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

(Formerly known as Yuhua Energy Holdings Limited)

(Incorporated in the Cayman Islands with limited liability) (Stock Code: 2728)

2020
ANNUAL REPORT

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Chen Jinle *(Chairman)*
Mr. Lin Caihuo
Mr. Yuan Hongbing *(Chief Executive Officer)*

Non-Executive Director

Mr. Wang Shoulei

Independent Non-Executive Directors

Mr. Tche Heng Hou Kevin
Mr. Gao Han
Mr. Mak Tin Sang (appointed on 23 April 2020)
Mr. Liu Yang (resigned on 23 April 2020)

AUDIT COMMITTEE

Mr. Tche Heng Hou Kevin *(Chairman of the Committee)*
Mr. Gao Han
Mr. Mak Tin Sang (appointed on 23 April 2020)
Mr. Liu Yang (resigned on 23 April 2020)

REMUNERATION COMMITTEE

Mr. Mak Tin Sang *(Chairman of the Committee)* (appointed on 23 April 2020)
Mr. Lin Caihuo
Mr. Yuan Hongbing
Mr. Tche Heng Hou Kevin
Mr. Gao Han
Mr. Liu Yang (resigned on 23 April 2020)

NOMINATION COMMITTEE

Mr. Chen Jinle *(Chairman of the Committee)*
Mr. Lin Caihuo
Mr. Tche Heng Hou Kevin
Mr. Gao Han
Mr. Mak Tin Sang (appointed on 23 April 2020)
Mr. Liu Yang (resigned on 23 April 2020)

Corporate Information

AUTHORIZED REPRESENTATIVES

Mr. Zhou Chen
Mr. Yuan Hongbing (appointed on 26 June 2020)
Mr. Lin Caihuo (resigned on 26 June 2020)

COMPANY SECRETARY

Mr. Zhou Chen

AUDITOR

Cheng & Cheng Limited
Certificated Public Accountants

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

Golden Phoenix Building
No. 111 Liyi Road
Lijin County
Dongying City
Shandong Province
the People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

Corporate Information

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Dongying Bank Co., Limited
Industrial and Commercial Bank of China Limited
Hang Seng Bank Limited
Nanyang Commercial Bank, Limited

LEGAL ADVISER

As to Hong Kong law
Raymond Siu & Lawyers

As to Cayman Islands law
Conyers Dill & Pearman, Cayman

STOCK CODE

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

WEBSITE

www.jintaienergy.com

Management Discussion and Analysis

BUSINESS REVIEW

During the year ended 31 December 2020 (the "**Reporting Period**" or the "**Year**"), the Group was principally engaged in six businesses: (i) energy trading which comprised mainly the trading of fuel oil and kerosene; (ii) energy transportation; (iii) operation of digital energy trading park; (iv) customs declaration services; (v) speaker manufacturing and trading business; and (vi) trading of electronic products. The major businesses are stated as below:

Energy trading business

During the Reporting Period, revenue from energy trading business increased significantly to approximately HK$14,017.28 million (2019: approximately HK$2,967.86 million), representing a year-on-year increase of approximately 372%. The increase in revenue was mainly attributable to an increase in the number of customers, an increase in the market share on the energy trading business in the PRC and an enhancement on the Group's product portfolio.

During the Reporting Period, the Group experienced the challenges including geopolitics, the US-China trade war and the extreme fluctuations in crude oil price as a result of the outbreak of COVID-19 pandemic worldwide. In view of that, the Group has been actively implementing different strategies for minimizing the impact of the challenges and pandemic crisis including but not limited to seeking new customers, expanding its market share, enhancing its product portfolio and sourcing from new suppliers. The implementation of the aforesaid strategies was quite effective and the performance of the energy trading business has shown significant improvement as compared with that in the previous year. The aforesaid strategies also brought forth the better optimisation of the Group's energy trading business. In addition, the gradual rebound of the crude oil price in the second half of 2020 and the rapid recovery of the overall economy of China attributed to the effective controls and measures on the COVID-19 pandemic in China resulted in a positive impact on the energy trading business environment.

During the Reporting Period, the Company has completed the placing of new shares of the Company for the purpose of sustaining the scale of energy trading business, developing new energy products and strengthening the financial position of the Company.

Energy transportation business

During the Reporting Period, the Company has acquired the entire equity interest of Lijin Shuntong Logistics Company Limited (利津順通物流有限公司) ("**Lijin Shuntong**"), which is engaged in the provision of energy transportation service. Lijin Shuntong holds a road transportation business license for hazardous chemicals and owns a fleet of more than 90 tanker trucks with a carrying capacity of 32 tons for each vehicle. The energy transportation business allows the Group to effectively reduce transportation costs and enhance transportation efficiency and provides the Group with a good opportunity for vertical expansion with an aim to enhance customers' loyalty through providing our customers with diversified services, such as transporting the Group's products or other suppliers' products from the ports to the customers' refineries or oil depots. The revenue derived from the energy transportation business amounted to approximately HK$5.23 million (2019: nil). In addition, owning a logistics services company can enhance the time control for delivery and cost control and create synergy effect with other energy business of the Group.

Digital energy trading parks

The business operation of the digital energy trading parks has commenced and expanded with rapid development during the Reporting Period. The Group has signed cooperation agreements with enterprises or entities in 13 cities/regions of China, and successfully introduced not less than 236 enterprises into the digital energy trading parks. The operation and service business of digital energy trading parks generates income to the Group through: (1) receiving fixed service fees from enterprises in the trading parks on an annual basis; (2) receiving service fees based on the value-added services provided to the enterprises in the trading parks including the supply chain services and tax planning; (3) applying for tax incentives or financial subsidies from local governments based on the economic benefits of the operation of the trading parks. The revenue derived from the operation of digital energy trading parks for the Reporting Period was approximately HK$3.36 million (2019: nil). The Company believes that the digital energy trading park business can continue to contribute economic benefits to and bring new opportunities for the energy trading business of the Group in the future.

Services business of customs declaration

During the Reporting Period, the Group has commenced the customs declaration services business. The Company has, through its wholly-owned subsidiary, incorporated Shandong Ruiyuan Shipping Company Limited* (山東瑞源船務有限公司) ("**Shandong Ruiyuan**") in April 2020 in Shandong, China with an independent third party. The Group holds 60% of the entire equity interest of Shandong Ruiyaun and accordingly Shandong Ruiyuan has become a non-wholly owned subsidiary of the Group. Shandong Ruiyuan is principally engaged in the provision of customs declaration services. The revenue derived from the customs declaration services business for the Reporting Period amounted to approximately HK$3.99 million (2019: nil).

The Group will adopt a cautious approach in operating the said new business. The Board believes that the aforesaid new business will provide a new source of income to the Group.

Speaker manufacturing and trading business

The speaker trading business recorded revenue of approximately HK$27.93 million during the Reporting Period (2019: approximately HK$35.53 million from continuing operation), representing a drop of approximately 21.4% (2019: decreased by approximately 57.01%). The decrease was mainly due to a decrease in sales orders from existing customers. Nonetheless, its revenue only accounted for approximately 0.20% (2019: approximately 1.18%) of the consolidated revenue from continuing operations of the Group.

The speaker trading business remained as a non-core business of the Group. The management of the Company has formulated its business plans to improve the business which includes selling more high-end products and ceasing to sell products with low or no profit margin and strengthening our product costs control. The Group will continue to adopt a cautious and conservative approach in managing the operation of, and making any further investments into, such non-core business.

Trading of electronic products

During the Reporting Period, the Group has commenced a new business on trading of electronic products in the PRC. The Company has, through its wholly-owned subsidiary, incorporated Chuangpu Technology Co., Ltd. ("**Chuangpu**") in June 2020 in Shenzhen, China with two independent third parties. The Group holds 51% of the entire equity interest of Chuangpu and accordingly Chuangpu has become a non-wholly owned subsidiary of the Group. Chuangpu is principally engaged in trading of electronic products. The revenue from the trading of electronic products amounted to approximately HK$21.02 million (2019: nil).

The Group will adopt a cautious approach in operating the newly commenced business. The Board is confident that a sustainable income can be generated through trading of electronic products.

FINANCIAL REVIEW

Results of Operations

During the Reporting Period, the revenue of the Group increased significantly by 368.8% to approximately HK$14,078.81 million (2019: approximately HK$3,003.38 million). The significant increase in revenue was mainly attributable to the increase in trading volume of fuel oil in the second half of the year due to the increase in fuel oil price and the better cost optimisation of the Company's energy trading business.

During the Reporting Period, the Group recorded a net profit attributable to the Company's equity holders of approximately HK$321.80 million (2019: net loss attributable to the Company's equity holders of approximately HK$599.25 million). The increase in net profit was mainly attributable to a gain on the disposal of subsidiaries of approximately HK$803.14 million which was partially offset by the impairment loss of the other receivables due from the aforesaid disposed subsidiaries of approximately HK$428.51 million.

The operating costs during the Reporting Period were approximately HK$274.71 million (2019: approximately HK$106.50 million), representing an increase of approximately 157.9% as compared with the corresponding period in 2019. The increase in the operating costs was in line with the increase in revenue for the Reporting Period.

The finance costs of the Group during the Reporting Period were approximately HK$41.75 million, representing a decrease of approximately 8.3% as compared with approximately HK$45.51 million for the corresponding period in 2019.

For the Reporting Period, the basic gain per share of continuing operations was approximately HK8.01 cents (2019: basic loss per share of continuing operations of approximately HK18.16 cents).

The Group had not recommended any payment of interim dividend for the six months ended 30 June 2020. The Board does not recommend the payment of a final dividend for the Reporting Period (2019: nil).

Management Discussion and Analysis

Liquidity and Financial Resources

As at 31 December 2020, the Group had cash and cash equivalents of approximately HK$116.71 million (31 December 2019: approximately HK$320.28 million), which were mainly denominated in Hong Kong dollars (HK$), US dollars (US$) and Renminbi (RMB).

As at 31 December 2020, the Group's net current assets were approximately HK$63.37 million (2019: net current liabilities were approximately HK$500.83 million). The Group's current ratio as at 31 December 2020, being the ratio of total current assets to total current liabilities, was approximately 1.03 as compared to approximately 0.79 as at 31 December 2019.

The Group had bank and other borrowings of approximately HK$319.07 million (2019: approximately HK$1,163.74 million) which were denominated in Renminbi and Hong Kong dollars. The annual interest rates of the bank and other borrowings for the year ended 31 December 2020 ranged from approximately 3.74% to approximately 12.28% (2019: ranged from 5.87% to 10.62%) per annum. The above bank and other borrowings was accounted for the current liabilities of the Group and repayable within one year. The secured bank borrowings amounted to approximately HK$10,689,000 as at 31 December 2020 were secured by a leasehold land of Dongying Guoxin Chemical Co., Ltd.* (東營市國鑫化工有限責任公司), an independent third party.

The unsecured bank borrowings amounted to approximately HK$31,203,000 as at 31 December 2020 were guaranteed by (i) guarantee provided by Mr. Lin, (ii) guarantee provided by Mr. Chen Jinle, an executive Director and substantial shareholder of the Company, (iii) guarantee provided by Chen Qiusan, the uncle and an associate of Mr. Chen Jinle, (iv) guarantee provided by Chen Guangsan, (v) guarantee provided by Chen Jinhui, (vi) guarantee provided by Han Jinfeng, and (vii) guarantee provided by Dongying Jinfeng Petroleum Technology Group Co., Ltd.* (東營金峰石油科技集團有限公司), a third party of the Group (2019: guarantees provided by Mr. Lin).

As at 31 December 2020, bank borrowings with principal and interest payables of HK$13,387,000 (2019: HK$278,011,000) and HK$3,257,000 (2019: HK$27,917,000) were in default and not repaid in accordance with the scheduled payment dates respectively. As at 31 December 2020, the carrying amount of the principal and the interest payables of the convertible notes of the Company was approximately HK$110.88 million (2019: approximately HK$103.64 million).

During the year, the Group has issued bonds in the principal amount of RMB23,481,678.65 as consideration for the acquisition of entire interest in Linjin Shuntong. As at 31 December 2020, the carrying amount of bonds was approximately HK$27,144,000 (2019: Nil). The bonds bear interest at 5% per annum, payable on the 23 October 2023, the maturity date.

Capital Structure and Gearing Ratio

As at 31 December 2020, the total issued shares of the Company was 4,455,020,888 shares.

As at 31 December 2020, the share capital and equity attributable to owners of the Company amounted to approximately HK$5,569,000 and approximately HK$63,828,000 respectively (2019: approximately HK$4,641,000 and approximately (HK$427,574,000) respectively).

As at 31 December 2020, the Group repaid its debts mainly through recurring cash flows generated by its operations and other means of financing. The gearing ratio of the Group was 674% (as at 31 December 2019: nil), which was computed by dividing the total borrowings of approximately HK$429.95 million (2019: approximately HK$1,267.37 million) by shareholder's equity of approximately HK$63.83 million (2019: approximately (HK$427.57 million).

Lapse of Memorandum of understanding in relation to the possible acquisition of 51% equity interest in target company

On 12 February 2020, the Company (as the intended purchaser) has entered into a memorandum of understanding (the "**MOU**") with two vendors, pursuant to which the Company intended to acquire an aggregate of 51% of the equity interest in a target company and the first vendor and the second vendor intended to sell 26.01% and 24.99% of the equity interest in the target company respectively. The first vendor and the second vendor held respectively 51.00% and 49.00% of the entire equity interest of the Target Company as at the date of the MOU. The target company is principally engaged in the provision of operational services for digital energy trading parks of energy business sector in China.

On 14 May 2020, the MOU has lapsed as no formal agreement has been entered into between the Company and the vendors. For details, please refer to the announcements of the Company dated 12 February 2020 and 14 May 2020.

Amendments to the Terms and Conditions of Convertible Notes

On 29 May 2019, the Company has entered into a subscription agreement with Win Win International Strategic Investment Funds SPC (for the account and on behalf of Win Win Stable No. 1 Fund SP) ("**Win Win**"), pursuant to which the Company has issued the convertible notes in the principal amount of HK$110,952,907 ("**Convertible Notes**"). The original maturity date was 17 July 2020 and the original conversion price was HK$0.184 per conversion share. Win Win has subsequently transferred its interest in the convertible notes to Qilu International Funds SPC (for the account and on behalf of Zhongtai Dingfeng Classified Fund SP) ("**Qilu**").

On 16 July 2020, the Company has entered into a supplemental deed with Qilu, pursuant to which, the Company and Qilu conditionally agreed to amend the maturity date and the conversion price. Pursuant to the supplemental deed, the parties agree to: (a) amend the conversion price to HK$0.134, representing a premium of approximately 3.88% to the closing price of HK$0.129 on the date of the supplemental deed and a premium of approximately 0.30% to the average closing price of HK$0.1336 per Share as quoted on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") for the last 5 trading days immediately before the date of the supplemental deed; (b) amend the number of conversion shares in light of the amendment to the conversion price; (c) extend the maturity date to 17 July 2021 (or, if that is not a business day, the first business day thereafter), and extend the end of the conversion period to 4:00 p.m. (Hong Kong time) on the maturity date; (d) the interest payment dates shall be 18 January 2021 and 17 July 2021 (or, if that is not a business day, the first business day thereafter). On 23 October 2020, ordinary resolutions have been passed by the shareholders of the Company by way of poll.

As at 31 December 2020, all of the net proceeds from the issue of the convertible notes have already been used for redemption of the 2017 notes and repayment of bank loans.

Further details of the issue of convertible notes and the supplemental deed are set out in the announcements of the Company dated 29 May 2019, 11 June 2019, 2 July 2019, 7 July 2019,17 July 2019, 16 July 2020, 23 October 2020 and 3 November 2020 and the circular of the Company dated 8 October 2020.

Placing of new shares to Hong Kong Moral Co-Operation Investment Limited

On 24 June 2020, the Company entered into a subscription agreement with Hong Kong Moral Co-Operation Investment Limited ("**Hong Kong Moral**"), pursuant to which the Company has agreed to issue, and Hong Kong Moral has agreed to subscribe for, an aggregate of 742,503,480 new shares of the Company (the "**Shares**") for an aggregate consideration of HK$95,040,400 at the subscription price of HK$0.128 per share. Hong Kong Moral is an investment holding company.

The subscription shares were issued under the general mandate and no separate shareholders' approval was required to be obtained. The subscription price of HK$0.128 per share represented a discount of approximately 9.22% on a closing price of HK$0.141 per share as quoted on the Stock Exchange on 24 June 2020, being the date of the subscription agreement and at a discount of approximately 9.60% to the average closing price of HK$0.1416 per share as quoted on the Stock Exchange for the last five consecutive trading days prior to the date of the subscription agreement.

The 742,503,480 new Shares represented approximately 20.00% of the issued share capital of the Company before the issue of the subscription shares and approximately 16.67% of its issued share capital of the Company as enlarged by the allotment and issuance of the subscription shares. The subscription shares were issued under the general mandate and rank equally with all other Shares. The completion of the aforesaid placing took place on 3 August 2020.

The net proceeds from the subscription amounted to approximately HK$94,840,000 after deducting professional fees and all related expenses. Among the net proceeds from the subscription, (i) approximately HK$66.4 million would be allocated for the fund of purchases under energy trading business; (ii) approximately HK$9.5 million would be allocated for the payment of interest expenses; and (iii) approximately HK$19 million would be allocated for general working capital of the Group.

As at 31 December 2020, all of the net proceeds have already been used in accordance with the intended use of proceeds as stated in the Company's announcement dated 2 July 2020.

As a result of the issuance of the new Shares, the Company's total issued Shares increased to 4,455,020,888 Shares as at 3 August 2020. Details of the above-mentioned placing are set out in the announcements of the Company dated 24 June 2020, 2 July 2020 and 3 August 2020.

CONNECTED TRANSACTIONS

Acquisition of the entire interest of Lijin Shuntong Logistics Company Limited ("Lijin Shuntong")

On 7 August 2020, the Company, Beijing Century Energy Co., Ltd (北京金寶世紀能源有限公司) ("**Beijing Century**"), a wholly-owned subsidiary of the Company, and Mr. Chen Qiusan ("**Mr. Chen**"), entered into a sale and purchase agreement, pursuant to which Mr. Chen has agreed to sell, and Beijing Century has agreed to acquire, 100% of the equity interest of Lijin Shuntong (the "**Equity Interest**") at the consideration of RMB23,481,678.65 to be settled by way of issue of a bond by the Company to Mr. Chen (the "**Bond**"). The Bond is unsecured, bearing interest rate of 5% per annum with maturity date falling the third anniversary of the date of issue of the Bond.

