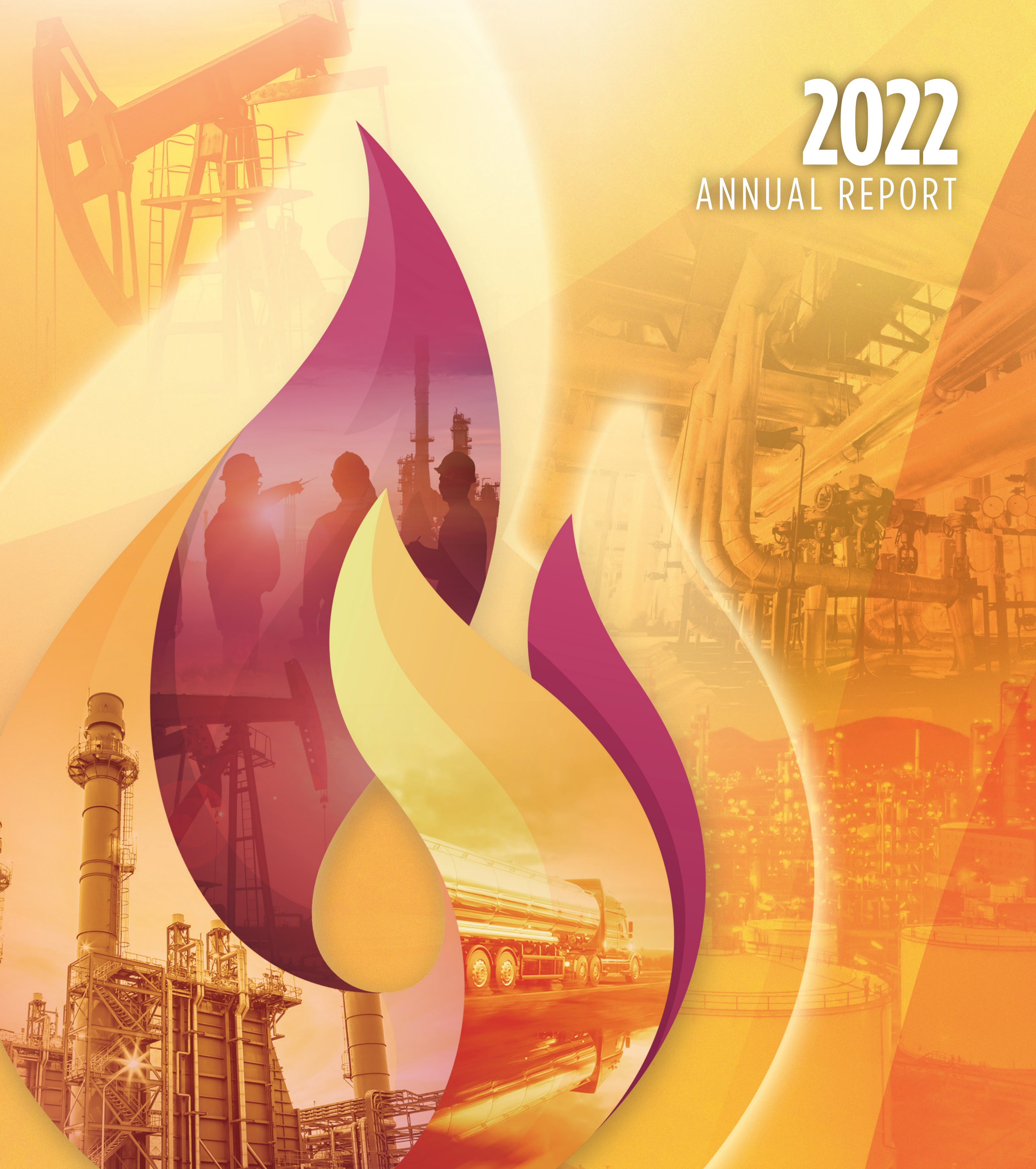
Jintai Energy Holdings Limited
金泰能源控股有限公司

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

2022
ANNUAL REPORT



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Han Jinfeng *(Chairman)* (appointed on 11 March 2022)
Mr. Yuan Hongbing *(Chief Executive Officer)*
Mr. Lin Caihuo
Mr. Chen Jinle *(Chairman)* (resigned on 11 March 2022)

Non-Executive Director

Mr. Chen Yunwei

Independent Non-Executive Directors

Mr. Tche Heng Hou Kevin
Mr. Mak Tin Sang
Mr. Jiang Hao

AUDIT COMMITTEE

Mr. Tche Heng Hou Kevin *(Chairman of the Committee)*
Mr. Mak Tin Sang
Mr. Jiang Hao

REMUNERATION COMMITTEE

Mr. Mak Tin Sang *(Chairman of the Committee)*
Mr. Yuan Hongbing
Mr. Lin Caihuo
Mr. Tche Heng Hou Kevin
Mr. Jiang Hao

NOMINATION COMMITTEE

Mr. Han Jinfeng *(Chairman of the Committee)*
Mr. Lin Caihuo
Mr. Tche Heng Hou Kevin
Mr. Mak Tin Sang
Mr. Jiang Hao
Mr. Chen Jinle *(Chairman of the Committee)* (resigned on 11 March 2022)

CORPORATE INFORMATION

AUTHORIZED REPRESENTATIVES

Mr. Zhou Chen
Mr. Yuan Hongbing

COMPANY SECRETARY

Mr. Zhou Chen

AUDITOR

CCTH CPA Limited
Certified 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
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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
17M Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

China Merchants Bank
Dongying Bank Co., Limited
Industrial and Commercial Bank of China 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

The Group was principally engaged in four businesses: (i) energy trading which comprised mainly the trading of fuel oil and kerosene; (ii) operation of digital energy trading park; (iii) drilling services; and (iv) customs declaration services during the year ended 31 December 2022 (the "**Reporting Period**"). The Group no longer operated (i) speaker manufacturing and trading; (ii) energy transportation services; and (iii) trading of electronic products since late 2021.

The Group's revenue for the Reporting Period was approximately HK$150.29 million, representing a significant decrease of approximately 98.64% as compared to approximately HK$11.01 billion for the corresponding period in 2021 (the "**Corresponding Period**"). The gross profit during the Reporting Period was approximately HK$27.89 million (2021: approximately HK$428.83 million), representing a decrease of approximately HK$400.94 million or approximately 93.50% as compared to the Corresponding Period.

