ancillary services for petroleum products and petrochemicals

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

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

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

The transaction price allocated to the remaining performance obligations where the aforementioned practical expedients are not applicable as at 31 December 2020 is HK$3,992,000 (2019: HK$12,275,000), which relates to contracts of storage and other ancillary services for petroleum products and petrochemicals only. This amount represents the revenue expected to be recognised by the Group in the future when it satisfies the remaining performance obligations and around 50% (2019: 59%) is expected to be recognised as revenue within one year.

5. REVENUE (CONTINUED)

(iv) Leases

	2020 HK$'000	2019 HK$'000
For operating leases:		
Lease income that is fixed or depends on a rate	**49,120**	14,243

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

	2020 HK$'000	2019 HK$'000
Trading business	**6,481,021**	17,288,180
Storage business	**42,173**	53,830
Revenue from contracts with customers	**6,523,194**	17,342,010
Leases	**49,120**	14,243
Total revenue	**6,572,314**	17,356,253

6. SEGMENT INFORMATION

Operating segments and the amounts of each segment item reported in the consolidated financial statements are identified from the financial information provided regularly to the executive directors of the Company for the purposes of allocating resources to and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of business activities. No operating segments have been aggregated to form the reporting segments.

Segment revenue, expenses, and results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment, but exclude exceptional items. Segment assets excluding tax recoverable are managed on a group basis. Segment liabilities excluding tax payable are managed on a group basis. The Group's operating and reportable segments are therefore as follows:

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

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

6. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

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

For the year ended 31 December 2020

	Trading business HK$'000	Storage business HK$'000	Total HK$'000
Revenue from contracts with customers	**6,481,021**	**42,173**	**6,523,194**
Leases	**–**	**49,120**	**49,120**
Total revenue	**6,481,021**	**91,293**	**6,572,314**
Segment results	**(72,015)**	**31,329**	**(40,686)**
Share of results of associates			**4,203**
Loss on disposal of subsidiaries			**(1,695)**
Impairment loss under expected credit loss model			**(468)**
Finance costs			**(13,580)**
Unallocated income and gains			**880**
Unallocated expenses and losses			**(13,774)**
Loss before taxation			**(65,120)**

For the year ended 31 December 2019

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

6. SEGMENT INFORMATION (CONTINUED)

Other segment information

Other segment information included in the consolidated statement of profit or loss are as follows:

Amounts included in the measure of segment profit or loss:

For the year ended 31 December 2020

	Trading business HK$'000	Storage business HK$'000	Unallocated HK$'000	Total HK$'000
Interest income (included in other income)	464	11	85	560
Depreciation of property, plant and equipment	(461)	(20,214)	(263)	(20,938)
Depreciation of investment properties	–	–	(3,559)	(3,559)
Depreciation of right-of-use assets	(2,797)	(1,618)	–	(4,415)
Gain on changes in fair value of derivative financial instruments, net	25,436	–	–	25,436
Gains on changes in fair value under provisional pricing arrangements in relation to trading of commodities, net	1,699	–	–	1,699
Finance costs	(6,737)	(34)	(13,580)	(20,351)

For the year ended 31 December 2019

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

Geographical information

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

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

For the year ended 31 December 2020

6. SEGMENT INFORMATION (CONTINUED)

Other segment information *(continued)*

Geographical information *(continued)*

	Revenue from external customers		Non-current assets *(note)*	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**–**	–	**5,018**	1,663
Macao	**–**	–	**369**	452
The PRC	**5,398,883**	16,452,140	**138,503**	373,481
Singapore	**–**	–	**151**	977
Korea	**477,164**	–	**–**	–
France	**–**	328,001	**–**	–
Japan	**65,926**	169,550	**–**	–
Vietnam	**173,259**	406,562	**–**	–
United Kingdom	**457,082**	–	**–**	–
	6,572,314	17,356,253	**144,041**	376,573

Note: The non-current assets for the purpose of geographical information exclude financial assets at FVTPL, investment properties, rental deposit, prepayment, certain right-of-use assets and property, plant and equipment.

Information about major customers

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

	2020	2019
	HK$'000	HK$'000
Customer A	**821,976**	6,826,920
Customer B	**N/A***	3,226,289
Customer C	**N/A***	2,015,398
Customer D	**1,301,692**	N/A*
Customer E	**796,058**	N/A*

* Revenue contributed less than 10% of the Group's revenue for the corresponding year.

For the year ended 31 December 2020

7. OTHER INCOME AND GAINS AND LOSSES

A. Other income

	2020 HK$'000	2019 HK$'000
Bank interest income	**474**	9,932
Interest income from deposits placed with brokers	**69**	50
Interest income from loan receivables *(note (i))*	**–**	1,800
Dividend income from financial assets at FVTPL	**–**	393
Non-performance and insurance claims *(note (ii))*	**71**	755
Penalty interest income *(note (iii))*	**–**	4,554
Government grants	**2,348**	4,604
Service income *(note (iv))*	**12,144**	–
Others	**2,585**	3,066
	17,691	25,154

Notes:

(i) The balance in 2019 represented the interest income received from a secured loan. On 17 January 2019, the Group entered into a secured loan agreement with a borrower and, pursuant to the terms in the agreement, the Group advanced a loan with a principal amount of HK$20,000,000, carrying a fixed interest rate of 16% per annum for the first three calendar months and 20% per annum for the additional three calendar months in case of extension and having a maturity date of three months from the date of grant (with an option to extend for three more months subject to approval by the Group), to the borrower. During the year ended 31 December 2019, the management of the Group considered this loan receivable was credit-impaired and the carrying amount was written off accordingly. Details of the impairment assessment are set out in Note 36.

(ii) The balance in 2019 represented compensation in relation to the supplier's failure in delivery of commodities as scheduled and non-performance and insurance claims that the Group received from its operation in the PRC and Macao. During the year ended 31 December 2017, the Group entered into a purchase contract with a supplier (the "Purchase Contract"), which was an independent third party to the Group, for the purchase of petroleum products for the Group's trading business in petroleum products. Pursuant to the terms of the Purchase Contract, the Group was required to advance US$40,000,000 (equivalent to approximately HK$312,000,000) to the supplier as a refundable deposit to secure the supply, and the Group was entitled to receive compensation from the supplier in relation to the supplier's failure in delivery of the petroleum products as scheduled. Such compensation was deducted from the refundable deposit. Movement in this refundable deposit is set out in Note 20B (i).

(iii) During the year ended 31 December 2019, the balance mainly included an amount of HK$4,284,000 received and receivable from the supplier mentioned in *note (ii)* and an amount of HK$270,000 received from the borrower mentioned in *note (i)*.

(iv) On 6 April 2020, the Group entered into an agency agreement with an independent third party (the "Principal"). Based on the agreement, the Group confirms and performs the crude oil transactions with the Principal's counterparties on behalf of the Principal and earns the service income.

For the year ended 31 December 2020

7. OTHER INCOME AND GAINS AND LOSSES (CONTINUED)

B. Other gains and losses

	2020 HK$'000	2019 HK$'000
Unrealised gains on changes in fair value of financial assets at FVTPL, net	**419**	653
Realised gains on changes in fair value of financial assets at FVTPL, net	**1**	4,226
	420	4,879
Losses on disposal of property, plant and equipment	**(1)**	(1)
Gains on changes in fair value under provisional pricing arrangements in relation to trading of commodities, net	**1,699**	670
Impairment loss on interest in an associate (Note 18)	**–**	(6,353)
Impairment loss on goodwill (Note 16)	**–**	(4,963)
Net foreign exchange (losses) gains	**(2,154)**	520
Others	**(13)**	595
	(49)	(4,653)

8. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Bank charges on letter of credit facilities	**6,710**	13,077
Interest on bank and other borrowings	**13,555**	37,929
Interest on lease liabilities	**86**	78
	20,351	51,084

9. INCOME TAX (EXPENSE) CREDIT

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

	2020 HK$'000	2019 HK$'000
Current tax		
Enterprise Income Tax ("EIT") in the PRC *(note (i))*	**–**	(355)
Hong Kong Profits Tax *(note (ii))*	**(19,391)**	–
	(19,391)	(355)
Deferred tax (Note 29)	**97**	412
	(19,294)	57

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9. INCOME TAX (EXPENSE) CREDIT (CONTINUED)

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

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

During the years ended 31 December 2020 and 2019, the Group had a tax case with the IRD on certain of its subsidiaries. The IRD initiated a tax field audit on the Company and certain of its subsidiaries for the years of assessment from 2010/11 onwards in 2017. In March 2017, assessment/estimated assessments (the "Protective Assessments") totaling HK$10,725,000 for the year of assessment 2010/11 were issued to two of the subsidiaries of the Group (the "Relevant Subsidiaries").

In January 2018, Protective Assessments totaling HK$6,576,000 for the year of assessment 2011/12 were issued to the Relevant Subsidiaries. The Relevant Subsidiaries lodged objections against the Protective Assessments with the IRD and the tax demanded was held over on the condition that tax reserve certificates ("TRC") would be purchased. During the year ended 31 December 2018, the Group purchased TRC of HK$3,675,000 in total in relation to years of assessment 2010/11 and 2011/12. In December 2018, the Protective Assessments totaling HK$57,400,000 for the year of assessment 2012/13 were issued to the Relevant Subsidiaries.

During the year ended 31 December 2019, the Group further purchased TRC of HK$4,500,000 in relation to the year of assessment of 2012/13. Also the Group carried out meetings and discussions with the IRD and facilitated the IRD to have in-depth review of all relevant information and documents. In February 2020, the Protective Assessments totalling HK$88,090,000 for the year of assessment 2013/14 were issued to the Relevant Subsidiaries. In March 2020, the Relevant Subsidiaries lodged objections against the Protective Assessments for the year of assessment 2013/14 with request on unconditional holdover of tax demanded. For the year ended 31 December 2019, based on the advice from the Hong Kong's legal adviser, the directors of the Company considered that the Relevant Subsidiaries had a good supportive ground to defend their tax positions against the IRD. Therefore, no provision of Hong Kong Profits Tax was made in the consolidated financial statements for the years of assessment in issue.