The original acquisition cost of the Equity Interest to Mr. Chen was RMB23,481,678.65.

Mr. Chen is the uncle and an associate of Mr. Chen Jinle, an executive Director, a substantial shareholder and the chairman of the Company. Therefore, Mr. Chen is a connected person of the Company and the entering into of the sale and purchase agreement and the transactions contemplated thereunder and the issue of the Bond constitute connected transactions of the Company under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The consideration represented the net assets value of Lijin Shuntong as at 30 June 2020. The terms of the Bond were determined after arm's length negotiation among the parties with reference to the net assets value of Lijin Shuntong, the market situation at the material time, the prospects of the business of Lijin Shuntong and the financial performance of Lijin Shuntong from 1 January 2018 to 30 June 2020.

On 23 October 2020, ordinary resolutions were passed by the independent shareholders of the Company by way of poll. As at 31 December 2020, the issue of the Bond and the acquisition of Equity Interest have been completed.

Further details of the aforesaid acquisition and the issue of the Bond are set out in the announcements of the Company dated 7 August 2020, 29 September 2020, 8 October 2020, 23 October 2020 and the circular of the Company dated 8 October 2020.

Provision of drilling services

On 24 October 2019, Ningxia Deliheng Oil and Gas Technology Service Company Ltd. (寧夏德力恒油氣技術服務有限公司) ("**Ningxia Deliheng**") and Beijing Huaye Jinquan Petroleum Energy Technology Development Company Limited, Yanchi Branch Company (北京華燁金泉石油能源技術開發有限公司鹽池分公司) ("**Beijing Huaye**") entered into the SL16-5-4 Well Agreement and the SL27 Well Agreement, pursuant to which Ningxia Deliheng agreed to provide drilling services of (i) an aggregate of 18 oil wells under the SL16-5-4 Well Agreement at the consideration of RMB225,536,750 and (ii) 1 oil well under the SL27 Well Agreement at the consideration of RMB8,486,219.50 for Beijing Huaye for the purpose of extraction of oil. Mr. Han Jinfeng is a majority ultimate beneficial shareholder of Beijing Huaye (holding 64% effective interest thereof). Mr. Han Jinfeng is a cousin of Mr. Chen Jinle, the Chairman, an executive Director and substantial shareholder of the Company. Therefore, Beijing Huaye is an associate of a connected person of the Company and is therefore a connected person of the Company. Accordingly, the aforesaid agreements constituted connected transactions of the Company. On 11 February 2020, ordinary resolutions have been passed by the independent shareholders of the Company by way of poll. Due to the outbreak of COVID-19 and the low crude oil price amid the pandemic, the drilling works for the oil well were delayed during the Reporting Period. However, with more signs of robust recovery on global crude oil price, the Board commenced to actively negotiate with the counterparty for the operation to be continued in the second quarter of 2021 with commercial terms remain unchanged. Details of the SL16-5-4 Well Agreement and the SL27 Well Agreement are set out in the announcements of the Company dated 24 October 2019, 27 November 2019, 9 January 2020 and 11 February 2020 respectively, and the circular of the Company dated 22 January 2020.

NEW SHARE OPTION SCHEME

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

On 19 June 2020, the Company granted the options (the "**Share Options**") to (i) a director of the Company (the "**Director**") and (ii) 9 other eligible persons (collectively, the "**Grantees**") under the New Scheme adopted by the Company on 16 September 2019 and refreshed on 29 May 2020.

The total number of securities available for issue under the New Scheme as at the date of this report was 740,500,000 Shares which represents approximately 16.62% of issued share capital of the Company as at the date of this report. For details, please refer to the circulars dated 28 August 2019 and 27 April 2020 and the announcements of the Company dated 16 September 2019, 25 September 2019, 29 May 2020 and 19 June 2020 respectively.

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

					Number of share options		
Category of participants	**Date of grant (dd/mm/yyyy)**	**Exercise price after (before) share subdivision in 2018**	**Vesting date (dd/mm/yyyy)**	**Exercisable period (dd/mm/yyyy)**	**As at 01/01/2020**	**Granted during the year**	**As at 31/12/2020**
Eligible employees[1]	19/6/2015	0.64125 (1.2825)	19/06/2015	19/06/2015–18/06/2025	123,200,000	–	**123,200,000**
Eligible employees[1] and consultants	24/9/2019	0.15	24/9/2019	24/9/2019–23/9/2029	362,500,000	–	**362,500,000**
Director							
Mr. Yuan Hongbing	19/6/2020	0.145	19/6/2020	19/6/2020–18/6/2025	–	37,000,000	**37,000,000**
Eligible employees[1] and consultants	19/6/2020	0.145	19/6/2021	19/6/2020–18/6/2025	–	159,000,000	**159,000,000**
Eligible employees[1]	19/6/2020	0.145	19/6/2021[2]	19/6/2021–18/6/2026	–	50,000,000	**50,000,000**

Notes:

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

(2) The vesting of an aggregate of 50,000,000 Share Options to be granted to 4 of the Grantees, who are staff of 創普科技有限公司 (Chuangpu Technology Co., Ltd.), a non-wholly owned subsidiary of the Company, are also subject to the attainment of performance target of the Chuangpu Technology Co., Ltd. For details, please refer to the announcement of the Company dated 19 June 2020.

Capital Expenditure

During the Reporting Period, the Group's total capital expenditure amounted to approximately HK$2.6 million (2019: approximately HK$5.63 million).

Treasury Policy

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

Employees

As at 31 December 2020, the Group has employed a total of approximately 349 employees (2019: 93) in Hong Kong and the PRC. Staff costs (excluding Directors' emoluments) from continuing operations amounted to approximately HK$54.1 million (2019: approximately HK$45.20 million). The Group recruits and selects candidates for employment on the basis of their qualifications and suitability for the position. It is the Group's policy to recruit the most competent person available for each position.

CAPITAL COMMITMENT

Contingent Liabilities

Save as disclosed in this annual report, the Group has no material contingent liabilities as at 31 December 2020.

Pledge on the Group's Assets

As at 31 December 2020, there was no investment properties (2019: approximately HK$70.91 million) which have been pledged as security for the borrowings of the Group.

Significant Investments and Material Acquisitions and Disposals

Save for those acquisitions and disposals disclosed in this report, there were no significant investment or any material acquisition or disposal of subsidiaries during the year ended 31 December 2020.

Management Discussion and Analysis

PROSPECTS

During the Reporting Period, the Company recorded a robust growth, with its revenue ascending to RMB14 billion; representing approximately 3.7 times comparing to that of the corresponding period in 2019. Both the team building and internal administration have been significantly enhanced, and the Group's management was highly confident to further broaden existing businesses and at the same time strive to explore new energy-related opportunities, allowing the Group's business scale and profitability to reach to a new height.

1. ***Energy Trading***

   The Group will continue to expand the market share and range to exploit new large-scale target clients, and to simultaneously continue with the development of new energy-related products and services, in order to strengthen the energy trading business and to achieve sustainable growth in the year of 2021.

2. ***Digital Trading Industry Park Operation***

   The Group has been successful in developing the "digital trading industry park" operation service of the petrochemical energy industry and have signed cooperative contracts with enterprises in 13 cities and regions to co-build the Jintai Energy Digital Trading Industry Park. The Group has introduced not less than 236 enterprises into the digital park. This business project aims to achieve an operation of 30 industry digital parks, an introduction of more than 1,000 enterprises and the achievement of RMB80 million of service revenue in the year 2021.

3. ***Business Expansion***

   The Group has completed an acquisition of a company engaging in the transportation of petroleum products. The Group expects synergy effect can be achieved with the Group's energy trading sector, to lower the transport costs and to safeguard the transport efficiency.

   In the meantime, the Group will continue to explore new investment and business opportunities in various fields such as energy exploitation, energy transport, petroleum exploration technology service, petroleum refining service, petroleum product retail, energy internet and energy finance, with the strategy of building up an ecosystem within the petrochemical energy industry and enhance the Company's business competitiveness and business profitability.

4. ***Fundraising***

   The Group has raised funds to support its business development by means of equity financing and establishment of joint ventures with large corporations, and will also actively seek strategic investors on an ongoing basis, and strengthen the sources of financing in terms of equity, loans and supply-chain funding to serve as strong backup for the Group's further development.

Moreover, there are still many uncertainties in COVID-19 situation, the Group will continue to monitor its business strategy to cope with the challenges and potential impacts. The Group will further optimize its management team, risk exposure and cost control measures in order to enhance its competitiveness and profitability.

Other Information

CHANGE OF COMPANY NAME

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

CHANGE OF STOCK SHORT NAMES

With effect from 9:00 a.m. on Wednesday, 4 March 2020, the Company's English stock short name for trading in the shares of the Company on the Stock Exchange was changed from "YUHUA ENERGY" to "JINTAI ENERGY H", and the Chinese stock short name from "裕華能源" to "金泰能源控股". The stock code of the Company remains as 2728.

CHANGE OF COMPANY LOGO

The logo of the Company has been changed with effect from 28 February 2020 to reflect the change of name of the Company.

CHANGE OF COMPANY WEBSITE

The website of the Company was changed from "www.yuhuaenergy.com" to "www.jintaienergy.com" with effect from 20 March 2020.

CHANGE OF PRINCIPAL PLACE OF BUSINESS IN HONG KONG

On 10 February 2020, the Company has relocated its principal place of the Company in Hong Kong to Suite 2601–2603, 26/F, Shui On Centre, 6–8 Harbour Road, Wan Chai, Hong Kong.

CHANGE OF ADDRESS OF HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

On 19 November 2020, the Company has relocated the address of the Company's head office and principal place of business in China to Golden Phoenix Building, No. 111 Liyi Road, Lijin County, Dongying City, Shandong Province, PRC.

Corporate Governance Report

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

Composition

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

Executive Directors

Mr. Chen Jinle *(Chairman)*
Mr. Lin Caihuo
Mr. Yuan Hongbing *(Chief Executive Officer)*

Non-Executive Director

Mr. Wang Shoulei

Independent Non-Executive Directors

Mr. Tche Heng Hou Kevin
Mr. Gao Han
Mr. Mak Tin Sang (appointed on 23 April 2020)
Mr. Liu Yang (resigned on 23 April 2020)

BOARD OF DIRECTORS *(Continued)*

Composition *(Continued)*

The biographical details of the Directors are set out in the section headed "Biographical Details of Directors" on pages 30 to 32 of this annual report. There is no relationship (whether financial, business, family or other material or relevant relationships) amongst members of the Board, senior management or substantial Shareholder or controlling Shareholder of the Company.

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

Role and Function

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

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

BOARD OF DIRECTORS *(Continued)*

Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code stipulated that the roles of chairman of the board and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. The Company has complied with code provision A.2.1 of the CG Code, which stipulates that the chairman and the chief executive should be segregated and should not be performed by the same individual. The chairman of the Board (the "**Chairman**") provides leadership for the Board, encouraging all Directors to proactively contribute to the Company's affairs and ensures that the Directors act in the best interests of the Company. The chief executive officer of the Company represents the management of the Company and is mainly responsible for overseeing the implementation of the Group's strategies, business objectives and management policies.

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

Directors' and Officers' Liabilities Insurance

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

Board Meetings

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

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

BOARD OF DIRECTORS *(Continued)*

Board Meetings *(Continued)*

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

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

	Meetings Attended					
	Annual General Meeting	Extraordinary General Meeting	Board	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings held during the Reporting Period	**1**	**3**	**19**	**3**	**5**	**5**
Executive Directors						
Mr. Chen Jinle *(Chairman)*	0/1	0/3	15/15	N/A	N/A	5/5
Mr. Lin Caihuo	0/1	0/3	0/19	N/A	0/5	0/5
Mr. Yuan Hongbing *(Chief Executive Officer)*	1/1	2/3	18/18	N/A	5/5	N/A
Non-Executive Director						
Mr. Wang Shoulei	0/1	1/3	17/19	N/A	N/A	N/A
Independent Non-Executive Directors						
Mr. Tche Heng Hou Kevin	1/1	2/3	19/19	3/3	4/4	4/4
Mr. Gao Han	0/1	0/3	18/18	3/3	4/4	4/4
Mr. Mak Tin Sang (appointed on 23 April 2020)	1/1	1/1	13/13	1/1	2/2	2/2
Mr. Liu Yang (resigned on 23 April 2020)	0/0	0/2	0/5	0/2	0/3	0/2

BOARD OF DIRECTORS *(Continued)*

Board Meetings *(Continued)*

Code provision A.6.7 of the CG Code stipulated that independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of the Shareholders. Two independent non-executive Directors, namely Mr. Liu Yang and Gao Han, were unable to attend the extraordinary general meetings of the Company held on 15 January 2020 and 11 February 2020. Mr. Tche Heng Hou Kevin, the independent non-executive Director, was unable to attend the extraordinary general meeting of the Company held on 11 February 2020. Mr. Gao Han, the independent non-executive Director, was unable to attend the annual general meeting and the extraordinary general meeting of the Company held on 29 May 2020 and 23 October 2020 respectively due to his other business engagements.

During the Reporting Period, the Chairman has met once with the independent non-executive Directors without the presence of any other executive Director.

DIRECTORS' TERMS OF APPOINTMENT

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

DIRECTORS' TRAINING

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

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

	Attending seminar(s)/ programme(s)/ conference(s) and/or reading materials relevant to the business or directors' duties
Mr. Chen Jinle *(Chairman)*	✓
Mr. Lin Caihuo	✓
Mr. Yuan Hongbing *(Chief Executive Officer)*	✓
Mr. Wang Shoulei	✓
Mr. Tche Heng Hou Kevin	✓
Mr. Gao Han	✓
Mr. Mak Tin Sang (appointed on 23 April 2020)	✓
Mr. Liu Yang (resigned on 23 April 2020)	✓

BOARD DIVERSITY POLICY

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

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

DIVIDEND POLICY

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

BOARD COMMITTEES

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

Audit Committee

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

Mr. Tche Heng Hou Kevin *(Chairman of the Committee)*
Mr. Gao Han
Mr. Mak Tin Sang (appointed on 23 April 2020)
Mr. Liu Yang (resigned on 23 April 2020)

The Company has three members in the Audit Committee and has complied with the minimum number required under Rules 3.21 of the Listing Rules.

BOARD COMMITTEES *(Continued)*

Audit Committee *(Continued)*

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

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

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

— reviewing the consolidated financial statements for the year ended 31 December 2019 and the corresponding annual results announcement;

— reviewing the interim consolidated financial statements for the six months ended 30 June 2020 and the corresponding interim results announcement;

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

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

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

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

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

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

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

BOARD COMMITTEES *(Continued)*

Remuneration Committee

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

Mr. Mak Tin Sang *(Chairman of the Committee)* (appointed on 23 April 2020)
Mr. Lin Caihuo
Mr. Yuan Hongbing
Mr. Tche Heng Hou Kevin
Mr. Gao Han
Mr. Liu Yang (resigned on 23 April 2020)

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

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

BOARD COMMITTEES *(Continued)*

Remuneration Committee *(Continued)*

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

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

— to consider salaries paid by comparable companies, time commitment and responsibilities and employment elsewhere in the Group;

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

— to review and approve the employees' salary increments proposal. None of the members of the Remuneration Committee took part in voting on his own remuneration at the meeting.

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

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

Nomination Committee

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

Mr. Chen Jinle *(Chairman of the Committee)*
Mr. Lin Caihuo
Mr. Tche Heng Hou Kevin
Mr. Gao Han
Mr. Mak Tin Sang (appointed on 23 April 2020)
Mr. Liu Yang (resigned on 23 April 2020)

BOARD COMMITTEES *(Continued)*

Nomination Committee *(Continued)*

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

In considering the new appointment or re-election of Directors, the Nomination Committee will take different criteria into consideration including but not limited to the expertise, experience and integrity of the candidates.

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

— to consider the proposed appointment of Directors;

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

— to consider the re-election of Directors; and

— to review the composition of the Board.

None of the members took part in voting on his re-election of Director at the meeting.

Corporate Governance Functions

The Board is also responsible for performing the corporate governance duties which include the followings:

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

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

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

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

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

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

NOMINATION POLICY

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

CONTROL MECHANISMS

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

The Group strictly follows the requirements of the Securities and Futures Ordinance, Cap. 571 of the laws of Hong Kong (the "**SFO**") and the Listing Rules and ensures that inside information is disclosed to the public as soon as practicable unless the information falls within any of the safe harbours of the SFO. Before inside information is fully disclosed to the public, such information is kept strictly confidential. The Company also implements an internal policy on handling inside information which is consistent with the relevant applicable requirements of the Listing Rules. The policy sets out measures and procedures for the Directors and other relevant officers of the Company to assume duty when dealing with inside information and preservation of its confidentiality before proper disclosure. It also sets out guidelines for the Board to disclose any material inside information timely according to the relevant statutory and regulatory requirements. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements are not false or misleading in any material respect or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

The statement of the external auditor of the Company with regard to their reporting responsibilities on the Company's consolidated financial statements, is set out in the Independent Auditor's Report on pages 49 to 53 of this annual report.

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

AUDITOR'S REMUNERATION

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

	2020 **HK$'000**	2019 HK$'000
Audit services	**1,070**	752
Other non-audit services	**508**	200

SHAREHOLDERS' RIGHTS AND PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS BY SHAREHOLDERS

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

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

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

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

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

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

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

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

The annual general meeting also provides an important opportunity for constructive communication between the Board and Shareholders. The Chairman, members of the Board and external auditor attended the annual general meeting held on 29 May 2020 to answer questions raised by the Shareholders.

COMPANY SECRETARY

Mr. Zhou Chen has confirmed that he received not less than 15 hours of relevant professional training during the year ended 31 December 2020.

CONSTITUTIONAL DOCUMENTS

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

Biographical Details of Directors

BOARD OF DIRECTORS

Executive Directors

Mr. Chen Jinle, aged 33, has been an executive Director and the Chairman of the Board since May 2019 and September 2019 respectively. He also serves as the chairman of the Nomination Committee of the Company. Mr. Chen has over 14 years of work experience in energy industry and is currently the chairman of the board of directors of Shanghai Genting Energy Group Limited* (上海雲頂能源集團有限公司), the director of Shandong Bingang International Supply Chain Management Co., Ltd.* (山東濱港國際供應鏈管理有限公司).