Energy trading business

Since October 2021, having taken into account the best interest of the Company and its shareholders, the Group has temporarily suspended a substantial part of its energy trading business since the energy trading business exposed to a higher risk due to the volatility in crude oil price as a result of the persistent COVID-19 pandemic worldwide and the military conflict between Ukraine and Russia. The Group will consider resuming such business when the global oil price becomes stable as well as the crude oil transportation problems caused by the COVID-19 pandemic are gradually relieved.

During the Reporting Period, revenue derived from the energy trading business was approximately HK$116.95 million (2021: approximately HK$10.70 billion).

Digital energy trading parks

The business operation of the digital energy trading parks has been rapidly expanding since its commencement in the second half of 2020. The Group has signed cooperation agreements with various enterprises or entities in 13 cities/regions of China, and successfully introduced not less than 236 enterprises into the digital energy trading parks as at the date of this report. The operation and service business of digital energy trading parks generates stable 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; (3) applying for tax incentives or financial subsidies from local governments based on the economic benefits of the operation of the trading parks.

During the Reporting Period, the revenue derived from the operation of digital energy trading parks was approximately HK$33.34 million (2021: approximately HK$26.50 million). The Company believes that the digital energy trading parks business will continue to contribute economic benefits and bring new opportunities for the energy trading business of the Group in the future.

Drilling Services

The Group has completed drilling services of certain oil wells through its wholly-owned subsidiary, Ningxia Deliheng Oil and Gas Technology Service Company* (寧夏德力恒油氣技術服務有限公司) ("**Ningxia Deliheng**") in 2021. Ningxia Deliheng had entered into the SL16-5-4 and SL27 Well Agreement in late 2019 with 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**"), pursuant to which Ningxia Deliheng provided drilling services of 19 oil wells for Beijing Huaye for the purpose of extraction of oil under the SL16-5-4 and SL27 Well Agreement. The drillings were commenced by 4 June 2021 and has been completed in June 2021.

The Group has further entered into a new drilling service agreement with Beijing Huaye to provide drilling services for 63 oil wells at a contract sum of over RMB748 million in the second half of 2021. As certain conditions precedent have not yet been fulfilled, the new drilling services of the 63 oil wells of the Group has been deferred and has not yet commenced as at the date of this report.

During the Reporting Period, no revenue was derived from the drilling services business (2021: approximately HK$259.94 million).

With the past successful track records, the Group believes that the drilling services can continue to contribute economic benefits and bring new opportunities to the Group in the future.

The Group also plans to develop drilling services in conjunction with the upstream development and jointly develop oil field projects with Chinese Central Stated-owned enterprises and State-owned enterprises.

Customs declaration services

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 Ruiyuan and Shandong Ruiyuan has become a non-wholly owned subsidiary of the Group. Shandong Ruiyuan is principally engaged in the provision of customs declaration services. Since then, the Group has commenced its customs declaration services business.

During the Reporting Period, no revenue was derived from the customs declaration services business due to the substantial logistic restrictions as a result of the persistent COVID-19 pandemics (2021: approximately HK$3.98 million).

PROSPECTS

Looking forward to the year of 2023, the risk of stagflation in the global economy is expected to rise and the overall market conditions remain uncertain. Notwithstanding the end of all controls, restrictions and precautionary measures against the prolonged COVID-19 pandemic, the Group expects to face various challenges such as continued volatility in oil price caused by the continuation of the military conflict between Ukraine and Russia and the economic uncertainty subsequent to the prolonged COVID-19 pandemic.

1. **Energy Trading**

   The Group will continue to explore opportunities of development of new energy-related products and services in order to strengthen the energy trading business and to enhance its business competitiveness and profitability. Firstly, the Group will endeavour to conduct business cooperation with large state-owned enterprises in order to minimize the risk of energy trading business. Secondly, the Group will resume the energy trading business after the global oil price becomes relatively stable.

2. **Digital Trading Industry Park Operation**

   The Group has been successful in developing the "digital trading industry park" operation service for the petrochemical energy industry and has signed cooperative contracts with various enterprises in 13 cities and regions to co-build the Jintai Energy Digital Trading Industry Park since its commencement. The Group has introduced not less than 236 enterprises to the digital park. This business project of the Group aims to achieve an operation of 30 industry digital parks, introducing more than 1,000 enterprises. The Group will continue to broaden its customer base to the digital trading industry in order to achieve a constant growth in the future.

3. **Business Expansion**

   The Group will continue to explore new investment and business opportunities in various fields including oil exploration and development. In July 2022, the Group entered into a memorandum of understanding with an intended vendor regarding a possible acquisition of a company which is engaged in oil exploration and development business and holds a 25-year oil exploration and extraction rights in an oil shale in Inner Mongolia Autonomous Region of the PRC from the year 2017. The Group intends to develop oil exploration business in order to enhance the Company's competitiveness and profitability. As at the date of this report, the Company was still liaising with various professional advisors on the deal and the acquisition was not yet completed.

   In August 2022, the Company entered into an oil sands mines (oil and gas) exploration and development cooperation agreement (the "**Exploration and Development Agreement**"), pursuant to which the Company and Tacheng Xingta Energy Investment Development and Construction Co., Ltd.* (塔城興塔能源投資開發建設有限公司) ("**Tacheng Xingta**") agreed to explore and develop jointly the Aladesai Oil Sand Mine* (阿拉德賽油砂礦) and Xinan Chanreng Oil Sands Mine* (希南查仍油砂礦) (collectively "**Xinjiang Oil Sands Mines**"), both locating in Xinjiang Autonomous Region of the PRC and the Company agreed to contribute an initial cost of the exploration of Xinjiang Oil Sands Mines at around RMB2.43 million (equivalent to approximately HK$2.84 million). Pursuant to the Exploration and Development Agreement, the Company is granted an option to decide as to whether to proceed further with the Exploration and Development Agreement after the exploration results of the hydrocarbons emissions from the oil sands of Xinjiang Oil Sands Mines are available. As at the date of this report, the Company was still liaising with mining experts on the exploration and the Company has not yet decided as to whether it will exercise the option or not.

   The Group will continue to cooperate with large state-owned enterprises to jointly develop valuable oil fields, accomplish the two-way driving of oil field exploitation, construction and oil product trading.