During the year ended 31 December 2020, the Group further purchased TRC of HK$2,800,000 in relation to the year of assessment of 2013/14. In June 2020, the IRD preliminarily agreed the settlement proposal raised by the Company, and the Group made a provision for Hong Kong Profits Tax of HK$18,989,000, including under provision in prior years of HK$13,989,000 and a penalty of HK$5,000,000. In July 2020, the Company received the official reply from the IRD confirming its agreement on the settlement proposal. In September 2020, the Group settled the tax liability of HK$18,989,000 and the IRD case was closed. TRC of HK10,975,000 was fully utilised to partially settle the tax liability.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

9. INCOME TAX (EXPENSE) CREDIT (CONTINUED)

(iv) The Singapore Income Tax is determined by applying the Singapore tax rate of 17%. No provision for Singapore Income Tax has been made for both years as the subsidiary operating in Singapore incurred tax losses in previous years and it utilised the tax losses brought forward in current year.

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

	2020			2019		
	Singapore HK$'000	**The PRC (including Hong Kong and Macao) HK$'000**	**Total HK$'000**	Singapore HK$'000	The PRC (including Hong Kong and Macao) HK$'000	Total HK$'000
(Loss) profit before taxation	**11,682**	**(76,802)**	**(65,120)**	17,595	106,530	124,125
Taxation at the domestic rate applicable to profits in the country concerned	**(1,986)**	**10,779**	**8,793**	(2,991)	(11,496)	(14,487)
Tax effect of income not taxable for tax purpose	**128**	**1,614**	**1,742**	–	1,132	1,132
Tax effect of expenses not deductible for tax purpose	**(38)**	**(14,974)**	**(15,012)**	(868)	(6,044)	(6,912)
Effect of tax exemption granted to a Macao subsidiary	**–**	**–**	**–**	–	16,802	16,802
Tax effect of share of results of associates	**–**	**1,051**	**1,051**	–	(129)	(129)
Utilisation of tax losses previously not recognised	**112**	**6,754**	**6,866**	3,818	3,065	6,883
Tax effect of tax losses not recognised	**–**	**(5,127)**	**(5,127)**	–	(4,052)	(4,052)
Effect of income tax on a concessionary rate in Singapore and the PRC	**1,179**	**–**	**1,179**	–	774	774
Under provision in prior year	**–**	**(13,989)**	**(13,989)**	–	–	–
Others	**605**	**(5,402)**	**(4,797)**	41	5	46
Income tax (expense) credit for the year	**–**	**(19,294)**	**(19,294)**	–	57	57

For the year ended 31 December 2020

10. (LOSS) PROFIT BEFORE TAXATION

A. (Loss) profit before taxation is arrived after charging (crediting):

	2020 HK$'000	2019 HK$'000
Auditor's remuneration	**2,345**	3,063
Depreciation of property, plant and equipment	**20,938**	21,802
Depreciation of investment properties	**3,559**	–
Depreciation of right-of-use assets	**4,415**	4,219
Amortisation of other assets	**1,295**	–
Net foreign exchange losses (gains)	**2,154**	(520)
Impairment loss on trade receivables	**216,301**	–
Impairment loss on other receivables, deposits and prepayments	**11,436**	20,000
Impairment loss on inventories	**161**	–
Share of results of associates	**(4,203)**	812
Directors' emoluments (Note 11)	**480**	480
Other staff costs		
Salaries, bonus and other allowances	**46,602**	49,558
Retirement benefit schemes contributions	**1,382**	1,950
	48,464	51,988
Cost of inventories recognised as an expense (included in cost of sales)	**6,099,825**	16,979,413

For the year ended 31 December 2020

10. (LOSS) PROFIT BEFORE TAXATION (CONTINUED)

B. Disposal of subsidiaries

On 4 December 2020, the Group disposed of its entire equity interest (i.e. 51%) in Nicefame Global Limited ("Nicefame Global") which owns 90% equity interest in Huizhou Daya Bay Nicefame Chemical Storage and Trading Co., Ltd. ("Huizhou Nicefame") (collectively referred to as "Nicefame Global Group"). Huizhou Nicefame was engaged in trading of petrochemicals and petroleum products, and provision of petrochemicals and petroleum products storage services.

The results of Nicefame Global Group for the current and preceding period were as follows:

	1 January 2020 to 4 December 2020 HK$'000	24 February 2019 to 31 December 2019# HK$'000
Revenue	**725,664**	375,447
Cost of sales	**(696,250)**	(367,068)
Other income	**457**	4,852
Other gains and losses	**1,709**	(1,190)
Administrative expenses	**(5,760)**	(6,517)
Finance costs	**(7,351)**	(7,562)
Profit (loss) before taxation	**18,469**	(2,038)
Income tax credit	**97**	412
Profit (loss) for the period	**18,566**	(1,626)
Profit (loss) for the period attributable to:		
Owners of the Company	**9,967**	(765)
Non-controlling interests	**8,599**	(861)
	18,566	(1,626)

The Group acquired 51% of the equity interest in Nicefame Global Group on 24 February 2019.

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

The emoluments paid or payable to each of the 5 (2019: 5) directors of the Company, including the chief executive, are as follows:

	Executive directors		Independent non-executive directors			
	Wang Jian Sheng HK$'000	Yao Guoliang HK$'000 (note)	Chan Yee Kwong HK$'000	Deng Heng HK$'000	Cheung Siu Wan HK$'000	Total HK$'000
Fees	–	–	**150**	**150**	**180**	**480**
Other emoluments:	–	–	–	–	–	–
Salaries and other benefits	–	–	–	–	–	–
Share-based payments	–	–	–	–	–	–
Discretionary bonus	–	–	–	–	–	–
Contributions to retirement benefits schemes	–	–	–	–	–	–
Total emoluments for the year ended 31 December 2020	–	–	**150**	**150**	**180**	**480**
Fees	–	–	150	150	180	480
Other emoluments:						
Salaries and other benefits	–	–	–	–	–	–
Share-based payments	–	–	–	–	–	–
Discretionary bonus	–	–	–	–	–	–
Contributions to retirement benefits schemes	–	–	–	–	–	–
Total emoluments for the year ended 31 December 2019	–	–	150	150	180	480

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

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

For the year ended 31 December 2020

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

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

During the years ended 31 December 2020 and 2019, no emoluments have been paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived or agreed to waive any emoluments during both years.

Employees' emoluments

For the year ended 31 December 2020, of the five individuals with the highest emoluments in the Group, none (2019: none) of them is the director of the Company. The emoluments of these five (2019: five) individuals are as follows:

	2020 HK$'000	2019 HK$'000
Salaries and other benefits	**9,680**	10,052
Discretionary bonus	**5,364**	8,688
Contributions to retirement benefits schemes	**194**	240
	15,238	18,980

Their emoluments were within the following bands:

	2020 Number of employees	2019 Number of employees
HK$1,000,001 to HK$1,500,000	**2**	1
HK$1,500,001 to HK$2,000,000	**1**	2
HK$2,000,001 to HK$2,500,000	**1**	1
HK$8,000,001 to HK$8,500,000	**1**	–
HK$11,500,001 to HK$12,000,000	**–**	1

During the years ended 31 December 2020, the Group has paid emoluments of US$200,000 (equivalent to approximately HK$1,560,000) to one of the five employees with the highest emoluments as an inducement to join or upon joining the Group (2019: US$600,000 (equivalent to approximately HK$4,680,000)). No emoluments have been paid by the Group to them as compensation for loss of office.

12. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2020, nor has any dividend been proposed since the end of the reporting period (2019: nil).

13. (LOSS) EARNINGS PER SHARE

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

	2020 HK$'000	2019 HK$'000
(Loss) earnings		
(Loss) earnings for the purposes of calculating basic and diluted (loss) earnings per share		
(Loss) profit for the year attributable to owners of the Company	**(93,013)**	125,044

	2020	2019
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted (loss) earnings per share	**2,123,369,953**	2,124,409,350

For the year ended 31 December 2020, the incremental shares from the assumed exercise of share options are excluded in calculation of the diluted loss per share since the assumed exercise of those share options will result in a decrease in loss per share.

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

For the year ended 31 December 2020

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Storage tanks HK$'000	Leasehold improvements HK$'000	Plant & machinery HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST									
At 1 January 2019	1,699	87,896	1,067	21,060	751	2,148	5,170	–	119,791
Additions	–	456	–	2,432	74	186	482	5,405	9,035
Disposals	–	–	–	–	(1)	(55)	–	–	(56)
Acquired from acquisition of subsidiaries (Note 31)	15,997	98,605	–	92,503	308	218	470	–	208,101
Exchange realignment	(716)	(6,330)	–	(4,597)	(14)	(26)	(27)	–	(11,710)
At 31 December 2019 and 1 January 2020	16,980	180,627	1,067	111,398	1,118	2,471	6,095	5,405	325,161
Additions	**–**	**3**	**–**	**3,185**	**19**	**430**	**960**	**8,658**	**13,255**
Disposals	**–**	**–**	**(585)**	**(26)**	**(5)**	**(63)**	**–**	**–**	**(679)**
Acquired from acquisition of subsidiaries	**–**	**–**	**–**	**–**	**–**	**53**	**–**	**–**	**53**
Disposals of subsidiaries (Note 31)	**(16,130)**	**(99,424)**	**–**	**(94,811)**	**(311)**	**(316)**	**(473)**	**–**	**(211,465)**
Exchange realignment	**848**	**10,789**	**–**	**6,376**	**21**	**64**	**74**	**348**	**18,520**
At 31 December 2020	**1,698**	**91,995**	**482**	**26,122**	**842**	**2,639**	**6,656**	**14,411**	**144,845**
ACCUMULATED DEPRECIATION									
At 1 January 2019	1,211	23,979	1,067	11,204	742	1,713	4,442	–	44,358
Provided for the year	904	9,176	–	10,350	251	304	817	–	21,802
Eliminated on disposals	–	–	–	–	(1)	(54)	–	–	(55)
Exchange realignment	(8)	(662)	–	(361)	–	(11)	(6)	–	(1,048)
At 31 December 2019 and 1 January 2020	2,107	32,493	1,067	21,193	992	1,952	5,253	–	65,057
Provided for the year	**994**	**9,584**	**–**	**9,469**	**39**	**283**	**569**	**–**	**20,938**
Eliminated on disposals	**–**	**–**	**(585)**	**(25)**	**(5)**	**(63)**	**–**	**–**	**(678)**
Disposal of subsidiaries (Note 31)	**(1,800)**	**(10,957)**	**–**	**(16,415)**	**(265)**	**(173)**	**(286)**	**–**	**(29,896)**
Exchange realignment	**79**	**2,572**	**–**	**1,787**	**16**	**48**	**41**	**–**	**4,543**
At 31 December 2020	**1,380**	**33,692**	**482**	**16,009**	**777**	**2,047**	**5,577**	**–**	**59,964**
CARRYING VALUES									
At 31 December 2020	**318**	**58,303**	**–**	**10,113**	**65**	**592**	**1,079**	**14,411**	**84,881**
At 31 December 2019	14,873	148,134	–	90,205	126	519	842	5,405	260,104