Mr. Yuan Hongbing, aged 42, has been an executive Director and the Chief Executive Officer of the Company since May 2019 and September 2019. He also serves as the member of Remuneration Committee since September 2019 and is an authorised representative of the Company since June 2020. Mr. Yuan has over 20 years of work experience in investment and internet industry and he is the founder and the chairman of the board of directors of Yuanchuang Capital, which principally engaged in "capital+", "Internet+", property investment and fund management. Mr. Yuan is also the chairman of the board of directors of Guosheng EcoCommerce Industry Holding Group.

Mr. Lin Caihuo, aged 49, has been an executive Director since November 2014. He also serves as a member of each of the Remuneration Committee and the Nomination Committee of the Company. He has been engaging in the business of trading, warehousing, transporting and distributing oil products since 2003 and has gained an extensive experience in the industry. He has also been an executive director and the general manager of Fujian Yuhua Petrochemical Company Limited* (福建裕華石油化工有限公司) since February 2003, Xiamen Oceanstar Shipping Company Limited* (廈門海之星航運有限公司) since July 2010, Fujian Yuhua Energy Company Limited* (福建裕華能源有限公司) since April 2013, Fujian Yuhua Group Limited* (福建裕華集團有限公司) since April 2013, Fujian Yuhua Property Management Limited* (福建裕華物業管理有限公司) since February 2014 and Fujian Yuhua Shipping Company Limited* (福建裕華船務有限公司) since March 2014.

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

Biographical Details of Directors

BOARD OF DIRECTORS *(Continued)*

Non-Executive Director

Mr. Wang ShouLei, aged 38, has been a non-executive Director since April 2017. He graduated with a master's degree in Economics from Shanghai International Studies University. From December 2012 to June 2014, Mr. Wang was the Eastern China regional general manager and an executive director of the investment banking division of Zhongtai Financial International Limited (中泰金融國際有限公司) ("**Zhongtai International**"), the holding company of a substantial shareholder of the Company. He is mainly responsible for investment banking operations in overseas markets and has comprehensive experience in IPO, public bond issue, mergers and acquisitions, structured financing and independent financial advisor. He was the managing director of the global capital markets department of Zhongtai International from December 2014 to November 2017. Mr. Wang has also been a non-executive director of Starlight Culture Entertainment Group Limited, whose shares are listed on the Main Board of the Stock Exchange (stock code: 01159), since August 2017 and has retired as the non-executive director on 20 February 2020. Since November 2017, he has been the managing director and head of debt capital market, managing director and head of structured finance of Zhongtai International.

Independent Non-Executive Directors

Mr. Tche Heng Hou Kevin, aged 60, has been an independent non-executive Director since June 2019. He also serves as the chairman of the audit committee and a member of each of the nomination committee and the remuneration committee of the Board. Mr. Tche obtained a master of professional accounting degree from University of Polytechnic Hong Kong in December 2005. He was admitted as an associate of Association of Chartered Certified Accountants in March 1997 and a certified public accountant of the HKICPA in April 1997. In addition, he was admitted as a fellow member of Association of Chartered Certified Accountants in March 2002. He obtained the Practising Certificate of HKICPA in January 1999 and was qualified as the Certified Dealmaker of the China Mergers & Acquisitions Association in February 2015.

He has many years of experience in accounting, auditing and corporate financial management. From 1989, he worked for Allied Overseas Investment Limited as a group finance manager. From May 1990 to July 1997, he worked for Distribution Services Limited as a group finance manager. From August 1997 to March 2000, he worked as an audit manager for Baker Tilly, a leading provider of accountancy and business services principally engaged in audit assurance, advisory and pre-IPO assignments. From March 2000 to January 2001, he served as a group financial controller, Asia Pacific Region, of USF Asia Group Limited. From February 2001 to December 2003, Mr. Tche worked as a regional financial controller of Hong Kong and China offices for ABX Logistics (Hong Kong) Limited. From February 2005 to October 2007, he served as a Finance Manager for South Mainland China Region of BAX Global Hong Kong, a subsidiary of Brinks group, which is listed on the main board of New York Stock Exchange. From April 2009 to December 2012, he worked as a finance director of Yatfai Group Limited.

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

Biographical Details of Directors

BOARD OF DIRECTORS *(Continued)*

Independent Non-Executive Directors *(Continued)*

Mr. Gao Han, aged 44, was appointed as an independent non-executive Director of the Company since October 2019. He also serves as a member of each of the audit committee, nomination committee and remuneration committee of the Board. Mr. Gao has been working in the financial industry for over 21 years, previously working with Goldman Sachs as a proprietary trader and working for China Investment Corporation (CIC) as Head of Trading. He later founded Sinolink Securities (HK) Co. Ltd.. Since 2016, He headed China team of HKEX group which designed and implemented stock connects, bond connects and various products and services. Mr. Gao was an independent non-executive director of China Asia Valley Group Limited (formerly known as China Graphene Group Limited) (stock code: 63) and was retired as the independent non-executive director on 12 June 2020. Mr. Gao obtained his Bachelor of Science degree from Tsinghua University, and Master degree in both Statistics and Computer Science and Doctor of Philosophy in Computer Science from the University of Chicago.

Mr. Mak Tin Sang, aged 64, has been an independent non-executive Director since April 2020. He also serves as the chairman of the remuneration committee and a member of each of the audit committee and the nomination committee of the Board.

He obtained his Master's Degree in Business Administration from the University of Sheffield, U.K. He is also a fellow member of the United Kingdom Chartered Association of Certified Accountants and an associate member of the Australian Certified Management Accountants. Mr. Mak has served as an executive Director of China Graphene Group Limited (Stock Code: 63), a company listed on the main board of The Stock Exchange of Hong Kong Limited, from 6 November 2015 to 16 May 2017. Mr. Mak had been working as the chief financial officer and was appointed as an executive director of Armarda Group Limited, a company listed on the Catalist Board of Singapore Exchange Limited, from June 2013 to late 2015. He was the chief financial officer of LottVision Limited, a company listed on the main board of the Singapore Exchange Limited, between August 2001 and September 2003.

* *For identification purposes only*

Report of the Directors

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

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The results for the Reporting Period are set out in the consolidated financial statements pages 54 of this annual report.

DIVIDEND

The Board did not recommend the payment of any final dividend for the year ended 31 December 2020.

SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2020 are set out in note 13 to the consolidated financial statements on pages 102 of this annual report.

BUSINESS REVIEW

A fair review of the business of the Group during the Reporting Period and a discussion on the Group's future business development are set out in the section headed, "Management Discussion and Analysis" on pages 5 to 14 of this annual report. Discussions on the Company's compliance with significant relevant laws and regulations and the Company's key relationships with its employees, customers and supplies are set out in this section in page 35 of this annual report.

The above discussions form part of this directors' report.

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

PRINCIPAL RISKS AND UNCERTAINTY

Risk associated with financial instruments of the group

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

Risk associated with key sources of estimation uncertainty

Details of the key sources of estimation uncertainty as at 31 December 2020 are set out in Note 4 to the consolidated financial statements.

Risk associated with oil price fluctuation

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

PRINCIPAL RISKS AND UNCERTAINTY *(Continued)*

Market Competition Risk

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

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

COMPLIANCE WITH LAWS AND REGULATIONS

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

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

At the corporate level, the Group complies with the requirements under the Listing Rules and the SFO for, among other things, the disclosure of information and corporate governance, and the Group has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in the Model Code as set out in the Appendix 10 to the Listing Rules.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2020 are set out in Note 21 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the Reporting Period are set out in the consolidated statement of changes in equity and Note 22 to the consolidated financial statements on pages 114 and 115 of this annual report respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company has no reserves available for distribution to shareholders as at 31 December 2020, share premium and accumulated losses of the Company were as follows:

	Share Premium	**Accumulated losses**
	HK$'000	HK$'000
As at 31 December 2020	**321,958**	**572,410**
As at 31 December 2019	227,900	555,188

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group is devoted to maintaining good relationship with its suppliers and supplying quality products and services to our customers. During the Reporting Period, there was no serious and material disputes between the Group and its employees, customers and suppliers.

DONATIONS

No charitable or other donations were made by the Group during the Reporting Period (2019: nil).

SIGNIFICANT INVESTMENTS HELD

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

MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in note 30 and note 35 to the consolidated financial statements of this annual report, the Group did not make any material acquisition and disposal during the Reporting Period.

On 7 August 2020, the Company, Beijing Century and Mr. Chen Qiusan has entered into a sale and purchase agreement, pursuant to which Mr. Chen Qiusan has agreed to sell and Beijing Century has agreed to acquire the 100% of the equity interest of Lijin Shuntong Logistics Company Limited, and the Company has agreed to issue the a bond in the principal amount of RMB23,481,678.65 at the coupon rate of 5% per annum due on 7 August 2023 to Mr. Chen Qiusan. For details, please refer to the announcements of the Company dated 7 August 2020, 8 October 2020, 9 October 2020 and 23 October 2020 and the circular of the Company dated 8 October 2020.

BANK BORROWINGS

Details of the bank borrowings of the Group as at 31 December 2020 are set out in Note 26 to the consolidated financial statements.

LITIGATIONS

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

LITIGATIONS *(Continued)*

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

The Directors have been undertaking a number of measures to improve the Group's liquidity and financial position, and to remedy delayed repayments to financial institutions.

On 24 April 2020, the Group entered into a disposal agreement with an independent third party in relation to the disposal of the entire issued share capital in Chuang Hui Group Limited* (創惠集團有限公司), a wholly-owned subsidiary of the Company and the parent company of the subsidiaries involved in the abovementioned claims. After the completion of the disposal of Chuang Hui Group Limited, the Group has no liabilities in respect of the abovementioned loan agreements and the relevant claims thereto.

PROPERTY, PLANT AND EQUIPMENT

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

INVESTMENT PROPERTIES

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

EQUITY-LINKED AGREEMENTS

(a) Convertible notes

Details of the convertible notes of the Company are set out in the sub-section headed "Amendments to the terms and conditions of Convertible Notes" of "Financial Review" of the section headed "Management Discussion and Analysis" of this report.

(b) Placing of new shares

Details of placing of new shares of the Company are set out in the sub-section headed "Placing of New Shares to Hong Kong Moral Co-operation Investment Limited" of "Financial Review" of the section headed "Management Discussion and Analysis" of this report.

(c) Share Options

Details of the Share Option Scheme of the Company are set out in the section headed "Share Option Scheme" below and note 23 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISION

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

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

DIRECTORS

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

Executive Directors

Mr. Chen Jinle *(Chairman)*
Mr. Lin Caihuo
Mr. Yuan Hongbing *(Chief Executive Officer)*

Non-Executive Director

Mr. Wang Shoulei

Independent Non-Executive Directors

Mr. Tche Heng Hou Kevin
Mr. Gao Han
Mr. Mak Ting Sing

In accordance with Article 87(1), Mr. Wang Shoulei, being the non-executive Director, Mr. Tche Heng Hou Kevin and Mr. Gao Han, being the INEDs shall retire from their office by rotation and, being eligible, have offered themselves for re-election at the forthcoming annual general meeting (the "**AGM**").

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

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

As at 31 December 2020, the interests and short positions of each Director and CEO in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Directors	Capacity	Number of Shares held/ interested(1)	Total number of shares	Approximate percentage of the total issued Shares
Lin Caihuo ("**Mr. Lin**")	Beneficial owner	928,284,839	928,284,839	20.84%
Chen Jinle	Interest of controlled corporations	908,220,273(2)	908,220,273	20.39%
Yuan Hongbing ("**Mr. Yuan**")	Beneficial owner	13,696,000	13,696,000	0.31%

Notes:

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

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

Save as disclosed above, as at 31 December 2020, none of the Directors and CEO had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2020, according to the register kept by the Company under Section 336 of the SFO, the corporations or persons (other than a Director or CEO) had interests of 5% or more in the Shares or underlying Shares which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO were as follows:

Name	Capacity	Number of Shares held(1)	Approximate percentage of the issued Shares
Qilu International Funds SPC (acting for and on behalf of Zhongtai Dingfeng Classified Fund SP)	Person having a security interest in shares	2,649,059,881	59.46%
Zhongtai International Asset Management (Singapore) Pte. Ltd.	Person having a security interest in shares	2,649,059,881	59.46%

SUBSTANTIAL SHAREHOLDERS' INTERESTS *(Continued)*

Name	Capacity	Number of Shares held[1]	Approximate percentage of the issued Shares
Zhongtai International Asset Management Limited ("**Zhongtai International**")[3]	Person having a security interest in shares	2,649,059,881	59.46%
Win Win International Strategic Investment Funds SPC (acting for and on behalf of Win Win Stable No. 1 Fund SP) ("**Win Win**")[5]	Person having a security interest in shares	1,821,053,112	40.88%
Zhongtai Innovation Capital Management Limited ("**Zhongtai Innovation**")[6]	Investment manager	1,821,053,112	20.84%
Lin Aihua ("**Ms. Lin**")[2]	Interest of spouse	928,284,839	20.84%
Oriental Gold Honour Joy International Holdings Limited ("**Oriental Gold**")[4]	Beneficial owner	892,768,273	20.39%
Cui Xianguo[7]	Interest of controlled corporation	355,390,000	7.98%
Super Wise International Investment Limited ("**Super Wise**")[7]	Beneficial owner	355,390,000	7.98%

Notes:

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

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

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

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

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

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

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

Save as disclosed above, as at 31 December 2020, no other person (other than a Director or CEO) had registered an interest or short position in the Shares, underlying Shares and debentures of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

SHARE OPTION SCHEME

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

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

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

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

SHARE OPTION SCHEME *(Continued)*

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

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

The total number of securities available for issue under the Share Option Scheme as at the date of this report was 732,200,000 Shares which represents approximately 16.44% of issued share capital of the Company as at the date of this report. For details, please refer to the circular of the Company dated 28 August 2019 and the announcements of the Company dated 25 September 2019 and 19 June 2020 respectively.

A summary of the share option scheme and the New Scheme is set out in Note 23 to the consolidated financial statements. Details of the share options granted, exercised, lapsed and outstanding under the Share Option Scheme and the New Scheme during the Reporting Period are as follows:

					Number of share options		
Category of participants	**Date of grant (dd/mm/yyyy)**	**Exercise price (before) share subdivision in 2018** HK$	**Vesting date (dd/mm/yyyy)**	**Exercisable period (dd/mm/yyyy)**	**As at 01/01/2020**	**Granted during the year**	**As at 31/12/2020**
Eligible employees[(1)]	19/6/2015	0.64125 (1.2825)	19/06/2015	19/06/2015–18/06/2025	123,200,000	–	123,200,000
Eligible employees[(1)] and consultants	24/9/2019	0.15	24/9/2019	24/9/2019–23/9/2029	362,500,000	–	362,500,000
Eligible persons[(2)]	19/6/2020	0.145	19/6/2021	19/6/2021–18/6/2026	–	246,000,000	246,000,000

Notes:

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

(2) Eligible persons comprise Mr. Yuan Hongbing and 9 other eligible persons.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

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

MANAGEMENT CONTRACTS

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

RELATED PARTY TRANSACTIONS

Save as disclosed in the paragraphs headed "Connected Transactions" and "Continuing Connected Transactions", the significant related party transactions that did not constitute connected transactions under the Listing Rules made during the Reporting Period were disclosed in Note 37 to the consolidated financial statements.

COMPETING INTEREST/COMPETING BUSINESS

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

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

COMPETING INTEREST/COMPETING BUSINESS *(Continued)*

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

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

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

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

BIOGRAPHIES OF DIRECTORS

The details of the biographies of the existing Directors are set out in the section headed "Biographical Details of Directors" on page 30 to page 32 of this annual report.

CONFIRMATION OF INDEPENDENCE

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

DIRECTORS' SERVICE CONTRACTS

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

REMUNERATION POLICY

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

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

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme are set out in Note 23 to the consolidated financial statements and the section headed "Share-Based Payments".

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

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

PRE-EMPTIVE RIGHTS

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

CONNECTED TRANSACTIONS

Acquisition of the entire interest of Lijin Shuntong Logistics Company Limited ("Lijin Shuntong")

On 7 August 2020, the Company, Beijing Century Energy Co., Ltd (北京金寶世紀能源有限公司) ("**Beijing Century**"), a wholly-owned subsidiary of the Company, and Mr. Chen Qiusan ("**Mr. Chen**"), entered into a sale and purchase agreement, pursuant to which Mr. Chen has agreed to sell, and Beijing Century has agreed to acquire, 100% of the equity interest of Lijin Shuntong (the "**Equity Interest**") at the consideration of RMB23,481,678.65 to be settled by way of issue of a bond by the Company to Mr. Chen (the "**Bond**"). The Bond is unsecured, bearing interest rate of 5% per annum with maturity date falling the third anniversary of the date of issue of the Bond.

The original acquisition cost of the Equity Interest to Mr. Chen was RMB23,481,678.65.

Mr. Chen is the uncle and an associate of Mr. Chen Jinle, an executive Director, a substantial shareholder and the chairman of the Company. Therefore, Mr. Chen is a connected person of the Company and the entering into of the sale and purchase agreement and the transactions contemplated thereunder and the issue of the Bond constitute connected transactions of the Company under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The consideration represented the net assets value of Lijin Shuntong as at 30 June 2020. The terms of the Bond were determined after arm's length negotiation among the parties with reference to the net assets value of Lijin Shuntong, the current market situation, the prospects of the business of Lijin Shuntong and the financial performance of Lijin Shuntong from 1 January 2018 to 30 June 2020.

CONNECTED TRANSACTIONS *(Continued)*

Acquisition of the entire interest of Lijin Shuntong Logistics Company Limited ("Lijin Shuntong") *(Continued)*

On 23 October 2020, ordinary resolutions were passed by the independent shareholders of the Company by way of poll. As at 31 December 2020, the issue of the Bond and the acquisition of Equity Interest have been completed.

Further details of the aforesaid acquisition and the issue of the Bond are set out in the announcement of the Company dated 7 August 2020, 29 September 2020, 8 October 2020, 23 October 2020 and the circular of the Company dated 8 October 2020.