To cope with the challenging environment, the Group will continue to identify and evaluate various development opportunities to strengthen our competitive advantages through deployment of more resources for seizing the market potentials and broaden its source of revenue so as to create value for shareholders. The Directors are confident to achieve sustainable growth and bring greater returns to our shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Results of Operations

Revenue

During the Reporting Period, the revenue of the Group decreased significantly to approximately HK$150.29 million (2021: approximately HK$11.01 billion), representing a decrease of approximately 98.64% as compared to the Corresponding Period. The decrease in revenue was mainly attributable to the temporary suspension of a substantial part of its energy trading business since October 2021.

Net Loss

During the Reporting Period, the Group recorded a loss attributable to the owner of the Company of approximately HK$31.91 million (2021: net profit attributable to the owner of the Company of approximately HK$94.30 million). The net loss was mainly attributable to the temporary suspension of a substantial part of its energy trading business since October 2021 and there was no performance of new oil drilling agreement since the completion of oil drilling services under the well agreements in June 2021.

Operating Costs

The operating costs were approximately HK$40.20 million during the Reporting Period (2021: approximately HK$267.97 million), representing a decrease of approximately 85.0% as compared to the Corresponding Period. The decrease was in line with the decrease in revenue for the Reporting Period.

Finance Costs

The finance costs of the Group were approximately HK$13.30 million during the Reporting Period, representing a decrease of approximately 46.15% as compared with approximately HK$24.70 million for the Corresponding Period.

Earning per Share

For the Reporting Period, the basic loss per share was approximately HK$0.72 cents (2021: basic earnings per share of approximately HK$2.12 cents), representing a decrease of approximately 133.96% as compared with the Corresponding Period.

Liquidity and Financial Resources

As at 31 December 2022, the Group had cash and cash equivalents of approximately HK$49.24 million (2021: approximately HK$55.68 million), which were mainly denominated in Hong Kong dollars (HK$), US dollars (US$) and Renminbi (RMB).

As at 31 December 2022, the Group's net current liabilities were approximately HK$193.64 million (2021: net current assets of approximately HK$188.32 million). The Group's current ratio as at 31 December 2022, being the ratio of total current assets to total current liabilities, was approximately 0.54 as compared to approximately 1.23 as at 31 December 2021.

The Group had bank and other borrowings of approximately HK$30.39 million (2021: approximately HK$307.08 million) which were denominated in Renminbi and Hong Kong dollars. The aforesaid bank and other borrowings was accounted for the current liabilities of the Group and repayable within one year.

As at 31 December 2022, the issued convertible notes was matured and the Company was negotiating with the subscriber on the appropriate arrangement. The carrying amount of the principal and the outstanding interest payables of the issued convertible notes was reclassified as amount due to a shareholder. As at 31 December 2021, the carrying amount of the principal and the interest payables of the issued convertible notes of the Group was approximately HK$113.29 million.

The Group had issued bonds in the principal amount of RMB23,481,678.65 as consideration for the acquisition of entire interest of Linjin Shuntong in August 2020. As at 31 December 2022, the carrying amount of bonds was approximately HK$29.03 million (2021: HK$29.72 million). The bonds bear interest at 5% per annum, payable on maturity date of 23 October 2023.

Capital Structure and Gearing Ratio

As at 31 December 2022, the total issued shares of the Company was 4,455,020,888 shares.

As at 31 December 2022, the share capital and equity attributable to owners of the Company amounted to approximately HK$5.57 million and approximately HK$114.03 million respectively (2021: approximately HK$5.57 million and approximately HK$190.59 million respectively).

As at 31 December 2022, the Group repaid its debts mainly through recurring cash flows generated from its operations and other means of financing. The gearing ratio of the Group was approximately 163% (2021: approximately 221%), which was computed by dividing the total borrowings of approximately HK$185.54 million (2021: approximately HK$420.37 million) by shareholder's equity of approximately HK$114.03 million (2021: approximately HK$190.59 million).

Treasury Policies

The Group does not engage in any leveraged or derivative arrangements. 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.

Human Resources and Remuneration

The Group has employed a total of approximately 159 employees as at 31 December 2022 (2021: approximately 171) in Hong Kong and the PRC. Staff costs (excluding directors' emoluments) during the Reporting Period amounted to approximately HK$15.81 million (2021: approximately HK$49.86 million). The Group recruits and selects candidates based on their qualifications and suitability for the position. It is the policy of the Group to recruit the most capable person available for each position.

The remuneration package of the Group's employees includes salary and bonus, which are generally determined by their qualifications, industry experiences, positions and experience. The Group makes contributions to social insurances and housing provident funds as required by the PRC laws and regulations.

Memorandum of Understanding regarding a potential acquisition

The Company entered into a memorandum of understanding (the "**MOU**") with an intended vendor (the "**Vendor**") on 13 July 2022, pursuant to which the Company intended to acquire from the Vendor the entire equity interest of a company based in Inner Mongolia Autonomous Region, the PRC (the "**Target Company**") (the "**Possible Acquisition**"). The Target Company is principally engaged in oil exploration and development business in China and holds a 25-year oil exploration and extraction rights in an oil shale with an estimated area of 50.3 square kilometres located at the Inner Mongolia Autonomous Region from the year 2017. The consideration of the Possible Acquisition will be in the region of RMB85,000,000. As at the date of this report, the Company was still liaising with various professional advisors on the deal and the acquisition was not yet completed.

Exploration and Development Agreement

In August 2022, the Company entered into the Exploration and Development Agreement, pursuant to which the Company and Tacheng Xingta agreed to explore and develop jointly the Xinjiang Oil Sands Mines and the Company agreed to contribute an initial cost of the exploration of Xinjiang Oil Sands Mines at around RMB2.43 million (equivalent to approximately HK$2.84 million). Pursuant to the Exploration and Development Agreement, the Company is granted an option to decide as to whether to proceed further with the Exploration and Development Agreement after the exploration results of the hydrocarbons emissions from the oil sands of Xinjiang Oil Sands Mines are available. As at the date of this report, the Company was still liaising with mining experts on the exploration and the Company has not yet decided as to whether it will exercise the option or not.

Tacheng Xingta is the holder of the exploration permit of Xinjiang Oil Sands Mines, covering an area of approximately 39.37 square kilometres, for a term of 5 years commencing on 11 August 2020.

For details, please refer to the announcement of the Company dated 26 August 2022.

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.

A consideration of HK$1 is payable on acceptance of the offer of grant of a share option. Unless the Board determines otherwise, there is no vesting period nor performance target for the share options. The exercise price of the share options must be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; or (iii) the nominal value of the Share.