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

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

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15. INVESTMENT PROPERTIES

	HK$'000
COST	
At 31 December 2019 and 1 January 2020	–
Additions	**213,546**
At 31 December 2020	**213,546**
ACCUMULATED DEPRECIATION	
At 31 December 2019 and 1 January 2020	–
Provided for the year	**3,559**
At 31 December 2020	**3,559**
CARRYING VALUES	
At 31 December 2020	**209,987**

The Group's investment properties comprise of commercial properties situated in Hong Kong. These properties are acquired during the year with estimated useful lives of 20 years. As at 31 December 2020, the carrying value of the investment properties is approximately its fair value by reference to comparable sales transactions as available in the relevant market with adjustments to reflect the condition and location of the related properties.

16. GOODWILL

	HK$'000
COST	
At 1 January 2019	–
Arise from acquisition of subsidiaries	8,514
At 31 December 2019	8,514
Written off from disposal of subsidiaries (Note 31)	**(8,514)**
At 31 December 2020	**–**
ACCUMULATED IMPAIRMENT	
At 1 January 2019	–
Impairment loss recognised	4,963
At 31 December 2019	4,963
Written off from disposal of subsidiaries (Note 31)	**(4,963)**
At 31 December 2020	**–**
CARRYING VALUES	
At 31 December 2020	**–**
At 31 December 2019	3,551

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

During the year ended 31 December 2020, the Group disposed of its entire equity interest (i.e. 51%) in Nicefame Global Group and the goodwill was derecognised accordingly.

For the year ended 31 December 2020

17. OTHER ASSETS

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

18. INTERESTS IN ASSOCIATES

	2020 HK$'000	2019 HK$'000
Cost of interests in associates, unlisted	**129,751**	129,751
Share of post-acquisition results, net of dividend	**(70,165)**	(76,531)
Less: Impairment loss recognised	**(15,526)**	(15,526)
Exchange realignment	**8,020**	7,131
	52,080	44,825

As at 31 December 2020 and 2019, the Group has interests in the following associates:

Name of the entity	Form of business structure	Place of establishment and principal place of business	Paid up registered capital 2020	Paid up registered capital 2019	Equity interest attributable to the Group 2020 %	Equity interest attributable to the Group 2019 %	Principal activity
中化天津港石化倉儲有限公司 Sinochem Tianjin Port Petrochemical Terminal Co., Ltd. ("Sinochem Port")	Sino-foreign owned enterprise	PRC	**Renminbi ("RMB") 628,060,000**	RMB628,060,000	**15 *(note)***	15 *(note)*	Provision of crude oil and petrochemicals storage services
天津港中化石化碼頭有限公司 Tianjin Port Sinochem Petrochemical Dock Co., Ltd. ("Tianjin Port")	Sino-foreign owned enterprise	PRC	**RMB139,388,000**	RMB139,388,000	**15 *(note)***	15 *(note)*	Development and operation of dock and related ancillary facilities

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

18. INTERESTS IN ASSOCIATES (CONTINUED)

Impairment assessment on the material associate

Sinochem Port

For the year ended 31 December 2020, in view of the unsatisfactory results of Sinochem Port in prior years, the management of the Group carried out an impairment review on the carrying amount of its interest in Sinochem Port by comparing its recoverable amount with its carrying amount. The recoverable amount is determined using value-in-use calculation. In determining the value in use of Sinochem Port, the management of the Group estimated the proceeds on ultimate disposal of Sinochem Port based on the estimation of the present value of the future cash flows expected to arise from the operation of Sinochem Port and applied a weighted average cost of capital discount rate of 11.19% (2019: 10.90%). In pursuant to the recoverable amount assessment, no further impairment or reversal of impairment is required for the year ended 31 December 2020, as the recoverable amount of Sinochem Port approximates its carrying value. For the year ended 31 December 2019, an impairment loss of HK$6,353,000 was recognised in profit or loss.

Summarised financial information of the material associate

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

Sinochem Port

	2020 HK$'000	2019 HK$'000
Non-current assets	**1,004,214**	958,566
Current assets	**57,131**	62,575
Current liabilities	**(90,777)**	(32,612)
Non-current liabilities	**(545,232)**	(615,588)

	2020 HK$'000	2019 HK$'000
Revenue	**222,762**	171,174
Profit and total comprehensive income for the year	**28,017**	409

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

	2020 HK$'000	2019 HK$'000
Net assets of Sinochem Port	**425,336**	372,941
Proportion of the Group's ownership interest in Sinochem Port	**15%**	15%
The Group's share of net assets in Sinochem Port	**63,800**	55,941
Less: Impairment loss recognised	**(11,116)**	(11,116)
Exchange realignment	**(604)**	–
Carrying amount of the Group's interest in Sinochem Port	**52,080**	44,825
The Group's share of results of Sinochem Port for the year	**4,203**	61

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18. INTERESTS IN ASSOCIATES (CONTINUED)

Aggregate information of associates that are not individually material

	2020 HK$'000	2019 HK$'000
The Group's share of results of these associates for the year	**–**	(873)

	2020 HK$'000	2019 HK$'000
Aggregate carrying amount of the Group's interests in these associates	**–**	–

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

19. INVENTORIES

The amounts mainly relate to petrochemicals held for resale purposes.

20. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

A. TRADE RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables		
— contracts with customers *(note)*	**713,216**	2,685,965
— lease receivables	**660**	1,537
	713,876	2,687,502

Note: At 31 December 2020, all trade receivables are at amortised cost (2019: HK$467,717,000 of trade receivables at FVTPL in respect of contracts with customers). At 31 December 2019, included in the trade receivables at amortised cost in respect of contracts with customers, there were bills receivables of HK$9,210,000 received and held by the Group for future settlement of trade debts. These bills were with a maturity period of less than one year.

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

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

A. TRADE RECEIVABLES *(continued)*

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

	2020	2019
	HK$'000	HK$'000
0 to 30 days	**45,010**	2,118,193
31 to 60 days	**–**	569,085
61 to 90 days	**–**	224
91 to 365 days	**647,647**	–
Over 365 days	**21,219**	–
	713,876	2,687,502

As at 31 December 2020, trade receivables of HK$668,866,000 (2019: HK$209,303,000) are past due at the end of the reporting period.

Impairment losses in respect of trade receivables are recorded using an allowance unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. During the year ended 31 December 2020, long outstanding trade receivables of HK$216,301,000 are written off.

Details of impairment assessment of trade receivables at amortised cost are set out in Note 36.

B. Other receivables, deposits and prepayments

	2020	2019
	HK$'000	HK$'000
Refundable deposit advanced to a supplier for purchase of petroleum products and related compensation receivables *(note (i))*	**–**	76,716
Prepayment to suppliers for purchase of petroleum products and petrochemicals	**12,893**	12,861
Prepayment to a supplier in relation to customers sourcing activities	**–**	89,014
Consideration Receivable *(note (ii))*	**75,270**	78,000
Value-added tax receivable	**4,265**	6,456
Other receivables *(note (iii))*	**12,737**	30,306
Other deposits	**511**	3,330
Other prepayments	**1,890**	1,649
	107,566	298,332

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

B. Other receivables, deposits and prepayments *(continued)*

Notes:

(i) Save as disclosed in Note 7A(ii), the outstanding balance as at 31 December 2019 was in relation to the Purchase Contract of the Group which was secured by shares of a company listed on the HKEx, shares in a non-listed company, corporate guarantee from a listed company and a personal guarantee from the chairman of the supplier's holding company.

During the year ended 31 December 2019, the outstanding balance of US$23,668,000 (equivalent to approximately HK$184,611,000) as at 1 January 2019 was partially settled by receipt of cash refund of US$10,833,000 (equivalent to approximately HK$84,495,000) and obtaining the controlling interest of Nicefame Global of HK$23,400,000 as settlement. During the year ended 31 December 2020, the remaining balance is assigned to a vendor as part of the consideration for the Group's acquisition of the entire share capital of Copower Properties Investments Company Limited. As a result, the refundable deposit is fully settled at the end of the reporting period.

(ii) The balance was in relation to the disposal of the Group's entire interest of 49.3% in GSR GO Scale Capital Advisors, Ltd. ("GSR GO") to a designated company (the "Purchaser"), as set out in the Company's announcements dated 21 December 2018, 24 December 2018 and 30 May 2019. The disposal was completed on 30 May 2019 and the Purchaser was liable to settle the consideration of US$10,000,000 (equivalent to approximately HK$78,000,000) (the "Consideration Receivable"). However, as the Purchaser could not settle the Consideration Receivable at the completion date, the Group, the Purchaser and the shareholder of GSR GO (the "Shareholder") entered into a supplemental agreement on 18 July 2019 to extend the settlement of the Consideration Receivable to no later than 30 May 2020. During the year ended 31 December 2020, the Purchaser made a partial payment of US$350,000 (equivalent to approximately HK$2,730,000), and as approved by the Group, the payment deadline of the Consideration Receivable is extended to 30 May 2021.

(iii) The other receivables mainly comprise port charge receivable and amount due from non-controlling shareholders of a subsidiary.

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

Details of the impairment assessment of other receivables and refundable deposit are set out in Note 36.