Provision of drilling services

On 24 October 2019, Ningxia Deliheng Oil and Gas Technology Service Company Ltd. (寧夏德力恒油氣技術服務有限公司) ("**Ningxia Deliheng**") and Beijing Huaye Jinquan Petroleum Energy Technology Development Company Limited, Yanchi Branch Company (北京華燁金泉石油能源技術開發有限公司鹽池分公司) ("**Beijing Huaye**") entered into the SL16-5-4 Well Agreement and the SL27 Well Agreement, pursuant to which Ningxia Deliheng agreed to provide drilling services of (i) an aggregate of 18 oil wells under the SL16-5-4 Well Agreement at the consideration of RMB225,536,750 and (ii) 1 oil well under the SL27 Well Agreement at the consideration of RMB8,486,219.50 for Beijing Huaye for the purpose of extraction of oil. Mr. Han Jinfeng is a majority ultimate beneficial shareholder of Beijing Huaye (holding 64% effective interest thereof). Mr. Han Jinfeng is a cousin of Mr. Chen Jinle, the Chairman, an executive Director and substantial shareholder of the Company. Therefore, Beijing Huaye is an associate of a connected person of the Company and is therefore a connected person of the Company. Accordingly, the aforesaid agreements constituted connected transactions of the Company. On 11 February 2020, ordinary resolutions have been passed by the independent shareholders of the Company by way of poll. Due to the outbreak of COVID-19 and the low crude oil price amid of pandemic, the drilling works for the oil well were delayed during the year 2020. However, with more signs of robust recovery on global crude oil price, the Board commenced to actively negotiate with the counterparty for the operation to be continued in the second quarter of 2021 with commercial terms remain unchanged. Details of the SL16-5-4 Well Agreement and the SL27 Well Agreement are set out in the announcements of the Company dated 24 October 2019, 27 November 2019, 9 January 2020 and 11 February 2020 respectively, and the circular of the Company dated 22 January 2020.

The related-party transactions described in note 37 to the consolidated financial statements do not constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules and have complied with the disclosure requirements under Chapter 14A of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, apart from the discontinued operations, sales to the Group's five largest customers accounted for approximately 31% of the Group's sales for the Year and sales to the Group's largest customer included therein accounted for approximately 11%.

During the Reporting Period, apart from the discontinued operations, purchase from the Group's five largest suppliers accounted for approximately 60% of the Group's total purchases for the Year and purchase from the Group's largest supplier included therein accounted for approximately 23%.

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

GOING CONCERN

The Company's consolidated financial statements for the year ended 31 December 2020 (the "**2020 Financial Statements**") have been prepared on a going concern basis. There are factors that indicated the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. If the Group is unable to continue to operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The opinion from the Company's auditors, Cheng & Cheng Limited (the "**Auditors**") is not modified in respect of this matter, details of which were disclosed in the Company's annual results announcement dated 31 March 2021 (the "**2020 Result Announcement**").

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

The Group has undertaken a number of measures to improve the Group's liquidity and financial position, and to remediate delayed repayments to financial institutions, details of which were disclosed in the 2020 Results Announcements and this Report. Accordingly, the Directors consider the Group will be able to continue to operate as a going concern.

IMPAIRMENTS OF TRADE AND OTHER RECEIVABLES

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

IMPAIRMENTS OF TRADE AND OTHER RECEIVABLES *(Continued)*

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

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

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

There was no different view between the Auditors and the Company's management in respect of the impairment provision made. Notwithstanding, the audit opinion was qualified for the year ended 31 December 2019 because there was no sufficient appropriate audit evidence to determine whether the impairment provided on the trade and other receivables during the year ended 31 December 2019 should be recorded in the consolidated financial statements of 31 December 2018 or 31 December 2019.

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

IMPORTANT EVENTS AFTER THE BALANCE SHEET DATE

Impact of COVID-19

Since the outbreak of COVID-19 in early 2020, a series of precautionary and control measures have been and continued to be implemented in the PRC and across the globe. The outbreak of the COVID-19 in the PRC and the subsequent quarantine measures imposed by the PRC Government in early 2020 had a certain temporary impact on the operations of the Group in the 1st half of 2020.

In view of the risk management measures taken by the Group and the precautionary control and measures imposed by the PRC government, it believes that the COVID-19 pandemic will not have a material adverse impact on the Group's overall financial position and operating results as the Company mainly carries out its business in the PRC.

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

PUBLIC FLOAT

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

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to the shareholders by reason of their holding of the Company's securities. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the Shares, they are advised to consult their professional advisers.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the consolidated results and the assets and liabilities of the Group for the last five financial years is set out on page 148.

ANNUAL GENERAL MEETING

The forthcoming AGM will be held on Friday, 28 May 2021. For further details of the forthcoming AGM, please refer to the notice of the 2020 AGM, which will be despatched to the Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The register of members of the Company will be closed from Tuesday, 25 May 2021 to Friday, 28 May 2021 (both days inclusive), in order to determine the eligibility of the holders of shares to attend and vote at the annual general meeting to be held on Friday, 28 May 2021. In order to be eligible to attend and vote at the AGM, all transfer accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on Monday, 24 May 2021.

AUDITOR

Cheng & Cheng Limited has been appointed as the auditor of the Company in 2019 upon the resignation of PricewaterhouseCoopers with effect 20 February 2019. The consolidated financial statements for the year ended 31 December 2020 has been audited by Cheng & Cheng Limited. Cheng & Cheng Limited will retire as the auditor of the Company and, being eligible, offer themselves for re-appointment. A resolution will be submitted to the 2020 AGM for the re-appointment of Cheng & Cheng Limited as the auditor at the forthcoming annual general meeting.

On behalf of the Board

Chen Jinlie
Chairman

Hong Kong, 31 March 2021

* *For identification purposes only*

Independent Auditor's Report

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

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

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

OPINION

We have audited the consolidated financial statements of Jintai Energy Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as "**the Group**") set out on pages 54 to 147, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for the qualified opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 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 Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

Corresponding figures

Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2019, which forms the corresponding figures presented in the current year's consolidated financial statements, was modified because we had not been able to obtain sufficient appropriate audit evidence, details of which are set out in our auditor's report dated 15 April 2020.

Because we had not been able to obtain sufficient appropriate audit evidence in respect of our audit of the consolidated financial statements for the year ended 31 December 2019 and the impact on the results and related disclosures in the notes to the consolidated financial statements of the Group for the year ended 31 December 2019. Our opinion on the current year's consolidated financial statements is modified because of the possible effect of this matter on the comparability of the figures of the current year and corresponding figures.

BASIS FOR QUALIFIED OPINION *(Continued)*

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for qualified opinion section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition for sales of energy trading products	
We identified the revenue recognition for sales of energy trading products as a key audit matter due to its significance to the consolidated statement of profit or loss. The accounting policy for revenue recognition for sales of energy trading products is disclosed in note 2.25 to the consolidated financial statements. During the year ended 31 December 2020, the revenue generated from sales of energy trading products is approximately HK$14,017,279,000 as set out in note 5 to the consolidated financial statements.	Our procedures in relation to the revenue recognition for sales of energy trading products included: • Obtained an understanding of the Group's revenue recognition policy and key controls for sales of energy trading products; • Evaluated the key controls over the revenue recognition process for sales of energy trading products;

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
	• Inspected contracts with customers, on a sample basis, to understand the terms of the sales transactions including the terms of delivery and acceptance to assess the Group's revenue recognition criteria with reference to the requirements of the prevailing accounting standards; • Tested the revenue derived from customers for selected samples by examination of the invoices and goods delivery notes to revenue recorded; and • Compared the delivery dates based on delivery notes with the timing of revenue recognition, and examined transactions which occurred immediately before and after the end of the reporting period for their recording as revenue in the proper periods.

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

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

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

- 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Hong Kong, 31 March 2021

Consolidated Statement of Profit or Loss

For the year ended 31 December 2020

	NOTES	2020 HK$'000	2019 HK$'000
Revenue	5	**14,078,809**	3,003,380
Cost of sales	6	**(13,845,832)**	(2,940,496)
Gross profit		**232,977**	62,884
Distribution expenses	6	**(217,106)**	(52,169)
Administrative expenses	6	**(57,601)**	(54,332)
Other income	8	**27,321**	6,681
Other losses — net	9	**(6,589)**	(29,191)
Gain on disposal of subsidiaries	35	**803,140**	3,138
Impairment loss on amount due from disposal group	35	**(428,514)**	–
Impairment loss on trade receivables		**(1,873)**	(85,326)
Reversal of impairment loss/(impairment loss) on prepayments	19	**7,481**	(394,514)
Operating profit/(loss)		**359,236**	(542,829)
Finance income	10	**166**	312
Finance expenses	10	**(41,753)**	(45,507)
Finance expenses — net	10	**(41,587)**	(45,195)
Profit/(loss) before income tax		**317,649**	(588,024)
Income tax expense	11	**(3,620)**	(10,105)
Profit/(loss) for the year		**314,029**	(598,129)
Profit/(loss) for the year attributable to:			
Owners of the Company		**321,803**	(599,250)
Non-controlling interests		**(7,774)**	1,121
		314,029	(598,129)
Earnings/(loss) per share			
— Basic (in cents)	12	**8.01**	(18.16)
— Diluted (in cents)	12	**7.36**	(18.16)

The notes on pages 60 to 147 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	2020	2019
	HK$'000	HK$'000
Profit/(loss) for the year	**314,029**	(598,129)
Other comprehensive income/(loss)		
Items that may be reclassified to profit or loss		
— Currency translation differences	**32,782**	4,872
— Reclassification of translation reserve upon disposal/deregistration of subsidiaries	**1,369**	142
Total comprehensive income/(loss) for the year	**348,180**	(593,115)
Total comprehensive income/(loss) attributable to:		
Owners of the Company	**356,399**	(594,216)
Non-controlling interests	**(8,219)**	1,101
	348,180	(593,115)

The notes on pages 60 to 147 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2020

	NOTES	**2020 HK$'000**	2019 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	14	**19,277**	3,124
Investment properties	15	**–**	70,910
Prepayment for non-current assets	19	**–**	3,044
Right-of-use assets	16	**2,068**	–
Goodwill	31	**605**	567
		21,950	77,645
Current assets			
Inventories	18	**495,098**	365,466
Trade and other receivables and prepayments	19	**1,091,676**	938,713
Cash and cash equivalents	20	**116,714**	320,284
Restricted cash	20	**–**	153
		1,703,488	1,624,616
Total assets		**1,725,438**	1,702,261
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	21	**5,569**	4,641
Other reserves	22	**444,813**	292,889
Accumulated losses		**(386,554)**	(725,104)
		63,828	(427,574)
Non-controlling interests		**(7,288)**	1,102
Total equity		**56,540**	(426,472)

Consolidated Statement of Financial Position

As at 31 December 2020

	NOTES	2020 HK$'000	2019 HK$'000
Liabilities			
Non-current liabilities			
Bond payables	29	**27,144**	–
Lease liabilities	27	**1,638**	3,283
		28,782	3,283
Current liabilities			
Trade and other payables	24	**363,771**	322,707
Contract liabilities	25	**839,358**	525,413
Lease liabilities	27	**3,568**	1,861
Current income tax liabilities		**3,474**	8,097
Convertible loan notes	28	**110,878**	103,637
Borrowings	26	**319,067**	1,163,735
		1,640,116	2,125,450
Net current assets/(liabilities)		**63,372**	(500,834)
Total assets less current liabilities		**85,322**	(423,189)
Total liabilities		**1,668,898**	2,128,733
Total equity and liabilities		**1,725,438**	1,702,261

The notes on pages 60 to 147 are an integral part of these consolidated financial statements.

The financial statements on pages 54 to 59 were approved by the Board of Directors on 31 March 2021 and were signed on its behalf.

Chen Jinle
Director

Yuan Hongbing
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	NOTES	Share capital HK$'000	Other reserves HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2019		3,868	183,243	(124,410)	62,701	–	62,701
Comprehensive (loss)/income							
(Loss)/profit for the year		–	–	(599,250)	(599,250)	1,121	(598,129)
Other comprehensive income/(expense)							
Release of translation reserve upon deregistration of subsidiaries	22	–	142	–	142	–	142
Currency translation differences	22	–	4,892	–	4,892	(20)	4,872
Total comprehensive income/(loss) for the year		–	5,034	(599,250)	(594,216)	1,101	(593,115)
Recognition of equity-settled share-based payments	22, 23	–	14,411	–	14,411	–	14,411
Recognition of equity component of convertible loan notes		–	11,268	–	11,268	–	11,268
Acquisition of a subsidiary		–	–	–	–	1	1
Share placements	21, 22	773	76,244	–	77,017	–	77,017
Appropriation to statutory reserve	22	–	1,859	(1,859)	–	–	–
Contribution by shareholder		–	1,245	–	1,245	–	1,245
Reclassification of statutory reserve to accumulated loss upon disposal of subsidiaries	22	–	(415)	415	–	–	–
Balance at 31 December 2019		4,641	292,889	(725,104)	(427,574)	1,102	(426,472)
Comprehensive income/(loss)							
Profit/(loss) for the year		**–**	**–**	**321,803**	**321,803**	**(7,774)**	**314,029**
Other comprehensive income/(expense)							
Release of translation reserve upon disposal of subsidiaries	22	**–**	**1,369**	**–**	**1,369**	**–**	**1,369**
Currency translation differences	22	**–**	**33,227**	**–**	**33,227**	**(445)**	**32,782**
Total comprehensive income/(expense) for the year		**–**	**34,596**	**321,803**	**356,399**	**(8,219)**	**348,180**
Recognition of equity-settled share-based payments	22, 23	**–**	**11,425**	**–**	**11,425**	**–**	**11,425**
Gain from modification of convertible loan notes	22, 28	**–**	**1,918**	**(1,918)**	**–**	**–**	**–**
Dividend paid to non-controlling interests		**–**	**–**	**–**	**–**	**(1,433)**	**(1,433)**
Capital injection by non-controlling interests		**–**	**–**	**–**	**–**	**1,264**	**1,264**
Acquisition of a subsidiary		**–**	**–**	**–**	**–**	**(2)**	**(2)**
Subscription of shares	21, 22	**928**	**94,058**	**–**	**94,986**	**–**	**94,986**
Appropriation to statutory reserve	22	**–**	**1,154**	**(1,154)**	**–**	**–**	**–**
Contribution by shareholders	22	**–**	**28,592**	**–**	**28,592**	**–**	**28,592**
Reclassification of capital reserve to accumulated losses upon disposal of subsidiaries	22	**–**	**(12,505)**	**12,505**	**–**	**–**	**–**
Reclassification of statutory reserve to accumulated losses upon disposal of subsidiaries	22	**–**	**(7,314)**	**7,314**	**–**	**–**	**–**
Balance at 31 December 2020		**5,569**	**444,813**	**(386,554)**	**63,828**	**(7,288)**	**56,540**

The notes on pages 60 to 147 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	NOTES	2020 HK$'000	2019 HK$'000
Cash flows from operating activities			
Cash generated from/(used in) operations	34(a)	**313,088**	(659,897)
Interest received		**166**	312
Income tax paid		**(7,445)**	(2,854)
Net cash generated from/(used in) operating activities		**305,809**	(662,439)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment	34(a)	**1,441**	126
Prepayment of property, plant and equipment		**–**	(3,044)
Purchases of property, plant and equipment		**(2,210)**	(7,125)
Net cash inflow/(outflow) arising on acquisition of a subsidiary	30	**709**	(569)
Net cash outflow arising on disposal of subsidiaries	35	**(52)**	(37)
Net cash used in investing activities		**(112)**	(10,649)
Cash flows from financing activities			
Proceeds from bank borrowings		**10,418**	27,919
Capital injection by non-controlling interests		**1,264**	–
Dividend paid to non-controlling interests		**(1,433)**	–
Repayments of bank borrowings		**(10,122)**	(272)
Loan proceeds from shareholders		**667,173**	948,018
Loan repayment to shareholders		**(945,963)**	(447,158)
Loan proceeds from non-controlling interests		**–**	3,405
Loan proceeds from related parties		**3,984,048**	602,666
Loan repayments to related parties		**(4,094,919)**	(447,181)
Loan proceeds from other borrowings		**2,806,188**	213,223
Repayments of other borrowings		**(3,017,813)**	–
Repayment of lease liabilities		**(2,947)**	(715)
Advance from related parties		**12,180**	16,406
Repayments to related parties		**(18,687)**	(4,569)
Proceeds from share placement		**94,986**	77,017
Interest expenses paid		**(6,132)**	(7,641)
Net cash (used in)/generated from financing activities	34(b)	**(521,759)**	981,118
Net (decrease)/increase in cash and cash equivalents		**(216,062)**	308,030
Cash and cash equivalents at beginning of year	20	**320,284**	16,462
Effect of foreign exchange rate changes		**12,492**	(4,208)
Cash and cash equivalents at end of year	20	**116,714**	320,284

The notes on pages 60 to 147 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

Jintai Energy Holdings Limited ("**the Company**") was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The addresses of the registered office is Cricket Square Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, and the principal place of business is Suite 2601–2603, 26/F, Shui On Centre, 6–8 Harbour Road, Wan Chai, Hong Kong.

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

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

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

These consolidated financial statements were approved for issue by the Board of Directors on 31 March 2021.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.2 Changes in accounting policy and disclosures

(a) Amended standards adopted by the Group

The following amendments to standards relevant to the Group have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2020:

— Amendments to HKFRS 3, Definition of a Business

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

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

Amendments to HKFRS 3, Definition of a Business
The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 January 2020.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.2 Changes in accounting policy and disclosures (Continued)

(b) Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2020

Up to the date of issue these financial statements, the HKICPA has issued a new standard and a number of amendments which are not yet effective for the year ended 31 December 2020 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16, Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37, Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to HKFRSs 2018–2020 Cycle	1 January 2022
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest Rate Benchmark Reform — Phase 2	1 January 2021
Amendment to HKFRS 16, Covid-19 — Related Rent Concessions	1 June 2020

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

2.2 Principles of consolidation

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Principles of consolidation *(Continued)*

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets, and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

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

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

2.3 Business combination

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Goodwill

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

2.5 Separate financial statements

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

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

2.6 Segment reporting

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

2.7 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Foreign currency translation *(Continued)*

(c) Group companies

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

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

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

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

On the disposal of the foreign operation involving loss of control over subsidiaries, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

2.8 Property, plant and equipment

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

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

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

— Plant and machinery	5–10 years
— Moulds	3 years
— Furniture, fixtures and office equipment	3–5 years
— Leasehold improvements	Shorter of 5 years or remaining lease term
— Motor vehicles	4–7 years

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Property, plant and equipment *(Continued)*

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.11).

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

2.9 Investment properties

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

2.10 Research and development expenditure

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Impairment of non-financial assets

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

2.12 Financial assets

Classification, initial recognition and measurement

The Group classifies its financial assets as amortised cost. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. See note 17 for details about each type of financial asset. With the exception of receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value. Receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15. Details on how the fair value of financial instruments is determined are disclosed in note 3.3.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.12 Financial assets *(Continued)*

Subsequent measurement

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

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

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

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

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

The Group's financial assets at amortised cost includes trade and other receivables, rental deposits, restricted cash and cash and cash equivalents (Note 20).