On 20 May 2021, the Company granted the share options (the "**Share Options**") to 5 grantees (including 5 employees) 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 806,700,000 Shares, representing approximately 18.11% of issued share capital of the Company as at the date of this report. For details, please refer to the circulars of the Company dated 28 August 2019 and 27 April 2020 and the announcements of the Company dated 25 September 2019, 29 May 2020, 19 June 2020 and 20 May 2021 respectively.

The number of options available for grant under the mandate of the New Scheme as at 1 January 2022 and 31 December 2022 was 50,251,740. Other than the New Scheme, the Company does not have other share schemes. The number of shares that may be issued in respect of options granted under the New Scheme represented approximately 18.1% of the weighted average number of Shares for the Reporting Period.

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				
Name or category of participants	Date of grant (dd/mm/yyyy)	Exercise price after (before) share subdivision in 2018 HK$	Closing Price of the Shares immediately before the date of grant HK$	Vesting date (dd/mm/yyyy)	Exercisable period (dd/mm/yyyy)	As at 01/01/2022	Granted during the period	Exercise during the period	Lapse during the period	As at 31/12/2022[2]
DIRECTORS										
Mr. Yuan Hongbing	19/6/2020	0.145	0.145	19/6/2020	19/6/2020–18/6/2026	37,000,000	–	–	–	37,000,000
					Total	37,000,000	–	–	–	37,000,000
OTHER PARTICIPANTS										
Eligible employees[1]	19/6/2015	0.64125 (1.2825)	0.626	19/6/2015	19/6/2015–18/6/2025	123,200,000	–	–	–	123,200,000
Eligible employees[1]	24/9/2019	0.15	0.131	24/9/2019	24/9/2019–23/9/2029	362,500,000	–	–	–	362,500,000
Eligible employees[1]	19/6/2020	0.145	0.145	19/6/2021	19/6/2020–18/6/2026	159,000,000	–	–	–	159,000,000
Eligible employees[1]	20/5/2021	0.15	0.148	20/5/2021	20/5/2021–19/5/2027	125,000,000	–	–	–	125,000,000
					Total	769,700,000	–	–	–	769,700,000

Note:

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

2. The share options are not subject to any performance target.

CONNECTED TRANSACTION

Provision of drilling services

On 10 August 2021, Ningxia Deliheng Oil and gas Technology Service Company (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 (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 an agreement regarding oil well drilling in Huian Oil Field (惠安油田), the PRC (the "**Huian Well Agreement**"). Pursuant to the Huian Well Agreement, Ningxia Deliheng agreed to provide drilling services of an aggregate of 63 oil wells for Beijing Huaye for the purpose of extraction of oil at an aggregate consideration of RMB748,171,700.00.

As abovementioned, 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 at the material time when the Huian Well Agreement was entered into, the Huian Well Agreement constituted a connected transaction of the Company. As at the date of this report, Mr. Han Jinfeng is an executive Director and the chairman of the Company.

As at the date of this report, as certain conditions precedent has not been fulfilled, including, inter alia, the approval from the independent shareholders, the drilling services of the Group has been deferred.

For further details regarding the Huian Well Agreement, please refer to the announcements of the Company dated 10 August 2021 and 19 August 2021.

CAPITAL COMMITMENT

Contingent Liabilities

Save for those disclosed in this report, as at 31 December 2022, the Group did not have any material contingent liabilities.

Pledge of assets

As at 31 December 2022, no assets of the Group have been pledged as security for the borrowings of the Group (as at 31 December 2021: nil).

Significant Investments and Material Acquisitions or 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 2022.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 (the "**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, provide satisfactory and sustainable returns to the Shareholders. The culture of the Group is that the directors and management of the Group are required to develop its business and operation within the boundary of the applicable laws and regulations and the general standards and expectations of the business community and society. The Group is required to operate based on sound governance and utmost integrity and prohibit all kinds of damaging, corruptive, collusive, unethical and discriminative acts.

In addition, the Group carries out its business 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.

The Company has, throughout the Reporting Period, applied and complied with the code provisions set out in the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 of the Listing Rules except for the following deviation.

Pursuant to code provision C.1.6 of the Code, independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. Our non-executive Director, Mr. Chen Yunwei was unable to attend the annual general meeting of the Company held on 29 June 2022 due to other commitments.

DIRECTORS' SECURITIES TRANSACTIONS

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

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

CORPORATE GOVERNANCE REPORT

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. Han Jinfeng *(Chairman)* (appointed on 11 March 2022)
Mr. Yuan Hongbing *(Chief Executive Officer)*
Mr. Lin Caihuo
Mr. Chen Jinle *(Chairman)* (resigned on 11 March 2022)

Non-Executive Director

Mr. Chen Yunwei

Independent Non-Executive Directors

Mr. Tche Heng Hou Kevin
Mr. Mak Tin Sang
Mr. Jiang Hao

The biographical details of the Directors are set out in the section headed "Biographical Details of Directors" on pages 27 to 29 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 can 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.

Responsibilities

The Board is responsible for the formulation of business policies and strategies in relation to the business operation of the Group and to ensure the availability of sufficient 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 C.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 C.2.1 of the CG Code. 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.

Throughout the Reporting Period and up to the date of this report, the Company has complied with the requirements under Rules 3.10 and 3.10A of the Listing Rules, which require at least three independent non-executive Directors and that at least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise. 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 in the agenda. Generally, at least 14 days' notice is given for the regular Board meetings by the Company. All substantive agenda items have comprehensive briefing papers, which are, in general, circulated at least three days before 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 declare his interests, 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 of 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**	**N/A**	**4**	**2**	**1**	**1**
Executive Directors						
Mr. Han Jinfeng *(Chairman)* (appointed on 11 March 2022)	0	N/A	3	N/A	N/A	1
Mr. Yuan Hongbing *(Chief Executive Officer)*	1	N/A	4	N/A	1	N/A
Mr. Lin Caihuo	0	N/A	0	N/A	0	0
Mr. Chen Jinle *(Chairman)* (resigned on 11 March 2022)	N/A	N/A	N/A	N/A	N/A	N/A
Non-Executive Director						
Mr. Chen Yunwei	0	N/A	3	N/A	N/A	N/A
Independent Non-Executive Directors						
Mr. Tche Heng Hou Kevin	1	N/A	4	2	1	1
Mr. Mak Tin Sang	1	N/A	4	2	1	1
Mr. Jiang Hao	1	N/A	4	2	1	1

BOARD OF DIRECTORS *(Continued)*

Board Meetings *(Continued)*

Code provision C.1.6 of the CG Code stipulated that independent non-executive directors and other non-executive directors should attend the general meetings to gain and develop a balanced understanding of the views of the Shareholders. Mr. Chen Yunwei, the non-executive Director, was unable to attend the annual general meeting of the Company held on 29 June 2022 due to his other business engagements.