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21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
	HK$'000	HK$'000
Non-current assets		
— Unlisted equity investment	**195,000**	–
Current assets		
— Listed securities held for trading	**1,233**	825
	196,233	825

Unlisted equity investment

On 31 August 2020, the Group subscribed for 2.5 million Class A Shares in SH Energy Fund 1 ("SH Energy"). SH Energy is an exempted company incorporated under the laws of the Cayman Islands with limited liability on 14 July 2020. The cost of such investment is US$25,000,000 (equivalent to approximately HK$195,000,000), including the unpaid amount of US$7,500,000 (equivalent to approximately HK$58,500,000) as at 31 December 2020.

Fair value measurement of the Group's investment in SH Energy is classified as Level 3 of the fair value hierarchy. Based on the assessment, the management of the Group determined that there was no major indication for material fair value change or impairment over the period from September to December 2020, and the fair value of the investment approximates its carrying value at the end of the reporting period.

Listed securities held for trading

	2020	2019
	HK$'000	HK$'000
Listed securities held for trading:		
— Equity securities listed in Hong Kong	**1,147**	705
— Equity securities listed outside Hong Kong	**86**	120
	1,233	825

22. DEPOSITS PLACED WITH BROKERS

The amounts represent margin deposits placed with brokers for trading derivatives financial instruments. The amounts carry interest at variable interest rates of 0.001% (2019: 0.001%) per annum.

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23. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

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

Bank balances and cash comprise cash on hand, balances in savings and current accounts, and short-term bank deposits with an original maturity of three months or less. As at 31 December 2020, the bank balances and cash of HK$75,480,000 (2019: HK$99,706,000) are denominated in RMB which is not freely convertible into other currencies.

Pledged bank deposits, balances in savings account and short-term bank deposits carry effective interest at prevailing market rates ranging from 0.001% to 1.15% (2019: 0.01% to 2.08%) per annum.

24. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES

A. TRADE PAYABLES

	2020 **HK$'000**	2019 HK$'000
Trade payables at amortised cost	**28,945**	1,102,284
Trade payables designated at FVTPL	**–**	116,741
	28,945	1,219,025

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

	2020 **HK$'000**	2019 HK$'000
0 to 30 days	**28,945**	1,218,846
Over 90 days	**–**	179
	28,945	1,219,025

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

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24. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES (Continued)

B. Other payables and accrued charges

	2020 HK$'000	2019 HK$'000
Accrued demurrage and late lifting charges	**3,534**	15,016
Amount due to a non-controlling shareholder *(note (i))*	**–**	25,496
Receipts from customers for payment of expenses on their behalf	**–**	3,710
Payables for purchase and construction of property, plant and equipment	**1,901**	7,447
Payable for an unlisted equity investment (Note 21)	**58,500**	–
Other accrued charges *(note (ii))*	**20,911**	18,798
Other payables *(note (iii))*	**19,335**	14,533
	104,181	85,000

Notes:

(i) The balance represented payable to a non-controlling shareholder of a subsidiary of the Group and it was non-trade in nature, unsecured, interest-free and had no fixed term of repayment. Such payable was derecognised upon disposal of the subsidiary during the year ended 31 December 2020.

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

(iii) Other payables mainly comprise freight charge payables, storage fee and professional fee payable.

25. CONTRACT LIABILITIES

	2020 HK$'000	2019 HK$'000
Trading of commodities	**6**	25,834
Storage related ancillary services for petroleum products and petrochemicals	**–**	131
	6	25,965

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

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26. LEASES

The Group as a lessee

Right-of-use assets

	2020	2019
	HK$'000	HK$'000
Carrying amounts		
— Leasehold land	**66,130**	65,654
— Leased properties	**2,565**	1,380
	68,695	67,034
Depreciation provided:		
— Leasehold land	**1,699**	1,502
— Leased properties	**2,716**	2,717
	4,415	4,219
Expenses relating to short term leases	**320**	309
Total cash outflow for leases	**3,066**	3,062
Additions to right-of-use assets:		
— Leasehold land	**49,102**	–
— Leased properties	**3,900**	767
	53,002	767
(Disposal) acquisition of subsidiaries (Note 31)		
— Leasehold land	**(50,651)**	52,550

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

In addition, the Group leased various offices for its operations. Lease contracts are entered into for a fixed term of 1 year to 2 years. The Group may extend the lease beyond the initial agreed period but it is subject to mutual agreement between the Group and the property owner. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

26. LEASES (Continued)

The Group as a lessee *(continued)*

Lease liabilities

Future lease payments are due as follows:

	Future lease payments HK$'000	Interest HK$'000	Present value HK$'000
As at 31 December 2020			
Within one year	**2,120**	**35**	**2,085**
After one year but within two years	**497**	**1**	**496**
After two years but within five years	**–**	**–**	**–**
After five years	**–**	**–**	**–**
	2,617	**36**	**2,581**
As at 31 December 2019			
Within one year	1,272	30	1,242
After one year but within two years	129	1	128
After two years but within five years	–	–	–
After five years	–	–	–
	1,401	31	1,370

The present value of future lease payments are analysed as:

	2020 HK$'000	2019 HK$'000
Current	**2,085**	1,242
Non-current	**496**	128
	2,581	1,370

Reconciliation of lease liabilities is set out in Note 40.

The Group as a lessor

Minimum lease payments receivable on leases are as follows:

	2020 HK$'000	2019 HK$'000
Within one year	**1,996**	7,204
In the second year	**1,996**	3,065
In the third year	**–**	2,006
	3,992	12,275

Notes to the Consolidated Financial Statements

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27. BANK AND OTHER BORROWINGS

	2020 HK$'000	2019 HK$'000
Bank borrowings - secured	**20,198**	166,336
Trust receipts loans - secured	**–**	837,704
Total bank borrowings	**20,198**	1,004,040
Other borrowing — secured	**–**	2,456
Shareholder loans — unsecured (Note 37)	**120,000**	–
Total	**140,198**	1,006,496
The carrying amounts of the above borrowings are repayable *(note)*:		
Within one year or on demand	**140,198**	871,418
Within a period of more than one year but not exceeding two years	**–**	24,560
Within a period of more than two years but not exceeding five years	**–**	73,679
More than five years	**–**	36,839
	140,198	1,006,496
Less: Amounts due within one year or on demand shown under current liabilities	**(140,198)**	(871,418)
Amounts shown under non-current liabilities	**–**	135,078

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

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27. BANK AND OTHER BORROWINGS (CONTINUED)

Bank and other borrowings comprise:

	Security	Maturity date	Effective interest rate	Carrying amount 2020 HK$'000	2019 HK$'000
Floating-rate borrowings:					
Loan Prime Rate ("LPR") plus 1% bank borrowing of RMB10,500,000	Yes	10 October 2021	4.85%	**12,475**	–
LPR plus 1% bank borrowing of RMB6,500,000	Yes	8 October 2021	4.85%	**7,723**	–
Hong Kong Interbank Offered Rate ("HIBOR") plus 1.75% other borrowing of HK$120,000,000 (Note 37)	No	10 March 2021*	2.00%	**120,000**	–
Five year People's Bank of China Lending Rate ("PBOC Rate") bank borrowing of RMB180,000,000	Yes	13 June 2026#	4.97%	**–**	159,637
1.48% on one year prime rate published by National Interbank Funding Center of the PRC (the "NIFC Rate") bank borrowing of RMB6,000,000	Yes	1 October 2020	6.30%	**–**	6,698
London Interbank Offered Rate ("LIBOR") plus 1.25% trust receipt loan of US$45,480,000	Yes	17 January 2020*	3.21%	**–**	354,741
LIBOR plus 1.25% trust receipt loan of US$61,918,000	Yes	21 January 2020*	3.14%	**–**	482,964
Fixed-rate borrowing:					
10.00% other borrowing of RMB2,200,000	Yes	20 March 2020	10.00%	**–**	2,456
Total bank and other borrowings				**140,198**	1,006,496

Repayable in 40 installments quarterly over 10 years commencing from 20 September 2016 to 13 June 2026. This bank borrowing was derecognised from the consolidated financial statements upon disposal of Nicefame Global Group in 2020.

* These bank and other borrowings are repayable on demand.

As at 31 December 2020, the bank borrowings are secured by the right-of-use assets (2019: right-of-use assets and pledged bank deposits). In 2019, the other borrowing was secured by pledged bank deposits. Details of the pledged assets to secure the bank and other borrowings are set out in Note 39.

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28. DERIVATIVE FINANCIAL INSTRUMENTS

	2020 HK$'000	2019 HK$'000
The carrying amount of derivative financial instruments is presented as:		
Current assets	**53,253**	25,424
Current liabilities	**50,428**	22,996

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

The major terms of these contracts are as follows:

At 31 December 2020

Notional amount	Maturity date	Strike prices
Brent futures contracts — long position: US$265,228,820	30 December 2020 to 29 January 2021	US$46.78 to US$52.29 per barrel
Brent futures contracts — short position: US$265,149,360	30 December 2020 to 29 January 2021	US$46.82 to US$52.21 per barrel
Natural gas futures contracts — long position: US$23,714,100	27 January 2021 to 24 February 2021	US$2.28 to US$2.72 per million metric British thermal unit ("MMBtu")
Natural gas futures contracts — short position: US$23,748,030	27 January 2021 to 24 February 2021	US$2.28 to US$2.67 per MMBtu
Liquified petroleum gas swap contracts — long position: US$5,434,000	31 December 2020*	US$445.00 to US$455.00 per ton
Liquified petroleum gas swap contracts — short position: US$3,255,000	31 December 2020*	US$0.51 to US$0.52 per gallon

* The settlement date of these contracts is 4 January 2021.