2.13 Offsetting financial instruments

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

2.14 Impairment of financial assets

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

General approach

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 Impairment of financial assets *(Continued)*

General approach *(Continued)*

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

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

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

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

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

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

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

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

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

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 Impairment of financial assets *(Continued)*

Simplified approach

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

2.15 Inventories

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

2.16 Trade and other receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. See note 2.12 for further information about the Group's accounting for trade receivables and note 2.14 for a description of the Group's impairment policies.

2.17 Cash and cash equivalents

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

2.18 Share capital

Ordinary shares are classified as equity (Note 21).

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Trade and other payables

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

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

2.20 Borrowings

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

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

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

2.21 Borrowing costs

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

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

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

2.22 Current and deferred income tax

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Current and deferred income tax *(Continued)*

(a) Current income tax

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

(b) Deferred income tax

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Employee benefits

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

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

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

2.24 Share-based payments

Share options granted to employees

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

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

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

Share options granted to consultants

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.25 Revenue recognition

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

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

Principal versus agent

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.25 Revenue recognition *(Continued)*

Revenue from contracts with customers

(a) Sales of energy trading products

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

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

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

(b) Sales of speaker units

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

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

(c) Service fee for operation of digital energy trading parks

Revenue from providing accounting and administrative services is recognised in the accounting period in which the services are rendered. Revenue is recognised over time when the Group transfers control of the services over time, based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the customer receives and consumes the benefits simultaneously. Revenue is recognised point in time when the one-off administrative services are performed.

(d) Income from transportation services

Revenue arising from transportation services is recognised when services are performed.

(e) Service fee for customs declaration

Revenue arising from customs declaration services is recognised when services are performed.

(f) Sales of electronic products

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

Other revenue

(a) Rental income

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.25 Revenue recognition *(Continued)*

Other revenue *(Continued)*

(b) Interest income

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

(c) Arrangement fee income

Arrangement fee income is recognised when the customer has inspected and accepted the products.

2.26 Provisions and contingent liabilities

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

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

2.27 Dividend distribution

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

2.28 Government grants

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

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

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

2.29 Leases

Definition of a lease

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.29 Leases *(Continued)*

The Group as a lessee

Allocation of consideration to components of a contract

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

Short-term leases and leases of low-value assets

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

Right-of-use assets

The cost of right-of-use asset includes:

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

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

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.29 Leases *(Continued)*

The Group as a lessee *(Continued)*

Lease liabilities *(Continued)*

- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

The Group as a lessor

Classification and measurement of leases

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

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

Allocation of consideration to components of a contract

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.30 Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

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

Financial liabilities

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

Financial liabilities at amortised cost

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

Convertible loan notes

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.30 Financial liabilities and equity *(Continued)*

Convertible loan notes *(Continued)*

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss, except for transaction with owners of the Company in their capacity as owners of the Company.

When the contractual terms of convertible loan notes are modified, extending the tenure and changing in conversion price of the convertible loan notes, the revised terms would result in a substantial modification from the original terms, after taking into account all relevant facts and circumstances including qualitative factors, such modification is accounted for as derecognition of the original financial liability and the recognition of new financial liability. The difference between the carrying amount of financial liability derecognised and the fair value of consideration paid or payable, including any liabilities assumed and derivative components recognised, is recognised in profit or loss.

2.31 Related parties

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

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.31 Related parties *(Continued)*

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

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

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

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

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

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

As at 31 December 2020, the Group did not have material assets and liabilities that are denominated in a currency other than the functional currency of the relevant group entities. As HK$ is currently pegged to US$, the management considers that the exposure to exchange rate fluctuation in respect of US$ is limited. No sensitivity analysis is presented.

(ii) Fair value interest rate risk

Except for cash at bank and restricted cash (note 20), the Group has no other significant interest-bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates. Management does not anticipate significant impact on interest-bearing assets resulted from the changes in interest rates because the interest rates of bank deposits are not expected to change significantly.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk (Continued)

(ii) Fair value interest rate risk *(Continued)*

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

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

(b) Credit risk

As at 31 December 2020, 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 and financial guarantees to banks in respect of banking facilities granted to Dongying Guoxin Chemical Co., Ltd.* (東營市國鑫化工有限責任公司), a third party of the Group, Mr. Yu Meng, a third party of the Group, and Dongying Xinghai Petrochemical Co., Ltd.* (東營市興海石油化工有限責任公司), owned by a relative of Mr. Chen Jinle.

The Group's credit risk is primarily attributable to its trade debtors. The Group is exposed to concentration of credit risk as a substantial portion of its trade debtors is generated from a limited number of customers. The top five trade debtors of the Group accounted for about 60% (2019: 99%) of the Group's trade debtors as at 31 December 2020, of which an aggregate carrying amount of HK$360,301,000 (2019: HK$231,409,000) which are past due at the end of reporting period.

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

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

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

* For identification purpose only

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

Majority of the Group's revenue is received from individual customers in relation to energy trading. The Group's trade receivables arise from sales to the customers of this business. As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its operation. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix within lifetime ECL (not credit-impaired). Debtors with credit-impaired with gross carrying amounts of HK$Nil as at 31 December 2020 (2019: HK$104,419,000) were assessed individually.

	2020			2019		
	Expected loss rate %	**Gross carrying amount HK$'000**	**Loss allowance HK$'000**	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Overdue by:						
Within 30 days	**–**	**395,233**	**–**	–	24,659	–
31 to 60 days	**–**	**50,268**	**–**	–	230,616	–
61 to 90 days	**–**	**–**	**–**	–	–	–
91 to 120 days	**3.03%**	**2,375**	**72**	–	–	–
121 to 365 days	**3.49%**	**54,636**	**1,906**	–	–	–
Over 365 days	**–**	**–**	**–**	–	569	–
		502,512	**1,978**		255,844	–

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated. Up to report date, the gross amount of HK$57,011,000, which was overdue for more then 90 days, was fully settled.

During the year ended 31 December 2020, the Group provided HK$1,873,000 (2019: HK$Nil) loss allowance for trade receivable based on the provision matrix. The Group provided HK$Nil (2019: HK$85,326,000) loss allowance for credit-impaired debtors.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

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

	2020 Lifetime ECL (not credit-impaired) HK$'000	2020 Lifetime ECL (credit-impaired) HK$'000	2020 Lifetime ECL Total HK$'000	2019 Lifetime ECL (credit-impaired) HK$'000
At 1 January	–	104,419	104,419	21,137
Provision for impairment recognised during the year	1,873	–	1,873	85,326
Disposal of subsidiaries	–	(102,522)	(102,522)	–
Currency translation differences	105	(1,897)	(1,792)	(2,044)
At 31 December	1,978	–	1,978	104,419

The credit quality of other receivables excluding prepayments has been assessed with reference to historical information about the counterparties default rates and financial position of the counterparties. The directors are of the opinion that the credit risk of other receivables is low due to the sound collection history of the receivables due from them. Therefore, expected credit loss rate of other receivables excluding prepayments is assessed to be close to zero and no provision was made as of 31 December 2019 and 2020.

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

The credit risk of financial guarantees is low. The directors do not consider it probable that a claim will be made against the Company under any of the guarantees.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) *Liquidity risk*

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

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

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

	Contractual undiscounted cash outflow				
	Within 1 year or on demand	After 1 year but within 2 years	After 2 years but within 3 years	Total	Carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2020					
Trade and other payables (excluding non-financial liabilities)	**352,022**	**–**	**–**	**352,022**	**352,022**
Borrowings	**322,046**	**–**	**–**	**322,046**	**319,067**
Convertible loan notes	**123,774**	**–**	**–**	**123,774**	**110,878**
Lease liabilities	**3,902**	**1,568**	**–**	**5,470**	**5,206**
Bond payables	**–**	**–**	**32,073**	**32,073**	**27,144**
Financial guarantees (Note)	**16,675**	**33,805**	**–**	**50,480**	**–**
At 31 December 2019					
Trade and other payables (excluding non-financial liabilities)	313,712	–	–	313,712	313,712
Borrowings	1,178,142	–	–	1,178,142	1,163,735
Convertible loan notes	110,953	–	–	110,953	103,637
Lease liabilities	2,162	3,477	–	5,639	5,144

Note: The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the management considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital management

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

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

3.3 Fair value estimation

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

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

(a) Financial assets and liabilities

The fair value of the following financial assets and liabilities approximate their carrying amount as at dates of 31 December 2020 and 31 December 2019 due to their short-term maturity:

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

(b) Non-financial assets and liabilities

(i) Fair value hierarchy

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

	NOTE	2020 HK$'000	2019 HK$'000
Level 3			
Investment properties — leased office	15	–	70,910
Total non-financial assets		–	70,910

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

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

(iii) Valuation inputs and relationship to fair value

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

Unobservable inputs*	Inputs	Relationship of unobservable inputs to fair value
Adjusted market sales price	2019: adjusted market price of comparable properties RMB10,540/m^2 to RMB12,490/m^2	The higher the adjusted market sales price, the higher the fair value

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

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

The changes in level 3 items for the year ended 31 December 2020 for recurring fair value measurements are set out in note 15.

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Provision of ECL for trade receivables

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

For the year ended 31 December 2020, the Group assessed the credit risk for trade receivables based on provision matrix within lifetime ECL (not credit-impaired). The Group provided HK$1,873,000 loss allowance for trade receivables.

For the year ended 31 December 2019, included in the above provision for impairment of trade and other receivables is a provision for individually impaired trade receivables of approximately RMB75,183,000 (equivalent to HK$85,326,000). The individually impaired trade receivables related to customers that were in financial difficulties.

The information about provision of ECL for the Group's trade receivables are disclosed in notes 3.1(b) and 19.

(b) Current tax and deferred tax

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

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

(c) Impairment of prepayment

The Group's management determines the provision for impairment of prepayment. This estimate is based on the credit history of its suppliers and current market conditions. Management reassesses the provision on a regular basis by reviewing the utilisation of prepayment balance based on past credit history and prior knowledge of supplier insolvency and market volatilities. Details of impairment of prepayment please refer to note 19.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(d) Estimation of the fair values of investment properties

The Group's leased office investment properties are initially measured at cost, and subsequently are carried at fair value. Changes in fair value are recorded in profit or loss. The Group engages external independent and qualified valuer to determine the fair value of the Group's investment properties at the end of every financial year. The valuation of the Group's investment properties is derived by making reference to recent comparable sales transactions available in the relevant property market ("**Market Approach**") (2019: **Market Approach**). In determining the methodology for the measurement of the fair value of investment properties, the directors are of the opinion that Market Approach has less unobservable inputs.

The valuations were dependent on certain key assumptions that require significant management judgement, including market selling price (2019: market selling price).

During the year ended 31 December 2020, a fair value loss of approximately HK$15,276,000 (2019: fair value loss of approximately HK$22,279,000) was recognized in 'other losses — net' (note 9).

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

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

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

5 SEGMENT INFORMATION

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

The board of directors consider the business from business lines perspective, and assesses the performance of the Group in six business lines, (1) energy trading which comprises mainly the trading of fuel oil and kerosene, (2) speaker manufacturing and trading business, (3) operation of digital energy trading parks, (4) fuel oil and kerosene transportation services business, (5) services business of customs declaration, and (6) trading of electronic products (2019: two business lines: (1) energy trading which comprises mainly the trading of fuel oil and kerosene, and (2) speaker manufacturing and trading).

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

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

5 SEGMENT INFORMATION *(Continued)*

Segment information is as follows:

	2020						
	Energy business HK$'000	Speaker business HK$'000	Operation of digital energy trading parks HK$'000	Transportation services HK$'000	Services business of customs declaration HK$'000	Electronic products HK$'000	Total HK$'000
Segment results							
Year ended 31 December							
Disaggregated by timing of revenue recognition:							
At a point in time	14,017,279	27,932	52	5,234	3,991	21,015	14,075,503
Over time	–	–	3,306	–	–	–	3,306
	14,017,279	27,932	3,358	5,234	3,991	21,015	14,078,809
Segment profit/(loss)	414,602	(14,007)	(3,545)	(262)	(5,218)	(1,830)	389,740
Fair value loss on investment properties							(15,276)
Share-based payment expenses							(11,425)
Unallocated operating expenses							(3,803)
Operating profit							359,236
Finance expenses — net							(41,587)
Profit before income tax							317,649
Income tax							(3,620)
Profit for the year							314,029

5 SEGMENT INFORMATION *(Continued)*

	2020						
	Energy business HK$'000	Speaker business HK$'000	Operation of digital energy trading parks HK$'000	Transportation services HK$'000	Services business of customs declaration HK$'000	Electronic products HK$'000	Total HK$'000
Depreciation charge	265	774	502	724	–	258	2,523
Capital expenditure	1,150	332	897	–	–	231	2,610
Reversal of impairment loss on prepayments	(7,481)	–	–	–	–	–	(7,481)
Gain on disposal of subsidiaries	(803,140)	–	–	–	–	–	(803,140)
Impairment loss on amount due from disposal group	428,514	–	–	–	–	–	428,514
Impairment loss on trade receivables	1,873	–	–	–	–	–	1,873
Impairment loss on property, plant and equipment (Note 9)	–	1,263	–	–	–	–	1,263
Loss on disposal of property, plant and equipment (Note 9)	–	–	–	187	–	–	187
Assets							
As at 31 December							
Segment assets	1,675,080	8,000	6,927	25,274	2,254	6,123	1,723,658
Unallocated assets							1,780
Total							1,725,438
Liabilities							
As at 31 December							
Segment liabilities	1,111,208	6,019	15,157	2,988	1,804	3,020	1,140,196
Unallocated liabilities							68,139
Bond payables (Note 29)							27,144
Borrowings (Note 26)							319,067
Convertible loan notes (Note 28)							110,878
Current income tax liabilities							3,474
Total							1,668,898

5 SEGMENT INFORMATION *(Continued)*

	2019		
	Energy business HK$'000	Speaker business HK$'000	Total HK$'000
Segment results			
Year ended 31 December			
Disaggregated by timing of revenue recognition:			
At a point in time	2,967,855	35,525	3,003,380
	2,967,855	35,525	3,003,380
Segment loss	(454,341)	(28,240)	(482,581)
Rental income from investment properties			53
Fair value loss on investment properties			(22,279)
Share-based payment expenses			(14,411)
Unallocated operating expenses			(23,611)
Operating loss			(542,829)
Finance expenses — net			(45,195)
Loss before income tax			(588,024)
Income tax			(10,105)
Loss for the year			(598,129)

5 SEGMENT INFORMATION *(Continued)*

	2019		
	Energy business HK$'000	Speaker business HK$'000	Total HK$'000
Depreciation charge	671	103	774
Capital expenditure	376	5,253	5,629
Impairment loss on trade receivables	85,326	–	85,326
Gain on disposal of property, plant and equipment (Note 9)	(61)	–	(61)
Impairment loss on prepayments	394,514	–	394,514
Gain on disposal of subsidiaries	(3,138)	–	(3,138)
Gain on deregistration of subsidiaries (Note 9)	(41)	–	(41)
Assets			
As at 31 December			
Segment assets	1,595,660	33,051	1,628,711
Unallocated assets			2,640
Investment properties			70,910
Total			1,702,261
Liabilities			
As at 31 December			
Segment liabilities	781,312	17,089	798,401
Unallocated liabilities			54,863
Borrowings (Note 26)			1,163,735
Convertible loan notes (Note 28)			103,637
Current income tax liabilities			8,097
Total			2,128,733

5 SEGMENT INFORMATION *(Continued)*

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

	2020 HK$'000	2019 HK$'000
PRC	**14,078,809**	3,003,380

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

	2020 HK$'000	2019 HK$'000
Revenue from customer attributable to energy business Company A	**1,606,399**	375,729
Revenue from customer attributable to energy business Company B	**N/A***	712,945
Revenue from customer attributable to energy business Company C	**N/A***	520,907
Revenue from customer attributable to energy business Company D	**N/A***	483,581

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

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

	2020 HK$'000	2019 HK$'000
PRC	**21,522**	75,457
Hong Kong	**428**	2,188
	21,950	77,645

6 EXPENSES BY NATURE

	2020	2019
	HK$'000	HK$'000
Cost of goods sold	**13,824,067**	2,914,864
Employee benefit expense	**54,090**	45,199
Short-term lease expense	**287**	2,086
Storage fees	**28,308**	8,557
Customs, levies and other taxes	**251**	254
Delivery	**142,930**	31,279
Utilities	**1,223**	14
Depreciation — property, plant and equipment	**2,031**	1,125
Depreciation — right-of-use assets	**593**	944
Research and development cost	**–**	2,426
Repairs and maintenance expenses	**32**	3
Legal and professional fees	**6,052**	8,516
Auditors' remuneration — annual report	**1,070**	752
Auditors' remuneration — others	**350**	203
Loading fee	**42,956**	9,134
Other equity-settled share-based payment	**–**	9,919
Other expenses	**16,299**	11,722
Total cost of sales, distribution expenses and administrative expenses	**14,120,539**	3,046,997

7 EMPLOYEE BENEFIT EXPENSE

	2020	2019
	HK$'000	HK$'000
Wages and salaries	**39,166**	37,148
Social security and retirement benefit cost	**2,874**	3,556
Equity-settled share-based expense	**11,425**	4,492
Other staff welfare	**625**	3
Total employee benefit expense	**54,090**	45,199

7 EMPLOYEE BENEFIT EXPENSE *(Continued)*

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2019: two) directors whose emoluments are reflected in the analysis shown in Note 39. The emoluments payable to the remaining three (2019: three) individuals during the year are as follows:

	2020 **HK$'000**	2019 HK$'000
Salaries, allowances and benefits	**5,175**	5,118
Retirement benefit scheme contributions	**71**	56
Equity-settled share-based expense	**2,055**	1,034
Bonuses	**438**	2,434
	7,739	8,642

The emoluments fell within the following bands:

	Number of Individuals 2020	Number of individuals 2019
Emolument bands (in HK$)		
Within HK$1,000,000	**–**	–
HK$1,000,000–HK$1,500,000	**–**	1
HK$1,500,001–HK$2,500,000	**2**	1
Over HK$2,500,000	**1**	1

During the year, certain non-director and non-chief executive highest paid employees were granted share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in note 23 to the Group's consolidated financial statements.