Code provision F.2.2 of the CG Code stipulates that the chairman of the board of directors should attend the annual general meetings. Mr. Han Jinfeng, the then chairman of the Board, was unable to attend the annual general meeting of the Company during the Reporting Period due to other work commitment and travel restrictions to Hong Kong.

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

Code Provision C.1.4 of the CG Code stipulated 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 trainings 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. Han Jinfeng *(Chairman)* (appointed on 11 March 2022)	✓
Mr. Yuan Hongbing *(Chief Executive Officer)*	✓
Mr. Lin Caihuo	✓
Mr. Chen Jinle *(Chairman)* (resigned on 11 March 2022)	✓
Mr. Chen Yunwei	✓
Mr. Tche Heng Hou Kevin	✓
Mr. Mak Tin Sang	✓
Mr. Jiang Hao	✓

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 final decision will be made upon the merits and contribution that the selected candidates can bring to the Board.

Target has been set by the Company to appoint at least one female Board member by the end of the year 2024 in accordance with the requirements of the Listing Rules. The Board will take opportunities to invite suitable female members over time to join the Board when selecting and making recommendation on suitable candidates for Board appointments.

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. Mak Tin Sang
Mr. Jiang Hao

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

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.

BOARD COMMITTEES *(Continued)*

Audit Committee *(Continued)*

The Audit Committee held two meetings during the Reporting Period. Details of attendance at 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 2021 and the corresponding annual results announcement;

— reviewing the interim consolidated financial statements for the six months ended 30 June 2022 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.

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)*
Mr. Yuan Hongbing
Mr. Lin Caihuo
Mr. Tche Heng Hou Kevin
Mr. Jiang Hao

BOARD COMMITTEES *(Continued)*

Remuneration Committee *(Continued)*

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, and review and approve matters relating to share schemes under Chapter 17 of the Listing Rules. 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.

During the Reporting Period, the Remuneration Committee held one meeting. Details of attendance at 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 review the performance of Directors;

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

— to consider and approve the remuneration packages for the proposed Directors and contract renewal of existing 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	1

BOARD COMMITTEES *(Continued)*

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. Han Jinfeng *(Chairman of the Committee)* (appointed on 11 March 2022)
Mr. Lin Caihuo
Mr. Tche Heng Hou Kevin
Mr. Mak Tin Sang
Mr. Jiang Hao
Mr. Chen Jinle *(Chairman of the Committee)* (resigned on 11 March 2022)

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 one meeting. Details of attendance at 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 review and discuss the structure, size and composition of the Board;

— to review and discuss the board diversity policy of the Company;

— to consider the proposed appointment of Directors and the contract renewal of existing 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.

BOARD COMMITTEES *(Continued)*

Corporate Governance Functions

The Board is responsible for developing and reviewing the Company's policies and practices on corporate governance and performing corporate governance duties as set out in code provision A.2.1 of the CG Code. The following is a non-comprehensive summary of the duties performed by the Board for the Reporting Period:

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

– to review the Company's overall corporate governance arrangements;

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

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

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

– 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 true, accurate and not misleading in all material respect by presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

The statement of the external auditor of the Company with regard to their reporting responsibilities on the Company's consolidated financial statements, is set out in the Independent Auditor's Report on pages 45 to 52 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, CCTH CPA Limited and Cheng & Cheng Limited, and the respective fees paid were as follows:

	2022 **HK$'000**	2021 HK$'000
CCTH CPA Limited		
Audit services	**1,300**	1,000
Cheng & Cheng Limited		
Audit services	**–**	–
Other non-audit services	**250**	450

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' RIGHTS AND PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS BY SHAREHOLDERS *(Continued)*

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 85 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 Company has reviewed its communication policy and considers it to the effective.

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 2022.

CONSTITUTIONAL DOCUMENTS

To bring the memorandum and articles of association of the Company in line with the relevant requirements of the applicable laws of the Cayman Islands and the Listing Rules, the Company's shareholders passed a special resolution at the annual general meeting held on 29 June 2022 to adopt a new set of amended and restated Articles of Association. Details of the major amendments brought about by the adoption of the new amended and restated Articles of Association are set out in the Company's circular dated 27 May 2022. The amended and restated Articles of Association is available on the Company's website.

BIOGRAPHICAL DETAILS OF DIRECTORS

The Directors as at the date of this report are as follows:

BOARD OF DIRECTORS

Executive Directors

Mr. Han Jinfeng, aged 44, has been an executive Director, the Chairman of the Board and the chairman of the Nomination Committee since 11 March 2022. He holds a bachelor's degree in economics and business administration awarded by Nanjing Political College* (南京政治學院).

Mr. Han has over 22 years of investment and management experience in the oil and gas exploration industry as well as an extensive experience and capabilities in the industrial investment, innovation management and market development.

Mr. Han is currently the chairman of the board of directors of Genting Petroleum (China) Co., Ltd.* (雲頂石油天然氣（中國）有限公司), the chairman of Dongying Jinfeng Petroleum Technology Group Co., Ltd.* (東營金峰石油科技集團有限公司), a committee member of Shandong Province Committee of the Chinese People's Political Consultative Conference, a standing committee member and committee member of Dongying Municipal Committee of the Chinese People's Political Consultative Conference and a standing member, the executive director and honorary vice chairman of Dongying Charity Federation* (東營市慈善總會).

Mr. Yuan Hongbing, aged 44, 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. Yuan was appointed as an executive Director of China Clean Energy Technology Group Limited (Stock Code: 2379), a company listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") from 3 October 2022 to 17 March 2023. Mr. Yuan has also been appointed as the executive Director of Pa Shun International Holdings Limited (Stock Code: 574), a company listed on the main board of the Stock Exchange since 28 March 2023.

Mr. Lin Caihuo, aged 51, 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.

BOARD OF DIRECTORS *(Continued)*

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業家聯合會副會長) 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.