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28. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

At 31 December 2019

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

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

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

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29. DEFERRED TAX LIABILITIES

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

	Fair value adjustment on property, plant and equipment HK$'000	Fair value adjustment on right-of-use assets HK$'000	Total HK$'000
At 1 January 2019	–	–	–
Acquisition of subsidiaries (Note 31)	343	4,167	4,510
Credit to profit or loss for the year	(328)	(84)	(412)
Exchange realignment	(15)	(186)	(201)
At 31 December 2019 and 1 January 2020	–	3,897	3,897
Credit to profit or loss for the year	**–**	**(97)**	**(97)**
Disposal of subsidiaries (Note 31)	**–**	**(4,017)**	**(4,017)**
Exchange realignment	**–**	**217**	**217**
At 31 December 2020	**–**	**–**	**–**

At the end of the reporting period, the Group has estimated tax losses of HK$76,306,000 (2019: HK$142,903,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams of respective entities of the Group. Included in the unrecognised tax losses are losses of HK$7,606,000 (2019: HK$3,293,000) that will expire by 2025 (2019: 2024). Other losses may be carried forward indefinitely.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation in respect of temporary differences attributable to retained profits of the PRC subsidiaries amounting to HK$8,798,000 (2019: HK$15,045,000) has not been provided for in the consolidated financial statements as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

30. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.025 each		
Authorised:		
At 1 January 2019, 31 December 2019 and 31 December 2020	4,000,000,000	100,000
Issued and fully paid:		
At 1 January 2019	2,124,412,090	53,110
Repurchase of shares *(note (i))*	(700,000)	(17)
At 31 December 2019 and 1 January 2020	2,123,712,090	53,093
Repurchase of and cancellation shares *(note (ii))*	**(348,000)**	**(9)**
At 31 December 2020	**2,123,364,090**	**53,084**

Notes:

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

Month of repurchase	Number of ordinary shares of HK$0.025 each '000	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration paid (including transaction costs) HK$'000
December 2019	700	0.340	0.305	233

The above ordinary shares were cancelled on 7 April 2020.

(ii) During the year ended 31 December 2020, the Company repurchased its own ordinary shares through the HKEx as follows:

Month of repurchase	**Number of ordinary shares of HK$0.025 each '000**	**Price per share Highest HK$**	**Price per share Lowest HK$**	**Aggregate consideration paid (including transaction costs) HK$'000**
January 2020	**348**	**0.380**	**0.365**	**130**

The above ordinary shares were cancelled on 7 April 2020.

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

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

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31. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

A. Disposal of Nicefame Global Group

As disclosed in Note 10, on 4 December 2020, the Group disposed of its entire equity interest (i.e. 51%) in Nicefame Global Group.

The net assets of Nicefame Global Group at the date of disposal were as follows:

	At 4 December 2020 HK$'000
Property, plant and equipment	181,569
Right-of-use assets	50,651
Inventories	4,019
Trade receivables	9,529
Other receivables, deposits and prepayments	51,042
Bank balances and cash	15,832
Other payables and accrued charges	(22,295)
Contract liabilities	(61,630)
Amount due to a non-controlling shareholder of a subsidiary	(25,496)
Amount due to an ultimate holding company	(27)
Bank borrowing	(149,057)
Deferred tax liabilities	(4,017)
Net assets disposed of	50,120
Non-controlling interests	(25,637)
Amount due to an ultimate holding company	27
Other payables and accrued charges	2
Goodwill	3,551
Reclassification of cumulative translation reserve	(394)
	27,669
Loss on disposal	(1,695)
Total consideration	25,974
Total consideration satisfied by cash	25,974
Net cash inflow arising on disposal:	
Cash consideration	25,974
Bank balances and cash disposed of	(15,832)
	10,142

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31. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (CONTINUED)

B. Acquisition of Nicefame Global Group

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

Consideration transferred:

	HK$'000
Other receivable assigned (Note 20B)	23,400

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

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

Goodwill arising from the acquisition:

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

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

31. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (CONTINUED)

B. Acquisition of Nicefame Global Group *(continued)*

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

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

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

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

32. RETIREMENT BENEFIT SCHEMES

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

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

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

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

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

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

33. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option schemes

The share option scheme was adopted by an ordinary resolution of the shareholders at annual general meeting of the Company on 15 May 2014 (the "Share Option Scheme"). The Share Option Scheme constitutes a share option scheme governed by Chapter 17 of the Listing Rules and will remain in force for 10 years from 15 May 2014.

Share Option Scheme

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

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

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

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

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

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

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33. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Equity-settled share option schemes *(continued)*

Share Option Scheme *(continued)*

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

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

The following table discloses the Company's share options held by other eligible participants at the end of the reporting period:

Share Option Scheme

Eligible participants	Outstanding at 31 December 2019 and 2020
Others *(note)*	**138,000,000**

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

As at 31 December 2020 and 2019, all share options under the Share Option Scheme were exercisable. No share options under the Share Option Scheme were exercised during the years ended 31 December 2020 and 2019.

As at 31 December 2020, the number of shares of the Company in respect of which share options had been granted and remained outstanding under the Share Option Scheme is 138,000,000 (2019: 138,000,000), representing 6.5% (2019: 6.5%) of the shares of the Company in issue at that date.

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34. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of debt representing bank and other borrowings disclosed in Note 27, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising share capital, share premium, retained profits and other reserves as disclosed in the consolidated statement of changes in equity. The directors of the Company review the capital structure on a continuous basis.

The net debt to equity ratios at the end of the reporting period are as follows:

	2020	2019
	HK$'000	HK$'000
Debt	**140,198**	1,006,496
Cash and cash equivalents	**144,173**	358,075
Net debt	**(3,975)**	648,421
Equity	**1,421,125**	1,491,636
Net debt to equity ratio	**N/A**	43.5%

35. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amount and fair value of financial assets and liabilities:

	Notes	**31 December 2020**	
		Financial assets at FVTPL	**Financial assets at amortised cost**
		HK$'000	**HK$'000**
Financial assets			
Trade receivables	20		
Contracts with customers		–	**713,216**
Lease receivables		–	**660**
Other receivables and deposits	20		
Consideration receivable		–	**75,270**
Other receivables and other deposits		–	**12,743**
Deposits placed with brokers	22	–	**87,593**
Pledged bank deposits and bank balances	23	–	**144,173**
Financial assets at FVTPL	21		
Unlisted equity investment		**195,000**	–
Listed securities held for trading		**1,233**	–
Derivative financial instruments	28	**53,253**	–
		249,486	**1,033,655**

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35. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (Continued)

	Notes	**Financial liabilities at FVTPL HK$'000**	**Financial liabilities at amortised cost HK$'000**
Financial liabilities			
Trade payables	24	**–**	**28,945**
Other payables	24	**–**	**84,418**
Bank and other borrowings	27	**–**	**140,198**
Lease liabilities	26	**–**	**2,581**
Derivative financial instruments	28	**50,428**	**–**
		50,428	**256,142**

	Notes	31 December 2019 Financial assets at FVTPL HK$'000	Financial assets at amortised cost HK$'000
Financial assets			
Trade receivables	20		
Contracts with customers		467,717	2,218,248
Lease receivables		–	1,537
Other receivables and deposits	20		
Refundable deposit		–	76,716
Consideration receivable		–	78,000
Other receivables and other deposits		–	30,323
Deposits placed with brokers	22	–	77,202
Pledged bank deposits and bank balances	23	–	375,193
Financial assets at FVTPL	21		
Listed securities held for trading		825	–
Derivative financial instruments	28	25,424	–
		493,966	2,857,219

35. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (Continued)

	Notes	Financial liabilities at FVTPL HK$'000	Financial liabilities at amortised cost HK$'000
Financial liabilities			
Trade payables	24	116,741	1,102,284
Other payables	24	–	67,013
Bank and other borrowings	27	–	1,006,496
Lease liabilities	26	–	1,370
Derivative financial instruments	28	22,996	–
		139,737	2,177,163

Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

(a) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and key input(s) used).

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (level 3) is as follows:

Unlisted equity investment	**Financial assets at FVTPL HK$'000**
At 31 December 2019 and 1 January 2020	**–**
Addition	**195,000**
At 31 December 2020	**195,000**

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35. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (Continued)

Fair value measurements of financial instruments *(continued)*

(a) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis *(continued)*

Fair value hierarchy at 31 December 2020 and 31 December 2019

	At 31 December 2020			
	Level 1 HK$'000 *(note (i))*	**Level 2 HK$'000**	**Level 3 HK$'000 *(note (iv))***	**Total HK$'000**
Financial assets				
Financial assets at FVTPL				
Unlisted equity investment	**–**	**–**	**195,000**	**195,000**
Derivative financial instruments *(note(ii))*	**–**	**53,253**	**–**	**53,253**
Listed securities held for trading	**1,233**	**–**	**–**	**1,233**
Financial liabilities				
Financial liabilities at FVTPL				
Derivative financial instruments *(note(ii))*	**–**	**50,428**	**–**	**50,428**

	At 31 December 2019			
	Level 1 HK$'000 *(note (i))*	Level 2 HK$'000	Level 3 HK$'000 *(note (iv))*	Total HK$'000
Financial assets				
Financial assets at FVTPL				
Derivative financial instruments *(note(ii))*	–	25,424	–	25,424
Trade receivables at FVTPL *(note(iii))*	–	467,717	–	467,717
Listed securities held for trading	825	–	–	825
Financial liabilities				
Financial liabilities at FVTPL				
Derivative financial instruments *(note(ii))*	–	22,996	–	22,996
Trade payables designated at FVTPL *(note(iii))*	–	116,741	–	116,741

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35. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (Continued)

Fair value measurements of financial instruments *(continued)*

(a) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis *(continued)*

Fair value hierarchy at 31 December 2020 and 31 December 2019 (continued)

Notes:

(i) Quoted bid prices in active markets.

(ii) Difference between the contracted strike prices and prevailing futures and swap prices or published indexes. Such prevailing futures and swap prices or published indexes are derived from the relevant futures exchanges or prices publication as specified in the contracts.

(iii) Derived from quoted prices in active markets.

(iv) Weight average cost of capital, earnings before interest, taxes, depreciation, and amortisation margins, discount for lack of marketability and the discount for lack of control.

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

(b) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The management of the Group considered that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

35. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (Continued)

Financial assets and financial liabilities subject to offsetting enforceable master netting arrangements and similar agreements

The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the Group's consolidated statement of financial position.

The amounts recognised for the derivative financial assets, derivative financial liabilities, deposits placed with brokers and amount due to a broker (included in other payables) in relation to futures and swap contracts do not meet the criteria for offsetting in the Group's consolidated statement of financial position since the right of set-off of the recognised amounts is only enforceable upon an event of default.