8 OTHER INCOME

	2020 **HK$'000**	2019 HK$'000
Arrangement fee income	**13,307**	–
Government grant (Note)	**11,639**	5,821
Rental income from investment properties (Note 15)	**–**	53
Others	**2,375**	807
	27,321	6,681

Note: During the current year, the Group recognised government grant of HK$11,261,000 provided by PRC government, of which HK$6,105,000 relates to foreign capital injection. HK$4,962,000 relates to digital energy trading parks which is cooperate with the local governments in China and other subsidies of HK$194,000. The residual amount include subsidies of HK$378,000 relates to Employment Support Scheme provided by the Hong Kong government.

9 OTHER LOSSES — NET

	2020 **HK$'000**	2019 HK$'000
Fair value losses on investment properties (Note 15)	**(15,276)**	(22,279)
Net foreign exchange (loss)/gain	**(2,267)**	1,868
Gain on deregistration of subsidiaries	**–**	41
Gain on modification of convertible loan notes	**13,186**	–
(Loss)/gain on disposal of property, plant and equipment	**(187)**	61
Written-off of other receivables	**(782)**	–
Impairment loss of property, plant and equipment	**(1,263)**	(4,161)
Impairment loss of right-of-use assets	**–**	(4,721)
	(6,589)	(29,191)

10 FINANCE INCOME AND EXPENSES

	2020 HK$'000	2019 HK$'000
Interest expense:		
— Bank borrowings	**(14,767)**	(29,284)
— Shareholders' loan	**(176)**	(1,868)
— Other borrowings	**(205)**	–
— Notes payable	**–**	(3,907)
— Bond payables	**(283)**	–
— Lease liabilities	**(347)**	(194)
— Convertible loan notes	**(25,975)**	(10,254)
Total finance expenses	**(41,753)**	(45,507)
Interest income	**166**	312
Total finance income	**166**	312
Total finance expenses — net	**(41,587)**	(45,195)

11 INCOME TAX EXPENSE

	2020 HK$'000	2019 HK$'000
Current income tax on profits for the year — HK	**1,413**	–
Current income tax on profits for the year — PRC	**2,203**	10,105
Underprovision in prior years — PRC	**4**	–
Income tax expense	**3,620**	10,105

11 INCOME TAX EXPENSE *(Continued)*

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2019 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The 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%.

Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million (2019: no assessable profits of the Group's subsidiaries in Hong Kong).

Taxation on PRC income has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the PRC in which the Group operates. The Company's subsidiaries incorporated in the PRC are subject to Enterprise Income Tax ("**EIT**") at the rate of 25% (2019: 25%).

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

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

	2020 HK$'000	2019 HK$'000
Profit/(loss) before income tax	**317,649**	(588,024)
Tax calculated at domestic tax rates applicable to profit/(loss) in the respective countries	**50,648**	(141,311)
Tax effects of:		
— Expenses not deductible for tax purpose	**82,850**	17,429
— Tax losses for which no deferred income tax asset was recognised	**5,517**	6,623
— Underprovision in prior years	**4**	–
— Temporary differences not recognised	**6,881**	128,255
— Tax effect of income not taxable for tax purpose	**(137,601)**	(643)
— Tax effect of prior years' unrecognised tax loss utilised in the year	**(3,991)**	–
— Tax relief	**(688)**	(203)
— Others	**–**	(45)
Income tax expense	**3,620**	10,105

12 EARNINGS/(LOSS) PER SHARE

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

	2020 **HK$'000**	2019 HK$'000
Earnings/(loss) for the year attributable to owners of the Company used in calculating basic earnings/(loss) per share	**321,803**	(599,250)
Effective interest on the liability components of convertible loan notes	**25,975**	–
Earnings/(loss) for the year attributable to owners of the Company used in calculating diluted earnings/(loss) per share	**347,778**	(599,250)

	Shares **'000**	Shares '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	**4,018,851**	3,299,832
Adjustment for potential dilutive effect in respect of:		
Convertible loan notes	**706,567**	–
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	**4,725,418**	3,299,832
Basic earnings/(loss) per share (in HK cents per share)	**8.01**	(18.16)
Diluted earnings/(loss) per share (in HK cents per share)	**7.36**	(18.16)

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

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue for the year ended 31 December 2020.

For the year ended 31 December 2020, the calculation of diluted earnings per share amount is based on the earnings attributable to owners of the Company, adjusted to reflect the effective interest on the liability components of convertible loan notes. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares assuming conversion of all convertible loan notes into ordinary shares at the beginning of the year ended 31 December 2020 or if later, the date of issue of the convertible loan notes.

The Company's share options have no dilutive effect on the earnings per share. Calculations are done to determine the number of shares that could have been acquired at fair value (determined by using average market price of the Company's shares for the year ended 31 December 2020) based on the monetary value of the subscription rights attached to outstanding share options.

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

13 SUBSIDIARIES

The following is a list of the principal subsidiaries of the Group at 31 December 2020:

Company	Place of incorporation	Principal activities	Particulars of issued share capital/ registered capital	Proportion of effective shareholding	
				2020 **(%)**	2019 (%)
Indirect subsidiaries:					
Shinhint Industries Limited	Hong Kong	Investment holding	HK$5,000,000	**100**	100
Fully Sino Industrial Limited (note c)	Hong Kong	Investment holding	HK$1	**–**	100
Max Achieve Holdings Limited	Hong Kong	Trading of speaker units	HK$1	**100**	100
Perfect Goal Holdings Limited	Hong Kong	Trading of speaker units	HK$1	**100**	100
Yuhua Energy (China) Limited (note c)	Hong Kong	Trading of energy products	HK$1	**–**	100
Yuhua Energy Holdings Group (Fujian) Co., Ltd.* (裕華能源控股集團(福建)有限公司) (note c)	PRC	Trading of energy products	HK$1,500,000,000	**–**	100
Yuhua Dongshan Energy Co., Ltd.* (裕華東山能源有限公司) (note c)	PRC	Trading of energy products	RMB20,000,000	**–**	100
Yuhua Energy (Xiamen) Co., Ltd.* (裕華能源(廈門)有限公司) (note c)	PRC	Trading of energy products	RMB150,000,000	**–**	100
Yuhua (Shanghai) Trading Co., Ltd.* (裕華(上海)貿易有限公司) (note c)	PRC	Oil trade center	RMB100,000,000	**–**	100
China Oriental Gold Honour Joy International (Hong Kong) Co., Limited	Hong Kong	Trading of energy products	HK$10,000	**100**	100

13 SUBSIDIARIES *(Continued)*

Company	Place of incorporation	Principal activities	Particulars of issued share capital/ registered capital	Proportion of effective shareholding	
				2020 (%)	2019 (%)
Shandong Tai Xue Energy Co., Ltd.* (山東泰學能源有限公司)	PRC	Trading of energy products	RMB100,000,000	**100**	100
Shandong deru Energy Co., Ltd.* (山東德儒能源有限公司)	PRC	Trading of energy products	RMB300,000,000	**100**	100
China Oriental Tide Investment Co., Limited	Hong Kong	Investment holding	HK$10,000	**100**	100
Shandong Tai Xue Energy Co., Ltd.* (山東德學能源有限公司)	PRC	Trading of energy products	RMB300,000,000	**100**	100
Beijing Century Energy Co., Ltd.* (北京金寶世紀能源有限公司)	PRC	Trading of energy products	RMB100,000,000	**100**	100
Tianjin Tanhao Energy Product. Co., Ltd.* (天津唐昊石油製品銷售有限公司)	PRC	Trading of energy products	RMB30,000,000	**51**	51
Shanxi Xin Dexue Energy Co., Ltd.* (陝西新德學能源有限公司)	PRC	Trading of energy products	RMB50,000,000	**100**	100
Shandong Dadao Juneng Network Technology Co., Ltd.* (山東大道聚能網絡科技集團有限公司) (note e)	PRC	Operation of digital energy trading parks	RMB200,000,000	**51**	–
Shangdong Ruiyuan Shipping Company Limited* (山東瑞源船務有限公司) (note f)	PRC	Services business of customs declaration	RMB3,000,000	**60**	–

13 SUBSIDIARIES *(Continued)*

Company	Place of incorporation	Principal activities	Particulars of issued share capital/ registered capital	Proportion of effective shareholding	
				2020 (%)	2019 (%)
Chuangpu Technology Co., Ltd.* (創普科技有限公司) (note e)	PRC	Trading of electronic products	RMB100,000,000	**51**	–
Lijin Shuntong Logistics Company Limited* (利津順通物流有限公司) (note d)	PRC	Fuel oil and kerosene transportation services	RMB30,000,000	**100**	–
Shandong Jinhai Shengda Energy Co., Ltd.* (山東金海盛達能源有限公司) (note e)	PRC	Trading of energy products	RMB30,000,000	**100**	–
Dongying Jintai Zhili International Trade Co., Ltd.* (東營金泰智立國際貿易有限公司) (note e)	PRC	Trading of energy products	RMB100,000,000	**100**	–

Notes:

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

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

(c) The subsidiaries were disposed of on 24 April 2020.

(d) The subsidiary was acquired on 30 October 2020.

(e) The subsidiaries were newly incorporated during the year ended 31 December 2020.

(f) The subsidiary was acquired on 28 June 2020.

* For identification purpose only.

14 PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery HK$'000	Moulds HK$'000	Furniture, fixtures and office equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 31 December 2020						
Opening net book amount	–	2,020	523	–	581	3,124
Additions	1,100	–	911	314	331	2,656
Disposal	–	–	–	–	(1,628)	(1,628)
Disposal of subsidiaries (Note 35(a))	–	–	(329)	–	(127)	(456)
Arising on acquisition of a subsidiary (Note 30(a))	–	–	13	–	18,391	18,404
Depreciation charge	(61)	(757)	(138)	(91)	(984)	(2,031)
Impairment	–	(1,263)	–	–	–	(1,263)
Currency translation differences	58	–	42	12	359	471
Closing net book amount	1,097	–	1,022	235	16,923	19,277
At 31 December 2020						
Cost	1,161	2,273	1,251	4,625	18,537	27,847
Accumulated depreciation and impairment	(64)	(2,273)	(229)	(4,390)	(1,614)	(8,570)
Net book amount	1,097	–	1,022	235	16,923	19,277

Depreciation expenses for the year ended 31 December 2020 of HK$1,399,000 (2019: HK$253,000) and HK$632,000 (2019: HK$872,000) have been charged in 'cost of sale' and 'administrative expenses', respectively.

As at 31 December 2020, there was no property, plant and equipment pledged as security (2019: HK$Nil).

During the year, the speaker business segment incurred significant segment loss of HK$14,007,000. The management of the Group concluded there was indication for impairment and conducted impairment assessment on recoverable amounts of property, plant and equipment, with carrying amounts of HK$1,578,000. Based on the result of the assessment, management of the Group determined that an impairment of HK$1,263,000 has been recognised.

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

14 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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

15 INVESTMENT PROPERTIES

	2020 **HK$'000**	2019 HK$'000
Investment properties — at fair value		
Opening balance at 1 January	**70,910**	95,028
Fair value losses on investment properties (Note 9)	**(15,276)**	(22,279)
Currency translation differences	**(1,139)**	(1,839)
Disposal of subsidiaries (Note 35(a))	**(54,495)**	–
Closing balance at 31 December	**–**	70,910

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

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

	2020 **HK$'000**	2019 HK$'000
Rental income (Note 8)	**–**	53
Direct operating expenses	**–**	(31)
Fair value losses on investment properties (Note 9)	**(15,276)**	(22,279)

As at 31 December 2019, the investment properties have been pledged as security for the borrowings of the Group as disclosed in Note 26.

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

	2020 **HK$'000**	2019 HK$'000
Within one year	**–**	105
In the second year	**–**	69
In the third year	**–**	18
In the fourth year	**–**	34
In the fifth year	**–**	10
	–	236

16 RIGHT-OF-USE ASSETS

	Leased properties	
	2020	2019
	HK$'000	HK$'000
Cost		
As at 1 January	**5,665**	–
Additions	**2,551**	5,665
Exchange difference	**143**	–
As at 31 December	**8,359**	5,665
Accumulated depreciation and impairment		
As at 1 January	**(5,665)**	–
Depreciation charge for the year	**(593)**	(944)
Impairment loss	**–**	(4,721)
Exchange difference	**(33)**	–
As at 31 December	**(6,291)**	(5,665)
Net book value		
As at 31 December	**2,068**	–
As at 1 January	**–**	–

	2020	2019
	HK$'000	HK$'000
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16	**287**	2,086
Total cash outflow for leases	**3,234**	2,801

During year ended 31 December 2020, the Group leases offices for its operations. Lease contracts are entered into for fixed term of 1 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

17 FINANCIAL INSTRUMENTS BY CATEGORY

	2020 HK$'000	2019 HK$'000
Assets as per statement of financial position		
Financial assets at amortised cost		
Trade and other receivables (excluding prepayments to suppliers, prepayments and value added tax rebate receivables)	**704,231**	260,317
Cash and cash equivalents	**116,714**	320,284
Restricted cash	**–**	153
	820,945	580,754

	2020 HK$'000	2019 HK$'000
Liabilities as per statement of financial position		
Other financial liabilities at amortised cost		
Borrowings	**319,067**	1,163,735
Trade and other payables (excluding payroll and welfare payables and taxes payables)	**352,022**	313,712
Bond payables	**27,144**	–
Convertible loan notes	**110,878**	103,637
Lease liabilities	**5,206**	5,144
	814,317	1,586,228

18 INVENTORIES

	2020 HK$'000	2019 HK$'000
Finished goods		
— Speaker trading	**–**	2,592
— Spare parts	**1,371**	–
— Routers and tablet	**686**	–
— Energy trading	**493,041**	362,874
	495,098	365,466

The cost of inventories recognised as expense and included in 'cost of sales' amounted to HK$13,824,067,000 (2019: HK$2,914,864,000).

19 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2020 HK$'000	2019 HK$'000
Trade receivables from third parties	**697,044**	362,849
Less: allowance for impairment of trade receivables	**(1,978)**	(104,419)
Trade receivables — net	**695,066**	258,430
Prepayment to suppliers	**316,083**	1,277,136
Less: allowance for impairment of prepayment to suppliers	**–**	(656,952)
Prepayment to suppliers — net	**316,083**	620,184
Value added tax rebate receivables	**52,873**	49,496
Other receivables and deposits	**27,654**	13,647
	1,091,676	941,757
Deduct: Non-current portion	**–**	(3,044)
Total	**1,091,676**	938,713

The Group normally allows a credit period of 60 days for speaker business and 0–90 days upon receipt of invoice (2019: cash on delivery) for energy business to its customers and may further extend the credit period to selected customers depending on their trade volume and settlement history. At 31 December 2020 and 2019, the aging analysis of trade receivables based on invoice date was as follows:

	2020 HK$'000	2019 HK$'000
Within 30 days	**572,897**	256,501
31 to 60 days	**44,838**	1,155
61 to 90 days	**312**	204
91 to 120 days	**195**	1
121 to 365 days	**76,822**	–
Over 365 days	**2**	569
	695,066	258,430

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

As at 31 December 2019, included in the provision for impairment of trade and other receivables is a provision for individually impaired trade receivables and prepayments of approximately RMB75,183,000 (equivalent to HK$85,326,000) and RMB347,617,000 (equivalent to HK$394,514,000), respectively. The individually impaired trade receivables and prepayments related to customers and suppliers that were in financial difficulties. The directors of the Company estimated the amounts of impairment is after taking into consideration the below events:

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

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

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

	2020	2019
	HK$'000	HK$'000
At 1 January	**656,952**	276,097
Provision for impairment recognised during the year	**–**	394,514
Reversal of provision for impairment	**(7,481)**	–
Currency translation differences	**(11,865)**	(13,659)
Eliminations on disposal of subsidiaries	**(637,606)**	–
At 31 December	**–**	656,952

* *For identification purpose only*

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

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

	2020 **HK$'000**	2019 HK$'000
RMB	**1,086,720**	929,514
US$	**3,229**	2,438
HK$	**1,727**	6,761
	1,091,676	938,713

20 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	2020 **HK$'000**	2019 HK$'000
Cash and cash equivalents		
Cash on hand and at bank	**116,714**	320,284
Restricted cash		
Deposits at banks	**–**	153
Total of cash and bank balances	**116,714**	320,437

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

	2020 **HK$'000**	2019 HK$'000
US$	**3,175**	5,474
RMB	**110,735**	296,824
HK$	**2,762**	17,946
Other currencies	**42**	40
	116,714	320,284

The Company had no restricted cash as at 31 December 2020. On 31 December 2019, the restricted cash of HK$153,000 were bank interest for restricted deposits held at bank.

21 SHARE CAPITAL

	Number of shares	Share capital
		HK$'000
Ordinary shares		
Authorised:		
As at 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020 (HK$0.00125 each)	**16,000,000,000**	**20,000**
Issued and fully paid:		
As at 1 January 2019 (HK$0.00125 each)	3,094,517,408	3,868
Subscription of shares (note a)	540,000,000	675
Subscription of shares (note b)	78,000,000	98
As at 31 December 2019 (HK$0.00125 each)	**3,712,517,408**	**4,641**
Subscription of shares (note c)	**742,503,480**	**928**
As at 31 December 2020 (HK$0.00125 each)	**4,455,020,888**	**5,569**

Notes:

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

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

(c) On 24 June 2020, the Company has entered into the subscription agreement with the subscriber for the subscription of an aggregate 742,503,480 new shares for aggregate consideration of HK95,040,000 at the subscription price HK$0.128 per subscription share. Completion of the subscription took place on 3 August 2020.