Non-Executive Director

Mr. Chen Yunwei, aged 36, has been the non-executive Director since October 2021. Mr. Chen graduated with a master's degree in Economics from Shandong University. Mr. Chen was the co-head of structured finance of Zhongtai International. Mr. Chen has over 10 years' experience in investment banking and has comprehensive experience in public bond issue, structured financing, cross border financing and acting as independent financial advisor. Mr. Chen has been appointed as the non-executive director of China Art Financial Holdings Limited, a company listed on the main board of the Stock Exchange (stock code: 1572) since 23 April 2021. Mr. Chen has also been the non-executive director of Pa Shun International Holdings Limited, a company listed on the main board of the Stock Exchange (stock code: 574), since 29 October 2021.

Independent Non-Executive Directors

Mr. Tche Heng Hou Kevin, aged 62, 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.

BOARD OF DIRECTORS *(Continued)*

Independent Non-Executive Directors *(Continued)*

Mr. Mak Tin Sang, aged 66, 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 was appointed as an independent non-executive Director of Ozner Water International Holding Limited (Stock Code: 2014), a company previously listed on the main board of the Stock Exchange, from 16 September 2022 to 28 December 2022. He was also appointed as an independent non-executive Director of China Clean Energy Technology Group Limited (Stock Code: 2379), a company listed on the main board of the Stock Exchange, from 25 November 2021 to 27 March 2023. Mr. Mak has served as an executive Director of China Graphene Group Limited (now known as China Asia Valley 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 (now known as Sinocloud 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 (now known as Nutryfarm International Limited), a company listed on the main board of the Singapore Exchange Limited, between August 2001 and September 2003.

Mr. Jiang Hao, aged 46, has been an independent non-executive Director and a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee since October 2021.

Mr. Jiang graduated from Fudan University with a bachelor's degree in economics in 1999. He is a fellow member of the Association of Chartered Certified Accountants (FCCA). Mr. Jiang worked in the International Business Department of China Construction Bank Dalian Branch from July 1999 to July 2001, and from March 2004 to April 2008, he worked in ZTE Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 000063) and the main board of the Stock Exchange (stock code: 763) respectively, as senior financing manager of the international financing department. Mr. Jiang worked in Sinogiant investment holding group as Chief Financial Officer from April 2008 to December 2015 and worked as chairman and general manager of Shenzhen Qianhai Baotai Xingye Investment Management Co., Ltd. from December 2015 to May 2019. From May 2019 to November 2019, he was the chief financial officer of IDT International Ltd, a company listed on the main board of the Stock Exchange (stock code: 167). Mr. Jiang is the chief financial officer of China Art Financial Holdings Limited, a company listed on the main board of the Stock Exchange (stock code: 1572), from 14 April 2021 to 23 March 2022. Mr. Jiang was appointed as an executive Director of China Clean Energy Technology Group Limited (Stock Code: 2379), a company listed on the main board of the Stock Exchange, from 3 October 2022 to 17 March 2023. Mr. Jiang has 20 years of experience in financial management, capital operation, private equity fund, venture capital fund operation and rich overseas working experience.

* *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 investment holding. Particulars of the Company's principal subsidiaries are set out in Note 16 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results for the Reporting Period are set out in the consolidated financial statements on pages 53 to 58 of this annual report.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: nil).

SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2022 are set out in note 16 to the consolidated financial statements on pages 110 to 116 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 12 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 32 of this annual report. Those 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 4.2 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 2022 are set out in Note 5 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 in the foreseeable future because of market uncertainties over the supply and demand of these commodities resulting from highly uncertain weighing on the global growth. As a result, it is difficult for the Group 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

Best efforts are expended to ensure compliance with the laws and regulations of those jurisdictions in which the Group 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 Company complies with the requirements under the Listing Rules and the SFO for, among other things, the disclosure of information and corporate governance, and the Company 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 Reporting Period are set out in Note 26 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 27 to the consolidated financial statements on pages 128 and 129 of this annual report respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company has no reserves available for distribution to shareholders as at 31 December 2022. Share premium and accumulated losses of the Company were as follows:

	Share Premium HK$'000	**Accumulated losses** HK$'000
As at 31 December 2022	**321,958**	**542,392**
As at 31 December 2021	321,958	521,804

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

Charitable or other donations made by the Group during the Reporting Period amounted to approximately HK$92,000 (2021: 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 40 to the consolidated financial statements of this annual report, the Group did not make any material acquisition and disposal during the Reporting Period.

BANK BORROWINGS

Details of the bank borrowings of the Group as at 31 December 2022 are set out in Note 33 to the consolidated financial statements.

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 17 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 the section headed "Events After Reporting Period" of the Report of the Directors.

(b) Share Options

Details of the Share Option Scheme of the Company are set out in the section headed "Share Option Scheme" below and Note 28 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISION

Pursuant to article 164(1) 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. Han Jinfeng *(Chairman)* (appointed on 11 March 2022)
Mr. Yuan Hongbing *(Chief Executive Officer)*
Mr. Lin Caihuo
Mr. Chen Jinle *(Chairman)* (resigned on 11 March 2022)

Non-Executive Director

Mr. Chen Yunwei

Independent Non-Executive Directors

Mr. Tche Heng Hou Kevin
Mr. Mak Tin Sang
Mr. Jiang Hao

In accordance with article 84(1) of the Articles of Association, Mr. Lin Caihuo, being the executive Director and Mr. Tche Heng Hou Kevin and Mr. Mak Tin Sang, being the independent non-executive Directors, shall retire from their office by rotation and, being eligible, have offered themselves for re-election at the forthcoming AGM.

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

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

As at 31 December 2022, 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%
Yuan Hongbing ("**Mr. Yuan**")	Beneficial owner	13,796,000	13,796,000	0.31%

Note:

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

Save as disclosed above, as at 31 December 2022, 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 2022, 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 (as at 31 December 2022)
Qilu International Funds SPC (acting for and on behalf of Zhongtai Dingfeng Classified Fund SP) ("**Qilu International**")	Person having a security interest in shares	2,649,059,881	59.46%
Zhongtai International Asset Management (Singapore) Pte. Ltd. ("**Zhongtai Singapore**")[2]	Investment manager	2,649,059,881	59.46%
Zhongtai International Asset Management Limited ("**Zhongtai International**")[3]	Investment manager	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**")[4]	Person having a security interest in shares	1,821,053,112	40.88%
Zhongtai Innovation Capital Management Limited ("**Zhongtai Innovation**")[5]	Investment manager	1,821,053,112	40.88%
Lin Aihua ("**Ms. Lin**")[6]	Interest of spouse	928,284,839	20.84%
Chen Jinle ("**Mr. Chen**")	Interest of controlled corporations[7]	892,768,273	20.56%
	Beneficial owner	23,340,000	
Oriental Gold Honour Joy International Holdings Limited ("**Oriental Gold**")[7]	Beneficial owner	892,768,273	20.04%

SUBSTANTIAL SHAREHOLDERS' INTERESTS *(Continued)*

Name	Capacity	Number of Shares held[1]	Approximate percentage of the issued Shares (as at 31 December 2022)
Niu Guangchang[8]	Interest of controlled corporation	742,503,480	16.67%
Hong Kong Moral Co-operation Investment Limited ("**Hong Kong Moral**")[8]	Beneficial owner	742,503,480	16.67%
Cui Xianguo[9]	Interest of controlled corporation	355,390,000	7.98%
Super Wise International Investment Limited ("**Super Wise**")[9]	Beneficial owner	355,390,000	7.98%

Notes:

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

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

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

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

(5) 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.