	Gross amounts of recognised financial assets (liabilities) HK$'000	Gross amounts of recognised financial assets (liabilities) set-off in the consolidated statement of financial position HK$'000	Net amounts of financial assets (liabilities) presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position		
				Financial instruments HK$'000	Cash collateral HK$'000	Net amount HK$'000
At 31 December 2020						
Financial assets						
Deposits placed with brokers	**87,593**	**-**	**87,593**	**(50,428)**	**-**	**37,165**
Derivative financial instruments						
— futures and swap contracts	**53,253**	**-**	**53,253**	**-**	**-**	**53,253**
Total	**140,846**	**-**	**140,846**	**(50,428)**	**-**	**90,418**
Financial liabilities						
Derivative financial instruments						
— futures and swap contracts	**(50,428)**	**-**	**(50,428)**	**50,428**	**-**	**-**
Total	**(50,428)**	**-**	**(50,428)**	**50,428**	**-**	**-**
At 31 December 2019						
Financial assets						
Deposits placed with brokers	77,202	–	77,202	(22,996)	(604)	53,602
Derivative financial instruments						
— futures contracts	25,424	–	25,424	–	–	25,424
Total	102,626	–	102,626	(22,996)	(604)	79,026
Financial liabilities						
Amount due to a broker	(604)	–	(604)	–	604	–
Derivative financial instruments						
— futures and swap contracts	(22,996)	–	(22,996)	22,996	–	–
Total	(23,600)	–	(23,600)	22,996	604	–

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36. FINANCIAL RISK MANAGEMENT

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

Market risks

Interest rate risk

The Group's cash flow interest rate risk primarily relates to its variable-rate deposits placed with brokers, pledged bank deposits and bank balances, and bank and other borrowings, as set out in Notes 22, 23 and 27 respectively. The Group's cash flow interest rate is mainly concentrated on fluctuations of LPR, HIBOR, NIFC Rate, LIBOR and PBOC Rate arising from the bank and other borrowings. The Group aims at keeping bank and other borrowings at variable rates. The Group manages the interest rate exposure based on the interest rate level as well as potential impact on the Group's results arising from volatility of the interest rate. The management of the Group monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

During the year ended 31 December 2020, the total interest income recognised by the Group from financial assets measured at amortised cost is HK$560,000 (2019: HK$16,355,000). During the year ended 31 December 2020, the total interest expense recognised by the Group from financial liabilities measured at amortised cost is HK$13,555,000 (2019: HK$37,929,000).

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36. FINANCIAL RISK MANAGEMENT (Continued)

Market risks *(continued)*

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank balances, pledged bank deposits, deposits placed with brokers and bank and other borrowings at the end of the reporting period. The analysis is prepared assuming the amount of bank balances, pledged bank deposits, deposits placed with brokers and bank and other borrowings outstanding at the end of the reporting period are outstanding for the whole year. A 10 (2019: 10) basis points increase or decrease is used for bank balances, pledged bank deposits, deposits placed with brokers and a 50 (2019: 50) basis points increase or decrease is used for bank and other borrowings which represents assessment of reasonably possible changes in interest rates by the management of the Group.

For bank balances, pledged bank deposits and deposits placed with brokers, if the interest rate increases/decrease by 10 (2019: 10) basis points and all other variables are held constant, the Group's loss for the year would decrease/increase by approximately HK$232,000 (2019: profit would increase/decrease by approximately HK$452,000).

For bank and other borrowings, if interest rate increases/decreases by 50 (2019: 50) basis points and all other variables are held constant, the Group's loss for the year would increase/decrease by approximately HK$701,000 (2019: profit would decrease/increase by approximately HK$5,020,000).

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent interest rate risk as exposure at the end of the reporting period does not reflect the exposure during the year.

Currency risk

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
Functional currency as US$ against				
RMB	**1,897**	12,546	**–**	–
Other currencies	**4,307**	2,480	**136**	8
Functional currency as RMB against				
US$	**–**	659	**–**	–
HK$	**–**	255	**–**	25,496

The majority of the Group's sales and purchases are denominated in the functional currency of the Group. Occasionally, some purchases are denominated in foreign currencies.

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36. FINANCIAL RISK MANAGEMENT (Continued)

Market risks *(continued)*

Currency risk

The Group currently does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

For entities with US$ as functional currency holding monetary assets denominated in HK$ or vice versa, the directors of the Company consider that, as HK$ is pegged to US$, the Group is not subject to significant foreign currency risk from change in foreign exchange rate of HK$ against US$ and vice versa.

Sensitivity analysis

At the end of the reporting period, the Group is not exposed to currency risk from US$ against RMB as functional currency. As at 31 December 2019, if US$ against RMB as functional currency increased/decreased by 5%, with all other variables held constant, the Group's profit for the year would increase/decrease by approximately HK$33,000. If RMB against US$ as functional currency increases/decreases by 5%, with all other variables held constant, the Group's loss for the year would decrease/increase by approximately HK$95,000 (2019: profit would increase/decrease by approximately HK$627,000). 5% is the sensitivity rate used by the management of the Group in the assessment of the reasonably possible change in foreign exchange rate.

The directors of the Company consider that, other than those mentioned above, the sensitivity of the Group's exposure against the changes in other foreign exchange rates is not significant as the foreign currency denominated monetary assets and liabilities of individual group entities were insignificant at the end of the reporting periods.

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36. FINANCIAL RISK MANAGEMENT (Continued)

Market risks *(continued)*

Other price risks

(i) Oil price risk

The Group has entered into derivative contracts for hedging and proprietary trading activities, including futures in both over-the-counter and different exchanges, in accordance with risk management policy of the Group. Derivative transactions entered into for risk management purpose will be monitored for suitability in terms of size with reference to the corresponding inventory held/shipment involved. Under the risk management policy, the open derivative positions are limited and monitored by different risk tolerance thresholds, including a size threshold for the equivalent physical cargo quantities, a sensitivity threshold based on absolute monetary amount, and a group threshold on net current assets. The management of the Group closely monitors the oil price trend in the market and other sources and its inventory position. Based on the oil price analysis and expected trading period, the management of the Group reduces the risk exposure by entering the long and short position of respective derivative financial instruments.

The Group's derivative financial instruments are measured at fair value provided by financial institutions with reference to the quoted crude oil futures prices, oil indexes or oil prices publication as specified in the contract.

As disclosed in Notes 3, 20 and 24, the Group's certain sales and purchases are under provisional pricing arrangements and the final settlement prices are subject to the changes in prevailing spot price over a specified future period after completion of the sales and purchases of goods.

Therefore, the Group is primarily exposed to oil price risk and the management of the Group monitors the price movements and takes appropriate actions when it is required.

Sensitivity analysis
At the end of the reporting period, the Group is not exposed to oil price risk in relation to net open position of trade receivables and trade payables at FVTPL. In 2019, if the referenced oil prices/indexes were 10% higher/lower and all other variables were held constant, the Group's profit for the year would increase/decrease by approximately HK$35,098,000 in relation to net open position of trade receivables and trade payables at FVTPL.

In relation to derivative financial instruments, if the referenced oil prices/indexes have been 10% higher/lower and all other variables are held constant, the Group's loss for the year would decrease/increase by approximately HK$2,018,000 (2019: profit would decrease/increase by approximately HK$2,124,000). The sensitivity rate of 10% represents assessment of the reasonably possible change in the referenced oil prices/indexes by the management of the Group.

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent risk of the oil prices/indexes as the year end exposure does not reflect the exposure during the year.

36. FINANCIAL RISK MANAGEMENT (Continued)

Market risks *(continued)*

Other price risks *(continued)*

(ii) Equity price risk

The Group is exposed to equity price risk through its investments in equity securities measured at FVTPL. As at 31 December 2020, the Group's equity price risk is mainly concentrated on equity investments in listed entities operating in oil and gas industry and other industries. The shares of listed entities are quoted in the HKEx and New York Stock Exchange (2019: the HKEx and New York Stock Exchange).

The Group's objective is to earn relatively competitive returns by investing in a diverse portfolio of high quality and liquid securities.

Sensitivity analysis

The sensitivity analysis has been determined based on the exposure to equity price risk at the end of the reporting period. If the market prices of the equity securities have been 10% higher/lower and all other variables are held constant, the Group's loss for the year would decrease/increase by approximately HK$123,000 (2019: profit would increase/decrease by HK$83,000).

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent risk of the equity price as the year end exposure does not reflect the exposure during the year.

Liquidity risk

In management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank and other borrowings and ensures compliance with loan covenants.

As at 31 December 2020, the Group has available unutilised short-term bank loan facilities of US$258,000,000 (equivalent to approximately HK$2,012,400,000) (2019: US$965,000,000 (equivalent to approximately HK$7,527,000,000)) and RMB35,000,000 (equivalent to approximately HK$41,585,000) (2019: RMB35,000,000 (equivalent to approximately HK$39,072,000)).

The following table details the Group's remaining contractual maturities for its financial liabilities based on the agreed repayment dates. For non-derivative liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. For derivative financial instruments settled on a net basis, undiscounted contractual net cash outflow are presented. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management of the Group considers that the contracted maturities are essential for an understanding of the timing of the cash flows of derivative financial instruments.

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36. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk *(continued)*

To the extent that interests are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average effective interest rate %	On demand or less than 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
At 31 December 2020					
Non-derivative financial liabilities					
Trade payables	**N/A**	**28,945**	**–**	**28,945**	**28,945**
Other payables	**N/A**	**84,418**	**–**	**84,418**	**84,418**
Bank and other borrowings	**2.42**	**141,686**	**–**	**141,686**	**140,198**
		255,049	**–**	**255,049**	**253,561**
Lease liabilities	**2.59**	**2,120**	**497**	**2,617**	**2,581**
Derivative financial instruments					
Futures and swap contracts	**N/A**	**50,428**	**–**	**50,428**	**50,428**
At 31 December 2019					
Non-derivative financial liabilities					
Trade payables	N/A	1,102,284	–	1,102,284	1,102,284
Other payables	N/A	67,013	–	67,013	67,013
Bank and other borrowings	3.55	855,055	203,181	1,058,236	1,006,496
		2,024,352	203,181	2,227,533	2,175,793
Lease liabilities	4.28	1,272	129	1,401	1,370
Derivative financial instruments					
Futures and swap contracts	N/A	22,996	-	22,996	22,996

Credit risk and impairment assessment

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

The Group's credit risk is primarily attributable to its trade and other receivables. The management of the Group has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

36. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk and impairment assessment *(continued)*

Trade receivables arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management of the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. To measure ECL of trade receivables at amortised cost, the Group applies internal credit rating for its customers and they are assessed individually by reference to past default experience, current past due exposure of the debtors and an analysis of the debtors' current financial position.