22 OTHER RESERVES

	Share premium HK$'000	Special reserve (note a) HK$'000	Statutory reserve (note b) HK$'000	Exchange reserve HK$'000	Share option reserve HK$'000	Capital reserve HK$'000	Convertible loan notes equity reserve (note c) HK$'000	Total HK$'000
At 1 January 2019	151,656	4,950	7,730	(13,988)	32,895	–	–	183,243
Release translation reserve upon deregistration of subsidiaries	–	–	–	142	–	–	–	142
Currency translation differences	–	–	–	4,892	–	–	–	4,892
Recognition of equity-settled share-based payments	–	–	–	–	14,411	–	–	14,411
Contribution by shareholder	–	–	–	–	–	1,245	–	1,245
Release translation reserve upon convertible loan notes	–	–	–	–	–	–	11,268	11,268
Share placement	76,244	–	–	–	–	–	–	76,244
Appropriation to statutory reserve	–	–	1,859	–	–	–	–	1,859
Reclassification of statutory reserve to accumulated losses upon disposal of subsidiaries	–	–	(415)	–	–	–	–	(415)
At 31 December 2019	227,900	4,950	9,174	(8,954)	47,306	1,245	11,268	292,889
At 1 January 2020	**227,900**	**4,950**	**9,174**	**(8,954)**	**47,306**	**1,245**	**11,268**	**292,889**
Release translation reserve upon disposal of subsidiaries (Note 35 (a))	**–**	**–**	**–**	**1,369**	**–**	**–**	**–**	**1,369**
Currency translation differences	**–**	**–**	**–**	**33,227**	**–**	**–**	**–**	**33,227**
Recognition of equity-settled share-based payments	**–**	**–**	**–**	**–**	**11,425**	**–**	**–**	**11,425**
Contribution by shareholders	**–**	**–**	**–**	**–**	**–**	**28,592**	**–**	**28,592**
Subscription of shares	**94,058**	**–**	**–**	**–**	**–**	**–**	**–**	**94,058**
Appropriation to statutory reserve	**–**	**–**	**1,154**	**–**	**–**	**–**	**–**	**1,154**
Gain from modification of convertible loan notes (Note 28)	**–**	**–**	**–**	**–**	**–**	**–**	**1,918**	**1,918**
Reclassification of capital reserve to accumulated losses upon disposal of subsidiaries	**–**	**–**	**–**	**–**	**–**	**(12,505)**	**–**	**(12,505)**
Reclassification of statutory reserve to accumulated losses upon disposal of subsidiaries	**–**	**–**	**(7,314)**	**–**	**–**	**–**	**–**	**(7,314)**
At 31 December 2020	**321,958**	**4,950**	**3,014**	**25,642**	**58,731**	**17,332**	**13,186**	**444,813**

22 OTHER RESERVES *(Continued)*

Notes:

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

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

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

23 SHARE-BASED PAYMENTS

On 25 June 2005, a share option scheme was approved and adopted by the shareholders of the Company. Subsequently on 16 September 2019, a new share option scheme (the "Share Option Scheme") was approved and adopted by the shareholders of the Company. Pursuant to the ordinary resolution passed at the annual general meeting of the Company held on 29 May 2020, the scheme mandate limits of the Scheme were refreshed and renewed. The particulars of the Share Option Scheme are as follows:

Purpose

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

Eligible Participants

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

Total number of ordinary shares available for issue

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

Maximum entitlement of each eligible participant

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

23 SHARE-BASED PAYMENTS *(Continued)*

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

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

Share options were granted on 19 June 2020 with an aggregate estimated fair value of approximately HK$14,798,000.

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

The closing price of the Company's shares immediately before 19 June 2020, the date of grant, was HK$0.142.

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

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

Date of grant	19 June 2020	24 September 2019
Share price at grant date	HK$0.142	HK$0.125
Exercise price	HK$0.145	HK$0.150
Expected volatility	100.59%	84.22%
Expected life	6 years	10 years
Risk-free rate	0.39%	1.27%
Expected dividend yield	0%	0%
Sub-optimal exercise factor	2.47 for director of the Group, 1.6 for employees of the Group	1.6 for employees and consultants of the Group

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

The Group recognised the share-based payments of HK$11,425,000 (2019: HK$14,411,000) for the year ended 31 December 2020 in relation to share options granted by the Company during the year.

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

At 31 December 2020, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 731,700,000, which totally representing 16.42% of the shares of the Company in issue at that date.

23 SHARE-BASED PAYMENTS *(Continued)*

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

For the year ended 31 December 2020

					Number of share options		
Category of participants	Date of grant	Exercise price after (before) share subdivision in 2018	Vesting date	Exercisable period	As at 01/01/2020	Granted during the year	As at 31/12/2020
Employees	19/06/2015	HK$0.64125 (HK$1.2825)	19/06/2015	19/06/2015–18/06/2025	123,200,000	–	123,200,000
Employees	24/09/2019	HK$0.15	24/09/2019	24/09/2019–23/09/2029	113,000,000	–	113,000,000
Consultants	24/09/2019	HK$0.15	24/09/2019	24/09/2019–23/09/2029	249,500,000	–	249,500,000
Director	19/06/2020	HK$0.145	19/06/2020	19/06/2020–18/06/2026	–	37,000,000	37,000,000
Employees	19/06/2020	HK$0.145	19/06/2020	19/06/2020–18/06/2026	–	159,000,000	159,000,000
Employees	19/06/2020	HK$0.145	19/06/2021	19/06/2021–18/06/2026	–	50,000,000	50,000,000

23 SHARE-BASED PAYMENTS *(Continued)*

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

For the year ended 31 December 2019

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

24 TRADE AND OTHER PAYABLES

	2020 HK$'000	2019 HK$'000
Trade payables	**317,801**	216,222
Bills payables	**–**	8,692
Payroll and welfare payables	**6,401**	5,093
Amounts due to related parties	**893**	32,354
Other payable and accrued expenses	**35,209**	28,297
Interest payable	**3,390**	32,049
Payable for acquisition of property, plant and equipment	**77**	–
	363,771	322,707

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

24 TRADE AND OTHER PAYABLES *(Continued)*

During the year ended 31 December 2020, the amounts of HK$24,936,000, included in amounts due to related parties, and payroll and welfare payables of HK$1,800,000 were waived by Mr. Lin respectively. Interest payable of HK$1,408,000 and HK$448,000 were waived by the substantial shareholders, Mr. Chen Jinle and Mr. Cui Xianguo respectively.

The suppliers normally allow a credit period of 60 days for speaker business and cash on delivery for energy business of the Group. At 31 December 2020 and 2019, the aging analysis of the trade payables (including bills payables) based on invoice date is as follows:

	2020	2019
	HK$'000	HK$'000
Within 30 days	**198,240**	172,959
31 to 60 days	**115,725**	448
61 to 90 days	**709**	912
91 to 120 days	**709**	1,107
Over 120 days	**2,418**	49,488
	317,801	224,914

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

	2020	2019
	HK$'000	HK$'000
RMB	**346,238**	271,649
HK$	**17,533**	51,058
	363,771	322,707

25 CONTRACT LIABILITIES

	2020 **HK$'000**	2019 HK$'000
Advances from customers	**839,358**	525,413

Note:

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

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

	2020 **HK$'000**	2019 HK$'000
At 1 January	**525,413**	67,764
Increase in contract liabilities as a result of advance consideration received from customers	**794,766**	469,106
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(464,848)**	(153)
Decrease in contract liabilities as a result of repaying to customer during the year that was included in the contract liabilities at the beginning of the year	**(5,722)**	(1,235)
Decrease in contract liabilities as a result of disposal of subsidiaries	**(57,959)**	–
Currency translation differences	**47,708**	(10,069)
At 31 December	**839,358**	525,413

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

— Energy trading products

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

26 BORROWINGS

	2020 HK$'000	2019 HK$'000
Current		
Bank borrowings		
— secured	**10,689**	279,595
— unsecured	**31,203**	25,829
	41,892	305,424
Other borrowings	**8,552**	209,362
Loans from related parties	**45,460**	152,670
A loan from the non-controlling interests of a subsidiary	**3,563**	3,343
Shareholders' loans	**219,600**	492,936
Total borrowings	**319,067**	1,163,735

(a) Bank borrowings

The secured bank borrowings as at 31 December 2019 were secured by (i) investment properties of the Group (Note 15), (ii) investment properties of Mr. Lin (please refer to Note 37) and a related company beneficially owned by Mr. Lin, (iii) guarantees provided by Mr. Lin and his spouse and two related companies beneficially owned by Mr. Lin, (iv) Corporate guarantee provided by the Company, (v) pledged cash deposit amounted of approximately RMB462,000 (equivalent to approximately HK$515,000), and (vi) ordinary shares of a related company beneficially owned by Mr. Lin.

The secured bank borrowings as at 31 December 2020 were secured by a leasehold land of Dongying Guoxin Chemical Co., Ltd.* (東營市國鑫化工有限責任公司), a third party of the Group.

The unsecured bank borrowings as at 31 December 2020 were supported by guarantees provided by (i) Mr. Lin, (ii) Mr. Chen Jinle, a director and substantial shareholder of the Company, (iii) a close family member of Mr. Chen Jinle, (iv) the relatives of Mr. Chen Jinle, and (v) Dongying Jinfeng Petroleum Technology Group Co., Ltd.* (東營金峰石油科技集團有限公司), owned by a relative of Mr. Chen Jinle (2019: financial guarantees provided by Mr. Lin).

As at 31 December 2020, bank borrowings with principal and interest payables of HK$13,387,000 and HK$3,257,000 were default and not repaid in accordance with scheduled payment dates. Up to the date of this report, the default bank borrowings with principal and interest payables of HK$13,387,000 and HK$3,257,000 are still outstanding and the Group is negotiating with the bank for the settlement.

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

26 BORROWINGS *(Continued)*

(a) Bank borrowings *(Continued)*

The outstanding bank borrowings of the Group carry interest at effective interest rate is range from 3.74% to 12.28% (2019: 5.87% to 10.62%) per annum.

As at 31 December 2020 and 31 December 2019, all of the Group's bank borrowings were repayable within one year, and are denominated in the following currencies:

	2020 **HK$'000**	2019 HK$'000
RMB	**28,505**	292,037
HK$	**13,387**	13,387
	41,892	305,424

The Group has no undrawn bank borrowing facilities as at 31 December 2020 and 31 December 2019.

(b) Other borrowings

Borrowings from other third parties are unsecured, with an average effective annual interest rate of 15% and are repayable within one year (2019: The balance were unsecured, interest-free and has a term of 12 months from the date of drawdown).

The borrowings from other third parties as at 31 December 2020 were supported by guarantees provided by (i) Mr. Chen Jinle, (ii) a close family member of Mr. Chen Jinle, (iii) the relatives of Mr. Chen Jinle, (iv) Dongheng Energy (Hainan) Co., Ltd.* (東恆能源(海南)有限公司), owned by a relative of Mr. Chen Jinle, (v) Dongying Xinghai Petrochemical Co., Ltd.* (東營市興海石油化工有限責任公司), owned by a relative of Mr. Chen Jinle, (vi) Dongying Jinfeng Petroleum Technology Group Co., Ltd.* (東營金峰石油科技集團有限公司), owned by a relative of Mr. Chen Jinle, (vii) Dongying Shengda Shipping Co., Ltd.* (東營市盛達船務有限公司), a third party of the Group, (viii) Dongying Guoxin Chemical Co., Ltd.* (東營市國鑫化工有限責任公司), a third party of the Group, (ix) Mr. Yu Meng, a third party of the Group, (x) Mr. Xu Weiming, a third party of the Group, and (xi) Mr. Cheng Peizhong, a third party of the Group (2019: Nil).

(c) Loans from related parties

The amount due to related parties is unsecured, interest-free and are repayable within one year.

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

A loan from the non-controlling interests of a subsidiary is unsecured, interest-free and are repayable within one year.

(e) Shareholders' loans

The balance of HK$4,513,000 is unsecured, with an average effective annual interest rate range from 4.35% to 8% and are repayable within one year. The balance of HK$215,087,000 is unsecured, with interest-free and are repayable within one year.

* For identification purpose only

27 LEASE LIABILITIES

	31 December 2020 HK$'000	31 December 2019 HK$'000
Lease liabilities payable:		
Within one year	**3,568**	1,861
Within a period of more than one year but not more than two years	**1,638**	3,283
	5,206	5,144
Less: Amount due for settlement within 12 months shown under current liabilities	**(3,568)**	(1,861)
Amount due for settlement after 12 months shown under non-current liabilities	**1,638**	3,283

The weighted average incremental borrowing rate applied to lease liabilities is 6.98% (2019: 6.98%).

28 CONVERTIBLE LOAN NOTES

	2020		2019	
	Liability portion HK$'000	**Equity portion HK$'000**	Liability portion HK$'000	Equity portion HK$'000
Convertibles loan notes	**110,878**	**13,186**	103,637	11,268
Representing:				
Current liabilities	**110,878**	**–**	103,637	–
Convertible bonds reserve	**–**	**13,186**	–	11,268

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

28 CONVERTIBLE LOAN NOTES *(Continued)*

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

On 4 May 2020, a convertible notes holder signed a deed of assignment to transfer all rights and obligation of the Convertible Notes to another party. On 16 July 2020, the Company and the new holder signed a supplementary agreement to revised the terms of Convertible Notes. The Convertible Notes will be redeemed on 17 July 2021 at a conversion price of HK$0.1340 per Convertible Notes. The effective interest of the liability component is 23.70%. Except for the above mentioned, all other terms of the Convertible Notes remain unchanged.

The 2019 Convertible Loan Notes	**Liability portion HK$'000**	Equity portion HK$'000
At 17 July 2019	**98,931**	11,268
Interest charge	**10,254**	–
Interest paid	**(5,548)**	–
At 1 January 2020	**103,637**	11,268
Interest charge	**12,864**	–
Interest paid	**(5,548)**	–
At 16 July 2020	**110,953**	11,268
Modification	**(110,953)**	(11,268)
At 31 December 2020	**–**	–

The 2020 Convertible Loan Notes	**Liability portion HK$'000**	Equity portion HK$'000
At 17 July 2020	**97,767**	13,186
Interest charge	**13,111**	–
At 31 December 2020	**110,878**	13,186

29 BOND PAYABLES

On 24 October 2020, the Company issued the bonds with principal amount of approximately RMB23,482,000 (equivalent to approximately HK$27,174,000) (the "**Bonds**"). The Bonds carried interest at 5% per annum, payable on maturity date and the maturity date was 23 October 2023.

The fair value of the Bonds at initial recognition amounted to approximately RMB22,603,000 (equivalent to approximately HK$26,165,000) and the effective interest rate was 6.11% per annum. The Bonds were carried at amortised cost.

The movements of the Bonds during the year are set out below:

	2020 **HK$'000**	2019 HK$'000
Carrying amount		
At 1 January	**–**	–
Initial fair value on the date of issuance	**26,164**	–
Interest expenses	**283**	–
Exchange differences	**697**	–
	27,144	–

30 ACQUISITION OF SUBSIDIARIES

(a) On 30 October 2020, the Group acquired 100% of the issued share capital of Lijin Shuntong Logistics Company Limited ("**Shuntong Logistics**") for consideration of issuing a principal amount of RMB23,482,000 (equivalent to HK$27,889,000) debt security. This acquisition has been accounted for using the purchase method. None of the goodwill nor bargain purchase arising as a result of the acquisition. Shuntong Logistics is principally engaged in the transportation services. Shuntong Logistics was acquired to enhance the safety of transportation, control delivery time, control cost, and create synergy effect. The transaction was recognised as a business combination, rather than an acquisition of assets, given that the fair value of the gross assets is not concentrated.

Fair value of consideration transferred

	2020 **HK$'000**
Debt security	**26,164**
Total	**26,164**

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

30 ACQUISITION OF SUBSIDIARIES *(Continued)*

(a) *(Continued)*

Assets acquired and liabilities recognised at the date of acquisition

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

	2020 HK$'000
Properties, plant and equipment (Note 14)	18,404
Inventories	1,073
Trade and other receivables	45,114
Cash and cash equivalents	709
Trade and other payables	(2,668)
Current tax liabilities	(4)
Borrowings	(36,464)
	26,164

The fair value of trade and other receivables at the date of acquisition amounted to approximately HK$45,144,000. The gross contractual amounts of those trade and other receivables acquired amounted to approximately HK$45,144,000 at the date of acquisition.

	2020 HK$'000
Consideration transferred	26,164
Less: net assets acquired	(26,164)
	–

30 ACQUISITION OF SUBSIDIARIES *(Continued)*

(a) *(Continued)*

Net cash inflow on acquisition of Shuntong Logistics

	2020 HK$'000
Cash consideration paid	–
Less: cash and cash equivalents balances acquired	709
Net cash inflow	709

Included in the profit for the year is loss of HK$1,661,000 attributable to the additional business generated by Shuntong Logistics. Revenue for the year includes HK$6,917,000 generated from Shuntong Logistics.

Had the acquisition been completed on 1 January 2020, revenue for the year of the Group would have been approximately HK$14,099,344,000, and profit for the year of the Group would have been HK$311,136,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2020, nor is it intended to be a projection of future results.

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

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

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

* For identification purpose only

30 ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) *(Continued)*

Consideration transferred

	2019 HK$'000
Cash	570
Total	570

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

Assets acquired and liabilities recognised at the date of acquisition

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

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

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

Goodwill arising on acquisition

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

30 ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) *(Continued)*

Goodwill arising on acquisition*(Continued)*

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

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

Net cash outflow on acquisition of Tianjin Tanghao

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

Included in the loss for the year ended 31 December 2019 is profit of HK$2,289,000 attributable to the additional business generated by Tianjin Tanghao. Revenue for the year ended 31 December 2019 includes HK$76,370,000 generated from Tianjin Tanghao.

Had the acquisition been completed on 1 January 2019, revenue for the year ended 31 December 2019 of the Group would have been approximately HK$3,390,758,000, and loss for the year ended 31 December 2019 of the Group would have been HK$599,010,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2019, nor is it intended to be a projection of future results.

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

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

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

31 GOODWILL

	2020 **HK$'000**	2019 HK$'000
At 1 January	**567**	–
Acquisition of a subsidiary	**–**	569
Currency translation differences	**38**	(2)
At 31 December	**605**	567

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

32 DEFERRED INCOME TAX

	Withholding tax HK$'000
Deferred income tax liabilities	
At 1 January 2019	190
Deregistration of subsidiaries	(182)
Currency translation differences	(8)
At 31 December 2019, 1 January 2020 and 31 December 2020	–

32 DEFERRED INCOME TAX *(Continued)*

As at 31 December 2020, the Group had unutilised tax loss carried forward to offset future taxable profits of HK$71,930,000 (2019: HK$73,710,000), which was not recognised as deferred income tax asset, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. Included in unrecognised tax losses are losses of HK$15,382,000 (2019: HK$16,049,000) that will expire in 2025, other losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of HK$431,650,000 (2019: HK$828,374,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$36,969,000 (2019: HK$16,734,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

33 DIVIDENDS

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: nil).