(6) 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.

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

(8) Hong Kong Moral is wholly-owned and controlled by Mr. Niu Guangchang.

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

Save as disclosed above, as at 31 December 2022, 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

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 20 May 2021, the Company granted a total of 125,000,000 share options (the "**Share Options**") to 5 grantees (comprising 5 employees who are not a Director, chief executive nor substantial shareholder of the Company nor an associate (as defined under the Listing Rules) of any of them) at the exercise price of HK$0.15 per share under the New Scheme adopted by the Company on 16 September 2019 and refreshed on 29 May 2020. Further details are set out in the announcement of the Company dated 20 May 2021.

The total number of securities available for issue under the New Scheme as at the date of this report was 806,700,000 Shares which represents approximately 18.11% 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 27 April 2020 and the announcement of the Company dated 25 September 2019, 29 May 2020, 19 June 2020 and 20 May 2021 respectively.

SHARE OPTION SCHEME *(Continued)*

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

Name or category of participants	Date of grant (dd/mm/yyyy)	Exercise price after (before) share subdivision in 2018 HK$	Vesting date (dd/mm/yyyy)	Exercisable period (dd/mm/yyyy)	Number of share options: As at 01/01/2022	Granted during the period	Exercised during the period	Forfeited during the period	Lapsed during the period	As at 31/12/2022
DIRECTORS										
Mr. Yuan Hongbing	19/6/2020	0.145	19/6/2020	19/6/2020–18/6/2026	37,000,000	–	–	–	–	37,000,000
				Total	37,000,000	–	–	–	–	37,000,000
OTHER PARTICIPANTS										
Eligible employees[1]	19/6/2015	0.64125 (1.2825)	19/6/2015	19/6/2015–18/6/2025	123,200,000	–	–	–	–	123,200,000
Eligible employees[1]	24/9/2019	0.15	24/9/2019	24/9/2019–23/9/2029	362,500,000	–	–	–	–	362,500,000
Eligible employees[1]	19/6/2020	0.145	19/6/2021	19/6/2020–18/6/2026	159,000,000	–	–	–	–	159,000,000
Eligible employees[1]	20/5/2021	0.15	20/5/2021	20/5/2021–19/5/2027	125,000,000	–	–	–	–	125,000,000
				Total	769,700,000	–	–	–	–	769,700,000

Note:

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

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

MANAGEMENT CONTRACTS

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

RELATED PARTY TRANSACTIONS

Save as disclosed in the paragraph headed "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 41 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
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.

REPORT OF THE DIRECTORS

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

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors during the Reporting Period are set out below:

Mr. Chen Jinle has resigned as an executive Director, the chairman of the Board and the chairman of the Nomination Committee with effect from 11 March 2022.

Following the resignation of Mr. Chen Jinle, Mr. Han Jinfeng was appointed as an executive Director, the chairman of the Board and the chairman of the Nomination Committee with effect from 11 March 2022.

Save as disclosed above, the Company is not aware of any other information which is 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 27 to page 29 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. Mak Tin Sang and Mr. Jiang Hao, 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 formulated 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 the 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 which are set out in Note 28 to the consolidated financial statements.

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

Provision of drilling services

On 10 August 2021, Ningxia Deliheng Oil and gas Technology Service Company (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 (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 an agreement regarding oil well drilling in Huian Oil Field (惠安油田), the PRC (the "**Huian Well Agreement**"). Pursuant to the Huian Well Agreement, Ningxia Deliheng agreed to provide drilling services of an aggregate of 63 oil wells for Beijing Huaye for the purpose of extraction of oil at an aggregate consideration of RMB748,171,700.00.

As abovementioned, 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 at the material time when the Huian Well Agreement was entered into, the Huian Well Agreement constituted a connected transaction of the Company. As at the date of this announcement, Mr. Han Jinfeng is an executive Director and the chairman of the Company.

As at the date of this annual report, since certain conditions precedent has not been fulfilled, including, inter alia, the approval from the independent shareholders, the drilling services of the Group has been deferred.

For further details regarding the Huian Well Agreement, please refer to the announcements of the Company dated 10 August 2021 and 19 August 2021.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, sales to the Group's five largest customers accounted for approximately 80% of the Group's sales for the Year and sales to the Group's largest customer included therein accounted for approximately 56%.

During the Reporting Period, purchase from the Group's five largest suppliers accounted for approximately 97% of the Group's total purchases for the Year and purchase from the Group's largest supplier included therein accounted for approximately 67%.

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 2022 (the "**2022 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, CCTH CPA Limited (the "**Auditors**") is not modified in respect of this matter, details of which were disclosed in the Company's annual results announcement dated 30 March 2023 (the "**2022 Results 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 2022 Results Announcements and this Report. Accordingly, the Directors consider the Group will be able to continue to operate as a going concern.

EVENTS AFTER REPORTING PERIOD

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. 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 4 May 2020. The original maturity date was 17 July 2020 and the original conversion price was HK$0.184 per conversion share.

On 16 July 2020, the Company has entered into a supplemental deed with Qilu to (a) amend the conversion price to HK$0.134; (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, and extend the end of the conversion period to 4:00 p.m. (Hong Kong time) on the maturity date; and (d) the interest payment dates shall be 18 January 2021 and 17 July 2021. On 23 October 2020, ordinary resolutions have been passed by the shareholders of the Company.