The Group has concentration of credit risk on the trade receivables. As at 31 December 2020, no trade receivables (2019: 46%) of trade receivables is due from the Group's largest customer and 99% (2019: 99%) of trade receivables is due from the five largest customers. These customers are mainly large and established oil trading companies or/and state-owned energy companies with good financial backgrounds. The management of the Group closely monitors the subsequent settlement by the customers. At the same time, the management of the Group endeavoured to diversify and expand the customer base in order to mitigate the concentration of credit risk through establishing new business relationships with non state-owned licensed import agents and overseas oil trading companies.

As at 31 December 2019, all trade receivables were aged within 90 days and the management of the Group was of the opinion that the debtors were at good credit quality.

As at 31 December 2020, significant trade receivables are past due and the management of the Group has performed assessment on the recoverability of the overdue debtor balances as follows:

Past due balance of US$83,000,000

In November 2020, the Group instituted legal proceedings against a debtor in the PRC to claim for the outstanding balances of US$83,000,000 (equivalent to approximately HK$647,647,000) (the "Outstanding Sum") and applied for taking possession of the Debtor's certain physical assets as collateral (the "Collateral"). The Group's claim on the Outstanding Sum and its application for the Collateral were confirmed by Dongying Intermediate People's Court of Shandong Province of the People's Republic of China (the "Court") on 16 November 2020. Based on the Court decision, the Collateral held by the Group over the Outstanding Sum is deemed to have a market value not less than HK$808,000,000 (equivalent to approximately RMB681,000,000, with interests on the Outstanding Sum included). In addition to the Collateral, the Outstanding Sum is secured by the share charges in relation to 49% equity interest and the entire equity interest of the Debtor and a related party of the Debtor respectively in favour of the Group (the "Share Charges").

Taking into account of the Collateral and the Share Charges held, and the time value of money, the management of the Group considers that the carrying amount of the Outstanding Sum is not credit-impaired at the end of the reporting period.

Past due balance of US$2,720,000

In September 2020, the Group instituted legal proceedings against a customer in the PRC to claim for the unsettled balance. The Group's claim was accepted by the Court on 24 September 2020. On 14 December 2020, the Bankruptcy Administrator in the PRC confirmed the recoverable amount for the Group to be approximately US$2,720,000 (equivalent to approximately HK$21,219,000) (the "Settlement Proposal").

Taking into account the Settlement Proposal, amount of US$27,800,000 (equivalent to approximately HK$216,301,000) was written off during the year ended 31 December 2020, and the management of the Group considers the remaining balance is not credit-impaired. Subsequent to year end, the remaining balance is fully settled.

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36. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk and impairment assessment *(continued)*

Consideration receivable included in other receivables

Save as disclosed in Note 20B(ii), the management of the Group made an assessment on the recoverability of the Consideration Receivable at the end of the reporting period to determine whether impairment loss shall be recognised. The Group closely monitored the fair value of the collateral as well as the status of the arbitration case of the Shareholder which may affect the Shareholder's and the Purchaser's ability to pay. The collateral refers to beneficial interests held by a private equity fund in a company engaged in provision of digital banking and related services in European Union and is deemed to have a value not less the carrying value of the Consideration Receivable. Thus, the management considers the Consideration Receivable is not credit-impaired. Subsequent to year end, the Shareholder's arbitral award is issued and the net recoverable sum for the Shareholder exceeds the Consideration Receivable. Accordingly, the Shareholder has a legal duty to first apply such recoveries to pay the Consideration Receivable on or before 30 May 2021.

Loan receivable included in other receivables

Save as disclosed in Note 7A (i), the loan receivable of HK$20,000,000 was secured by a share charge of an entity, which was under control of the borrower's ultimate holding company, and this entity indirectly owned a majority interest of the a property located in the PRC. The shares of the borrower's ultimate holding company were listed on the HKEx. The loan was also guaranteed by the borrower's ultimate holding company and the chairman, who was also a substantial shareholder, of the borrower's ultimate holding company. No repayment was made by the borrower at the extended maturity date. Subsequent to the extended maturity date, another creditor of the borrower's ultimate holding company filed a petition to the High Court of Hong Kong Special Administrative Region (the "High Court") for the winding up of the borrower's ultimate holding company, and applied to the High Court for an order to appoint the provisional liquidators. The management of the Group considered that these events indicated the uncertainty of recovering this loan receivable from the collateral and guarantees received by the Group had significantly increased. Thus, the entire amount of loan receivable was written off during the year ended 31 December 2019.

Refundable deposit advanced to a supplier for purchase of petroleum products and related compensation receivables

Save as disclosed in Note 20B(i), for the year ended 31 December 2019, the management of the Group made an assessment on the recoverability of this balance at the end of the reporting period based on historical settlement records, past experience, financial position, publicly available information of the debtor and its guarantor and the fair value of the collateral to be received by the Group to determine whether impairment loss shall be recognised. The collateral referred to the entire equity interest of a private company which holds an investment property under mortgage located in Hong Kong. On 5 March 2019, the board of directors announced that Strong Petrochemical Limited, an indirect wholly-owned subsidiary of the Company, entered into a deed of assignment for transferring the partial benefits and receivables as consideration of US$10 million (equivalent to approximately HK$78 million). The remaining amount of the refundable deposit would be considered as settled after the completion of assignment. In this regard, the management of the Group considered that the Group's credit risk was significantly reduced and no impairment was recognised.

The deed of assignment has been completed on 27 August 2020. The remaining amount of the refundable deposit has been part of the consideration of the entire equity interest of a limited company which holds properties located in Hong Kong. During the year ended 31 December 2020, the remaining balance of the refundable deposit was fully settled.

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36. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk and impairment assessment *(continued)*

Other financial assets at amortised costs

For other receivables (excluding the Consideration Receivable and the refundable deposit advanced to a supplier for purchase of petroleum products and related compensation receivables) and deposits, the management of the Group makes periodic individual assessments on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information. For the year ended 31 December 2020, based on the assessment, the management of the Group considers that certain other receivables are credit-impaired and the relevant amounts are written off accordingly. These amounts mainly include insurance claim receivable of HK$5,082,000 from a marine accident, and demurrage and other compensation claims in relation to contracts with customers of HK$5,886,000. The management of the Group is of the opinion that there is no material credit risk inherent in the remaining balances.

The pledged bank deposits and bank balances, and deposits placed with brokers are placed in various authorised financial institutions either with high credit ratings or good financial background and the management of the Group considered the credit risk of such authorised financial institutions is low.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables and lease receivables	Other financial assets at amortised cost
Low risk	The counter party has a low risk of default. The balance has not past-due or has past-due but frequently repays after due dates and always settles in full.	Lifetime ECL (not credit-impaired)	12m ECL
Watch list	The counterparty does not frequently repay after due dates but usually settle in full.	Lifetime ECL (not credit-impaired)	12m ECL
Doubtful	There has been significant increase in credit risk since initial recognition through information developed internally or external sources.	Lifetime ECL (not credit-impaired)	Lifetime ECL (not credit-impaired)
Loss	There is evidence indicating the asset is credit-impaired.	Lifetime ECL (credit-impaired)	Lifetime ECL (credit-impaired)
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the company has no realistic prospect of recovery.	Amount is written off	Amount is written off

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36. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk and impairment assessment *(continued)*

Other financial assets at amortised costs *(continued)*

The following table shows the credit risk exposures of the Group's financial asset at amortised cost and lease receivables which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	2020 Gross carrying amounts HK$'000	2019 Gross carrying amounts HK$'000
Financial assets at amortised cost						
Trade receivables	20	N/A	Low risk	Lifetime ECL (not credit-impaired)	**713,216**	2,218,248
Other receivables and deposits	20	N/A	Low risk	12m ECL	**12,743**	30,323
		N/A	Watch list	12m ECL	**–**	76,716
		N/A	Doubtful	Lifetime ECL (not credit-impaired)	**75,270**	78,000
Deposits placed with brokers	22	Aa1–Ba3	N/A	12m ECL	**87,593**	77,202
Pledged bank deposits and bank balances	23	Aa1–Baa2	N/A	12m ECL	**144,173**	375,193
Other item						
Lease receivables	20	N/A	Low risk	Lifetime ECL (not credit-impaired)	**660**	1,537

(a) Movement in the loss allowance account in respect of trade receivables is as follows:

	HK$'000
At 31 December 2019 and 1 January 2020	**–**
Impairment losses recognised	**216,301**
Amounts written off	**(216,301)**
At 31 December 2020	**–**

(b) Movement in the loss allowance account in respect of other receivables is as follows:

	2020 HK$'000	2019 HK$'000
At 1 January	**–**	–
Impairment losses recognised	**11,436**	20,000
Amounts written off	**(11,436)**	(20,000)
At 31 December	**–**	–

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37. RELATED PARTY TRANSACTIONS

(a) Shareholder loans

During the year, the Group entered into the following loan agreements with its related parties.

	2020 HK$'000	2019 HK$'000
Mr. Wang Jian Sheng *(note)*	**60,000**	–
Mr. Yao Guoliang *(note)*	**60,000**	–
	120,000	–

Note During the year ended 31 December 2020, the Group entered into shareholder loan agreements with each of Mr. Wang Jian Sheng ("Mr.Wang") and Mr. Yao Guoliang ("Mr. Yao"), the controlling shareholders of the Company, pursuant to which each of Mr. Wang and Mr. Yao agreed to provide an unsecured term loan of HK$60 million, in aggregate of HK$120 million (the "Shareholder Loans") to the Group in order to support its operating activities. The Group shall repay the Shareholder Loans on 10 March 2021 or upon demand. Each of the Shareholder Loans bears an interest of 1-month HIBOR plus 1.75% per annum.