34 CASH FLOW INFORMATION

(a) Cash generated from/(used in) operations

	2020 **HK$'000**	2019 HK$'000
Profit/(Loss) for the year	**314,029**	(598,129)
Adjustments for:		
— Income tax expenses	**3,620**	10,105
— Depreciation of property, plant and equipment (Note 6)	**2,031**	1,125
— Depreciation of right-of-use assets (Note 6)	**593**	944
— Equity-settled share-based payment	**11,425**	14,411
— Fair value losses on investment properties (Note 9)	**15,276**	22,279
— Loss/(gain) on disposal of property, plant and equipment (Note 9)	**187**	(61)
— Finance expenses (Note 10)	**41,753**	45,507
— Interest income (Note 10)	**(166)**	(312)
— Gain on disposal of subsidiaries (Note 35)	**(803,140)**	(3,138)
— Gain on modification of convertible loan notes	**(13,186)**	–
— Gain on deregistration of subsidiaries	**–**	(41)
— Written-off of other receivables	**782**	–
— Impairment of amounts due from disposal group	**428,514**	–
— Impairment of trade receivables	**1,873**	85,326
— (Reversal of impairment loss)/impairment of prepayments	**(7,481)**	394,514
— Impairment loss of property, plant and equipment (Note 14)	**1,263**	4,161
— Impairment loss of right-of-use assets	**–**	4,721
Operating cash flows before movements in working capital	**(2,627)**	(18,588)
— Increase in inventories	**(98,888)**	(363,448)
— Decrease in restricted cash	**–**	19,654
— Decrease/(increase) in prepayments to supplier	**334,041**	(607,528)
— Increase in trade and other receivables	**(371,814)**	(307,488)
— Increase in contract liabilities	**324,196**	467,718
— Increase in trade and other payables	**128,180**	149,783
Cash generated from/(used in) operations	**313,088**	(659,897)

34 CASH FLOW INFORMATION *(Continued)*

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

	2020 **HK$'000**	2019 HK$'000
Net book amount (Note 14)	**1,628**	65
(Loss)/gain on disposal of property, plant and equipment (Note 9)	**(187)**	61
Proceeds from disposal of property, plant and equipment	**1,441**	126

(b) Net debt reconciliation

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

	Interest payable (included in trade and other payables) HK$'000	Amounts due to related parties (included in trade and other payables) HK$'000	Bank borrowings HK$'000	Shareholder's loans HK$'000	A loan from the non-controlling interests of a subsidiary HK$'000	Loan from related parties HK$'000	Other borrowings HK$'000	Lease liabilities HK$'000	Bond payables HK$'000	Convertible loan notes HK$'000	Total HK$'000
As at 1 January 2020	32,049	32,354	305,424	492,936	3,343	152,670	209,362	5,144	–	103,637	1,336,919
Proceeds	–	12,180	10,418	667,173	–	3,984,048	2,806,188	–	–	–	7,480,007
Repayment	(584)	(18,687)	(10,122)	(945,963)	–	(4,094,919)	(3,017,813)	(2,947)	–	(5,548)	(8,096,583)
Net cash flows	(584)	(6,507)	296	(278,790)	–	(110,871)	(211,625)	(2,947)	–	(5,548)	(616,576)
Interest expenses amortisation	15,148	–	–	–	–	–	–	–	283	25,975	41,406
Lease interest	–	–	–	–	–	–	–	347	–	–	347
New lease entered	–	–	–	–	–	–	–	2,551	–	–	2,551
Reclassification of borrowings	(2,285)	–	(12,337)	–	–	–	14,622	–	–	–	–
Transfer from bills payable (included in trade and other payables)	–	–	–	–	–	–	8,619	–	–	–	8,619
Arising on acquisition of a subsidiary	–	–	27,782	–	–	–	8,682	–	26,164	–	62,628
Elimination by disposal of subsidiaries	(38,478)	–	(274,515)	–	–	–	(23,012)	–	–	–	(336,005)
Waiver of current account	(1,856)	(24,936)	–	–	–	–	–	–	–	–	(26,792)
Gain on modification of convertible loan note	–	–	–	–	–	–	–	–	–	(13,186)	(13,186)
Currency translation differences	(604)	(18)	(4,758)	5,454	220	3,661	1,904	111	697	–	6,667
As at 31 December 2020	3,390	893	41,892	219,600	3,563	45,460	8,552	5,206	27,144	110,878	466,578

34 CASH FLOW INFORMATION *(Continued)*

(b) Net debt reconciliation *(Continued)*

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

35 DISPOSAL OF SUBSIDIARIES

(a) On 24 April 2020, the Group entered into a disposal agreement with an independent third party in relation to the disposal of the entire issued share capital in a wholly-owned subsidiary of the Company, Chuang Hui Group Limited (創惠集團有限公司) (the "**Disposal Company**" together with its subsidiary, collectively the "**Disposal Group A**").

An impairment loss on amount due from Disposal Group A of approximately HK$428,514,000 has been recognized in profit or loss. The directors of the Company estimated the amounts of impairments after taking into consideration of the financial situation of the Disposal Group A.

The disposal was completed on 24 April 2020 (the "**Completion Date**") at a cash consideration of HK$100,000.

	As at 24 April 2020 HK$'000
Cash receivables	**100**
Total consideration receivables	**100**

35 DISPOSAL OF SUBSIDIARIES *(Continued)*

(a) (Continued)

Analysis of assets and liabilities over which control was lost:

	As at 24 April 2020 HK$'000
Non-current assets	
Property, plant and equipment *(Note 14)*	456
Investment properties *(Note 15)*	54,495
	54,951
Current assets	
Trade and other receivables and prepayments	2,480
Cash and cash equivalent	52
Restricted cash	150
	2,682
Total assets	57,633
Current liabilities	
Trade and other payables	77,083
Amounts due to Jintai Energy Holdings Limited and its subsidiaries	428,514
Contract liabilities	57,959
Current income tax liabilities	959
Borrowings	297,527
	862,042
Net liabilities disposed of	(804,409)

35 DISPOSAL OF SUBSIDIARIES *(Continued)*

(a) (Continued)

Gain on disposal of subsidiaries:

	2020
	HK$'000
Consideration receivables	**100**
Exchange reserve deficiency released upon disposal	**(1,369)**
Less: net liabilities disposed of	**804,409**
Gain on disposal	**803,140**

Net cash outflow arising on disposal:

	2020
	HK$'000
Cash consideration	**–**
Less: bank balances and cash disposed of	**(52)**
	(52)

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

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

35 DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) (Continued)

Analysis of assets and liabilities over which control was lost:

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

Gain on disposal of subsidiaries:

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

Net cash outflow arising on disposal:

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

36 COMMITMENTS

(a) Capital commitments

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

	2020 **HK$'000**	2019 HK$'000
Within 1 year	–	6,891
Later than 1 year and no later than 5 years	–	223
	–	7,114

(b) Marketing expenses

	2020 **HK$'000**	2019 HK$'000
Contractual obligation for future marketing expenses		
Within 1 year	–	2,640
Later than 1 year and no later than 5 years	–	1,540
	–	4,180

(c) Lease commitments

The Group was committed at 31 December 2020 to enter into a new lease of 1 year that is not yet commenced, the lease payment under which amounted to approximately HK$718,000 per annum (2019: HK$Nil).

37 SIGNIFICANT RELATED PARTY TRANSACTIONS

A director and substantial shareholder of the Company is Mr. Lin Caihuo who owns beneficially 928,284,839 shares (2019: 928,284,839), representing 20.84% (2019: 25.01%) shareholding of the Company.

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following significant related party transactions during the year ended 31 December 2020:

(a) Related parties

Name of related parties	Relationship
Tai Sing Industrial Company Limited (“**Tai Sing**”)	Beneficially owned by a director of certain speaker subsidiaries of the Company.
陳金潔 (“**Chen Jinjie**”)	Legal representative of certain subsidiaries
北京眾誠嘉業化工貿易有限公司 (“**Beijing Zhongcheng Jiaye Huagong Trading Company**”)	Director of the related party is legal representative of a subsidiary
陳秋叁 (“**Chen Qiusan**”)	Relative of Mr. Chen Jinle
袁紅兵 (“**Yuan Hongbing**”)	Director of the Company

(b) Related party transactions

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

	Transactions	Notes	2020 HK$’000	2019 HK$’000
Tai Sing	— Purchase of materials	(i)	–	6,229
	— Technical service expense	(i)	–	2,400
	— Rental expenses	(ii)	–	1,728
Chen Qiusan	— Acquisition of a subsidiary	(iii)	**26,164**	–

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

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

iii. Consideration by issuance of the bond upon acquisition of a subsidiary from Chen Qiusan. Details of bond payables issued and acquisition of the subsidiary, please refer to notes 29 and 30.

37 SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

(c) Related party balances

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

	2020 HK$'000	2019 HK$'000
Amounts due to related parties (Note 24) (Note)		
— A substantial shareholder	–	24,957
— Tai Sing	893	7,397
	893	32,354
Loans from related parties (Note 26)		
— Chen Jinjie	15,167	122,580
— Beijing Zhongcheng Jiaye Huagong Trading Company	27,320	30,090
— Yuan Hongbing	2,973	–
	45,460	152,670
Shareholders' loans (Note 26)		
— Chen Jinle	130,620	431,697
— Cui Xianguo	88,980	61,239
	219,600	492,936

Note: The amount due to a substantial shareholder of HK$nil (2019: HK24,957,000) represented advances from Mr. Lin to support the working capital requirements of the Group and the purchases of properties, plant and equipment of the Group. The amounts with related parties are all unsecured, interest free and repayable on demand.

(d) Compensation of key management personnel

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

	2020 HK$'000	2019 HK$'000
Salaries and other short-term benefits	9,215	5,592

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

38 SUMMARY FINANCIAL INFORMATION OF THE COMPANY

(a) Statement of financial position of the Company

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
Assets		
Non-current assets		
Investment in subsidiaries	**46,827**	14,607
Amounts due from subsidiaries — non-current	**281,518**	154,176
Right-of-use assets	**–**	–
Property, plant and equipment	**113**	168
	328,458	168,951
Current assets		
Other receivables	**1,286**	2,225
Cash and cash equivalents	**175**	181
	1,461	2,406
Total assets	**329,919**	171,357

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

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

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
Equity		
Share capital	**5,569**	4,641
Other reserves	**520,909**	395,366
Accumulated losses	**(572,410)**	(555,188)
Total equity	**(45,932)**	(155,181)
Liabilities		
Non-current liabilities		
Lease liabilities	**1,082**	3,283
Bond payables	**27,144**	–
	28,226	3,283
Liabilities		
Current liabilities		
Amount due to subsidiaries	**179,175**	179,175
Other payables	**42,145**	25,195
Lease liabilities	**2,040**	1,861
Convertible loan notes	**110,878**	103,637
Borrowings	**13,387**	13,387
	347,625	323,255
Total liabilities	**375,851**	326,538
Total equity and liabilities	**329,919**	171,357

The statement of financial position of the Company was approved by the Board of Directors on 31 March 2021 and was signed on its behalf.

Chen Jinle
Director

Yuan Hongbing
Director

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

(b) Reserve movements of the Company

	Share premium HK$'000	Special reserve HK$'000	Share option reserve HK$'000	Capital reserve HK$'000	Convertible loan notes equity reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2019	151,656	107,647	32,895	–	–	(362,922)	(70,724)
Loss for the year	–	–	–	–	–	(192,266)	(192,266)
Recognition of equity-settled share-based payments	–	–	14,411	–	–	–	14,411
Recognition of equity component of convertible loan notes	–	–	–	–	11,268	–	11,268
Issue of ordinary share	76,244	–	–	–	–	–	76,244
Contribution by shareholder	–	–	–	1,245	–	–	1,245
At 1 January 2020	227,900	107,647	47,306	1,245	11,268	(555,188)	(159,822)
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(15,304)**	**(15,304)**
Recognition of equity-settled share-based payments	**–**	**–**	**11,425**	**–**	**–**	**–**	**11,425**
Subscription of shares	**94,058**	**–**	**–**	**–**	**–**	**–**	**94,058**
Gain from modification of convertible loan notes	**–**	**–**	**–**	**–**	**1,918**	**(1,918)**	**–**
Contribution by shareholders	**–**	**–**	**–**	**18,142**	**–**	**–**	**18,142**
At 31 December 2020	**321,958**	**107,647**	**58,731**	**19,387**	**13,186**	**(572,410)**	**(51,501)**

(c) Contingencies of the Company

The Company provided guarantee to a subsidiary of the Company's (i) bill payables in the amount of RMBNil (2019: RMB7,800,000) (equivalent to HK$Nil (2019: HK$8,692,000)) and (ii) bank borrowing in the amount of RMBNil (2019: RMB11,165,000) (equivalent to HK$Nil (2019: HK$12,442,000)) with a guarantee ceiling of RMBNil (2019: RMB50,000,000) (note 24, 26).

39 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director is set out below:

Name	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Share-based payments (Note ix) HK$'000	Total HK$'000
For the year ended 31 December 2020:						
Executive directors						
Chen Jinle	–	3,600	–	–	–	3,600
Lin Caihuo	–	–	–	–	–	–
Yuan Hongbing	–	1,440	–	–	2,593	4,033
Non-executive director						
Wang Shoulei	240	–	–	–	–	240
Independent non-executive directors						
Liu Yang (Note (vii))	40	–	–	–	–	40
Tche Heng Hou Kevin	180	–	–	–	–	180
Gao Han	180	–	–	–	–	180
Mak Ting Sang (Note (viii))	124	–	–	–	–	124
Total	764	5,040	–	–	2,593	8,397

39 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' emoluments *(Continued)*

Name	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Share-based payments (Note ix) HK$'000	Total HK$'000
For the year ended 31 December 2019:						
Executive directors						
Chen Jinle (Note (i))	–	2,100	–	–	–	2,100
Lin Caihuo	–	1,200	–	–	–	1,200
Wang Enguang (Note (ii))	–	83	–	–	–	83
Yuan Hongbing (Note (i))	–	840	–	–	–	840
Non-executive director						
Wang Shoulei	240	–	–	–	–	240
Independent non-executive directors						
Lum Pak Sum (Note (iii))	39	–	–	–	–	39
Liu Yang	120	–	–	–	–	120
Tche Heng Hou Kevin (Note (iv))	93	–	–	–	–	93
Xu Changyin (Note (v))	76	–	–	–	–	76
Gao Han (Note (vi))	31	–	–	–	–	31
Total	599	4,223	–	–	–	4,822

Notes:

(i) Appointed on 31 May 2019.

(ii) Resigned on 31 May 2019.

(iii) Resigned on 25 April 2019.

(iv) Appointed on 25 June 2019.

(v) Appointed on 16 March 2019 and resigned on 14 October 2019.

(vi) Appointed on 29 October 2019.

(vii) Resigned on 23 April 2020.

(viii) Appointed on 23 April 2020.

(ix) These represent the estimated value of share options granted to the directors under the company's share option scheme. The value of these share options is measured according to the group's accounting policies for share-based payment transactions as set out in Note 2.24 and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share option scheme" in the directors' report and Note 23.

39 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits during the year (2019: HK$Nil).

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

During the year ended 31 December 2020, the Company did not pay consideration to any third parties for making available directors' services (2019: HK$Nil).

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

During the year ended 31 December 2020, there is no loans, quasi-loans and other dealing arrangements in favour of directors, or controlled bodies corporate by and connected entities with such directors (2019: HK$Nil).

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

Save as disclosed in the consolidated financial statements, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2019: HK$Nil).

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

(g) The non-executive directors' and independent non-executive directors' emoluments shown above were for the services as directors of the Company.

40 CONTINGENT LIABILITIES

Financial guarantees issued

As at the end of the reporting period, the Company has issued the following guarantees:

— financial guarantees to banks in respect of banking facilities granted to Dongying Guoxin Chemical Co., Ltd.* (東營市國鑫化工有限責任公司), a third party of the Group, Mr. Yu Meng, a third party of the Group, and Dongying Xinghai Petrochemical Co., Ltd.* (東營市興海石油化工有限責任公司), owned by a relative of Mr. Chen Jinle.

The Company is also one of the entities covered by cross guarantee arrangements issued by the Company and third parties to banks in respect of banking facilities granted to those parties. Under the guarantees, the Company and third parties that are parties to the guarantee are liable for all and any of the borrowings of each of them from the banks which is the beneficiary of the guarantee.

* For identification purpose only

40 CONTINGENT LIABILITIES *(Continued)*

Financial guarantees issued *(Continued)*

As at the end of the reporting period, the directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the end of the reporting period under the cross guarantees are the amount of the facilities drawn down by three companies that are covered by the cross guarantees, being RMB42,503,000 (equivalent to approximately HK$50,480,000).

41 EVENT OCCURRING AFTER THE REPORTING PERIOD

After the end of the reporting period, the outbreak of novel coronavirus (COVID-19) continues to spread across the world.

The COVID-19 has impact on the business operations of the Group and the degree of the impact depends on the situation of the epidemic preventive measures and the duration of the epidemic.

The Group will monitor the developments of COVID-19 situation closely, assess and react actively to its impacts on the financial position and operating results of the Group. Up to the date of this report, the assessment as well as the close monitoring is still in progress.

Given the dynamic nature of these circumstances, the related impact on the Group's consolidated results of operations, cash flows and financial condition could not be reasonably estimated at this stage and will be reflected in the Group's 2021 interim and annual financial statements.

42 COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to conform with the current year's presentation.

Financial Summary

	Year ended 31 December				
	2016	2017	2018	2019	**2020**
	HK$'000	HK$'000 (Restated)	HK$'000	HK$'000	**HK$'000**
RESULTS					
Revenue	5,915,428	9,500,029	1,848,844	3,003,380	**14,078,809**
Profit/(Loss) for the year from continuing operations	24,370	29,154	(366,597)	(598,129)	**314,029**
Profit for the year from discontinued operations	–	17,699	14,786	–	**–**
Profit/(Loss) for the year	24,370	46,853	(351,811)	(598,129)	**314,029**
Attributable to:					
Owners of the Company	24,370	46,853	(351,811)	(599,250)	**321,803**
Non-controlling interests	–	–	–	1,121	**(7,774)**
	24,370	46,853	(351,811)	(598,129)	**314,029**

	At 31 December				
	2016	2017	2018	2019	**2020**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	922,016	1,530,130	664,009	1,702,261	**1,725,438**
Total liabilities	(566,768)	(1,102,543)	(601,308)	(2,128,733)	**(1,668,898)**
Shareholders' funds	355,248	427,587	62,701	(426,472)	**56,540**
Equity attributable to owners of the Company	355,248	427,587	62,701	(427,574)	**63,828**
Non-controlling interests	–	–	–	1,102	**(7,288)**
	355,248	427,587	62,701	(426,472)	**56,540**

Certain comparative figures have been restated to conform with current year's presentation.