(b) Transaction

Save as disclosed elsewhere in the consolidated financial statements, the Group has the following transaction with its related party during the year:

Name of related party	Nature of transaction	2020 HK$'000	2019 HK$'000
Strong Property Limited	Rental expenses	**1,988**	1,988

Strong Property Limited is owned and controlled by one key management personnel of the Group.

(c) Compensation of key management personnel

The remuneration of directors of the Company and the other members of key management of the Group during the year are set out in Note 11.

The remuneration of key management personnel is determined by the directors of the Company having regard to the performance of individuals and market trends.

38. CAPITAL COMMITMENTS

	2020 HK$'000	2019 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**21,865**	5,091

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39. PLEDGE OF ASSETS

The carrying amounts of assets that have been pledged as collaterals to secure bank and other borrowings and certain banking facilities are as follows:

	2020 HK$'000	2019 HK$'000
Right-of-use assets	17,110	65,654
Pledged bank deposits	–	17,118
	17,110	82,772

The lease agreements do not impose any covenants other than the security interests in the lease assets that are held by the lessor and the relevant leased assets may not be used as securities for borrowing purposes.

40. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The following table shows changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

	Interest payable HK$'000 *(note)*	Bank and other borrowings HK$'000 *(Note 27)*	Lease liabilities HK$'000 *(Note 26)*	Total HK$'000
At 1 January 2020	–	1,006,496	1,370	1,007,866
Changes from financing cash flows:				
Proceeds from bank and other borrowings	–	1,878,807	–	1,878,807
Repayment of bank and other borrowings	–	(2,605,037)	–	(2,605,037)
Repayment of lease liabilities	–	–	(2,660)	(2,660)
Interest paid	(13,555)	–	(86)	(13,641)
Total changes from financing cash flows	(13,555)	(726,230)	(2,746)	(742,531)
Other changes:				
Finance costs	13,555	–	86	13,641
Deductions from disposal of subsidiaries	–	(149,057)	–	(149,057)
New leases entered during the year	–	–	3,885	3,885
Foreign exchange translation	–	8,989	(14)	8,975
Total other changes	13,555	(140,068)	3,957	(122,556)
At 31 December 2020	–	140,198	2,581	142,779

40. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)

	Interest payable HK$'000 *(note)*	Bank and other borrowings HK$'000 (Note 27)	Lease liabilities HK$'000 (Note 26)	Total HK$'000
At 1 January 2019 (restated)	–	14,837	3,307	18,144
Changes from financing cash flows:				
Proceeds from bank and other borrowings	–	7,819,009	–	7,819,009
Repayment of bank and other borrowings	–	(7,003,479)	–	(7,003,479)
Repayment of lease liabilities	–	–	(2,675)	(2,675)
Interest paid	(37,929)	–	(78)	(38,007)
Total changes from financing cash flows	(37,929)	815,530	(2,753)	774,848
Other changes:				
Finance costs	37,929	–	78	38,007
Additions from acquisition of subsidiaries	–	184,640	–	184,640
New leases entered during the year	–	–	737	737
Foreign exchange translation	–	(8,511)	1	(8,510)
Total other changes	37,929	176,129	816	214,874
At 31 December 2019	–	1,006,496	1,370	1,007,866

Note: Interest payable is included in other payables.

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41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of the financial position of the Company at the end of the reporting period is as follows:

	2020 HK$'000	2019 HK$'000
Non-current assets		
Interests in subsidiaries	**251,189**	251,189
Amounts due from subsidiaries	**1,154,983**	1,016,077
	1,406,172	1,267,266
Current assets		
Other receivables, deposits and prepayments	**2,305**	3,963
Financial assets at FVTPL	**–**	11
Deposits placed with brokers	**3,018**	8,136
Bank balances and cash	**31,103**	26,284
	36,426	38,394
Current liabilities		
Other payables and accrued charges	**1,813**	1,686
Other borrowings	**120,000**	–
Amounts due to subsidiaries	**246,847**	224,546
	368,660	226,232
Net current liabilities	**(332,234)**	(187,838)
Net assets	**1,073,938**	1,079,428
Capital and reserves		
Share capital	**53,084**	53,093
Reserves	**1,020,854**	1,026,335
Total equity	**1,073,938**	1,079,428

Movement in the Company's reserves:

	Share premium HK$'000	Share-based payments reserve HK$'000	Contribution surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2019	566,448	50,391	118,111	294,556	1,029,506
Loss and total comprehensive expense for the year	–	–	–	(2,955)	(2,955)
Repurchase of shares (Note 30)	(216)	–	–	–	(216)
At 31 December 2019 and 1 January 2020	566,232	50,391	118,111	291,601	1,026,335
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**(5,360)**	**(5,360)**
Repurchase of shares (Note 30)	**(121)**	**–**	**–**	**–**	**(121)**
At 31 December 2020	**566,111**	**50,391**	**118,111**	**286,241**	**1,020,854**

42. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries are as follows:

Name of entity	Place of incorporation/ establishment	Principal place of business	Equity interest and voting rights attributable to the Company		Issued and fully paid share capital/ registered capital	Principal activity
			2020 %	2019 %		
Wide Sea International Limited ("Wide Sea")	British Virgin Islands ("BVI")	Hong Kong	**100**	100	US$2	Investment holding
Saint Ocean Investment Limited ("Saint Ocean")	BVI	Hong Kong	**100**	100	US$2	Investment holding
Strong Petrochemical Limited	Hong Kong	Hong Kong	**100**	100	HK$20,000,000	Trading of crude oil, petroleum products and petrochemicals
Strong Petrochemical (Macao)	Macao	Macao	**100**	100	MOP100,000	Trading of crude oil, petroleum products, petrochemicals and coal
南通潤德石油化工有限公司# Strong Petrochemical (Nantong) Logistics Co., Limited*	The PRC	The PRC	**100**	100	US$12,500,000	Provision of petroleum products and petrochemicals storage services
Strong Petroleum Singapore Private Ltd.	Singapore	Singapore	**100**	100	Singapore Dollar 1,000,000	Trading of crude oil, petroleum products, coal and iron ore
南通海峽國際貿易有限公司# Nantong Strong International Trading Company Limited*	The PRC	The PRC	**100**	100	US$5,000,000	Trading of petroleum products and petrochemicals
淄博海峽匯能石油化工有限公司# Zibo Strong Huineng Petrochemical Limited*	The PRC	The PRC	**100**	100	RMB10,000,000	Trading of petroleum products and petrochemicals
惠州大亞灣美譽化工倉儲貿易有限公司+ Huizhou Nicefame*	The PRC	The PRC	**–**	46^	RMB83,000,000	Trading of petrochemicals and petroleum products, and provision of petrochemicals and petroleum products storage services
Copower Properties Investments Company Limited	Hong Kong	Hong Kong	**100**	–	HK$10,000	Property investment

42. PRINCIPAL SUBSIDIARIES (CONTINUED)

The above table lists the principal subsidiaries of the Company which, in the opinion of the directors of the Company, principally affect the results and net assets of the Group. To give full details of subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

All of the subsidiaries are owned indirectly by the Company except for Wide Sea and Saint Ocean which are owned directly by the Company.

* The English names of these entities established in the PRC are for identification purpose only.

\# Wholly foreign owned enterprise registered in the PRC.

\+ Sino-foreign joint venture registered in the PRC.

^ Huizhou Nicefame was owned as to 90% by Nicefame Global. The Company indirectly owned 51% equity interest in Nicefame Global and was able to appoint two out of three directors in Nicefame Global.

None of the subsidiaries had any debt securities subsisting at the end of the reporting period or at any time during the year.

The PRC subsidiaries maintained RMB denominated bank balances. The remittance of these funds out of the PRC is subject to exchange restriction imposed by the PRC government.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in Hong Kong. The principal activities of these subsidiaries are either investment holding or inactive.

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43. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

The following table shows detail of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2020	2019	**2020**	2019	**2020**	2019
				HK$'000	HK$'000	**HK$'000**	HK$'000
Nicefame Global and its subsidiary	Incorporated and operating in the PRC	**–**	49%	**–**	(862)	**–**	15,855
Individually immaterial subsidiary with non-controlling interest				**–**	–	**503**	473
				–	(862)	**503**	16,328

Summarised financial information in respect of the Group's subsidiaries that had material non-controlling interests in 2019 is set out below:

The summarised financial information below represents amounts shown in Nicefame Global's consolidated financial statements prepared in accordance with HKFRSs and before intragroup eliminations. During the year ended 31 December 2020, the Group disposed of its entire equity interest in Nicefame Global and its subsidiary.

Nicefame Global and its subsidiary

	2019
	HK$'000
Non-current assets	234,599
Current assets	49,458
Current liabilities	(115,461)
Non-current liabilities	(138,975)
Equity attributable to owners of the Company	13,766
Non-controlling interests of Nicefame Global	13,226
Non-controlling interests of Nicefame Global's subsidiary	2,629

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43. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

Nicefame Global and its subsidiary *(continued)*

	2019 HK$'000
Revenue	375,447
Expenses	(376,820)
Loss before taxation	(1,373)
Loss for the period	(1,373)
Loss attributable to owners of the Company	(511)
Loss attributable to the non-controlling interests of Nicefame	(491)
Loss attributable to the non-controlling interests of Nicefame's subsidiary	(371)
Loss for the period	(1,373)
Other comprehensive expense attributable to owners of the Company	(609)
Other comprehensive expense attributable to the non-controlling interests of Nicefame Global	(585)
Other comprehensive expense attributable to the non-controlling interests of Nicefame Global's subsidiary	(133)
Other comprehensive expense for the period	(1,327)
Total comprehensive expense attributable to owners of the Company	(1,120)
Total comprehensive expense attributable to the non-controlling interests of Nicefame Global	(1,076)
Total comprehensive expense attributable to non-controlling interests of Nicefame Global's subsidiary	(504)
Total comprehensive expense for the period	(2,700)