On 4 August 2021, the Company entered into the second supplemental deed (the "**Second Supplemental Deed**") with Qilu to (a) extend the Maturity Date to 17 July 2022 and extend the end of the Conversion Period to 4:00 p.m. (Hong Kong time) on the extended Maturity Date; and (b) the interest payment dates shall be 17 January 2022 and 17 July 2022. On 20 October 2021, ordinary resolutions have been passed by the shareholders of the Company.

EVENTS AFTER REPORTING PERIOD *(Continued)*

Amendments to the Terms and Conditions of Convertible Notes *(Continued)*

On 20 March 2023, the Company entered into the third supplemental deed (the "**Third Supplemental Deed**") with Qilu to (a) aggregate all accrued and unpaid interest up to 18 July 2022 in the sum of HK$12,337,857.56 with the original principal amount of the Convertible Notes, i.e. HK$110,952,907, totalling HK$123,290,764.56, which is treated as the new outstanding principal amount; (b) amend the interest rate to 8.00% per annum from 19 July 2022 onwards; (c) extend the Maturity Date to 17 July 2025 and extend the end of the conversion period to 4:00 p.m. (Hong Kong time) on the extended maturity date; and (d) the interest payment date shall be 17 July 2025. As at the date of this annual report, certain conditions precedent has not been fulfilled, including the approval from shareholders of the Company by ordinary resolutions and the approval of the Stock Exchange.

As at 31 December 2022, all of the net proceeds have already been used for redemption of the notes issued by the Company in 2017 and repayment of bank loans.

Further details of the issuance of Convertible Notes and the first, second and third supplemental deeds 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, 3 November 2020, 4 August 2021, 31 August 2021, 20 October 2021 and 20 March 2023 and the circulars of the Company dated 8 October 2020 and 4 October 2021.

PUBLIC FLOAT

During the Reporting Period and up to 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 154.

ANNUAL GENERAL MEETING

The forthcoming AGM will be held on Friday, 16 June 2023 (the "**2022 AGM**"). For further details of the forthcoming AGM, please refer to the circular and the notice of the 2022 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, 13 June 2023 to Friday, 16 June 2023 (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, 16 June 2023. 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 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on Monday, 12 June 2023.

AUDITOR

CCTH CPA Limited has been appointed as the auditor of the Company with effect from 29 December 2021 upon the resignation of Cheng & Cheng Limited, Certified Public Accountants with effect 25 November 2021. The consolidated financial statements for the year ended 31 December 2022 has been audited by CCTH CPA Limited. CCTH CPA Limited will retire as the auditor of the Company and, being eligible, offer themselves for re-appointment. A resolution will be submitted to the 2022 AGM for the re-appointment of CCTH CPA Limited as the auditor at the forthcoming annual general meeting.

Cheng & Cheng Limited, Certified Public Accountant has been the auditor of the Company since 20 February 2019 following the resignation of its previous auditor of the Company, PricewaterhouseCoopers.

On behalf of the Board

Han Jinfeng
Chairman

Hong Kong, 30 March 2023

* *For identification purposes only*

INDEPENDENT AUDITOR'S REPORT

CCTH CPA LIMITED
中正天恒會計師有限公司

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 53 to 153, which comprise the consolidated statement of financial position as at 31 December 2022, 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, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 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 OPINION

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2 to the consolidated financial statements regarding the adoption of going concern basis on which the consolidated financial statements have been prepared. The Group sustained net current liabilities amounted to approximately HK$193,643,000 as at 31 December 2022 and the Group incurred a loss of approximately HK$40,785,000 for the year then ended. These conditions, along with other matters as set out in Note 2 to the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt on the ability of the Group and the Company to continue as a going concern. The consolidated financial statements do not include any adjustments that would result from a failure of the Group to implement the measures and arrangements as referred to in Note 2 to the consolidated financial statement for financing the working capital and financial commitments of the Group and the Company for the foreseeable future. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

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

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 3.22 to the consolidated financial statements. For the year ended 31 December 2022, the revenue generated from sales of energy trading products amounted to approximately HK$116,949,000 as set out in Note 6 to the consolidated financial statements.	Our procedures in relation to the revenue recognition for sales of energy trading products included: • Obtained an understanding of the Group's revenue recognition policy and key controls for sales of energy trading products; • Evaluated the key controls over the revenue recognition process for sales of energy trading products; • Inspected contracts with customers, on a sample basis, to understand the terms of the sales transactions including the terms of delivery and acceptance to assess the Group's revenue recognition criteria with reference to the requirements of the prevailing accounting standards; • Tested the selected samples of sales of energy trading products by examination of the invoices and goods delivery notes to the sales recorded; • 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; and • Examined the settlements of the receivables from customers to bank-in receipts, bank statements and other related documents.

Key audit matter	How the matter was addressed in our audit
Impairment of interest in an associate	
As detailed in Note 20 to the consolidated financial statements, the carrying amount of the Group's interest in an associate, Genting (Xinjiang) Petroleum and Gas Development Co., Ltd. ("**Xinjiang**"), amounted to HK$126,866,000 as at 31 December 2022. Management performed impairment assessment of the Group's interest in Xinjiang with reference to a valuation carried out by an external valuer and no impairment loss was recognised by the Group in respect of the investment in associate for the current year under review. We have identified the impairment assessment of interest in an associate as a key audit matter as the magnitude of the investment is significant and management assessment of the recoverable amount of the investment involves judgements and estimates about the future results of the associate, key assumptions including revenue growth rate and gross profit margin and the discount rates applied to future cash flow forecast.	Our audit procedures in relation to the impairment assessment of interest in an associate included: • We understood the basis of impairment assessment of the Group's interest in Xinjiang performed by management of the Group, including the valuation model adopted and key assumptions used. • We evaluated the independence, competence, capabilities and objectivity of the external valuer regarding the valuation of the Group's investment in an associate. • We evaluated the valuation methodology adopted by the management and the external valuer. • We evaluated the key assumptions and inputs used by the management for the valuation, including the future cash flows expected to be generated by Xinjiang from its operations and the discount rate used, with reference to publicly available information. • We checked the arithmetical calculation of the financial data to arrive at the valuation. • We compared the estimated recoverable amount of interest in Xinjiang with its carrying amount and assessed whether impairment loss on interest in Xinjiang is required to be recognised.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables	
As detailed in Note 22 to the consolidated financial statements, as at 31 December 2022, the Group had gross trade receivables, of approximately HK$14,721,000. Assessment of impairment provision for these receivables involves management's judgment of the ability of the debtors to make settlement which depends on customers' specific and market conditions that are inherently uncertain. We identified the impairment assessment of trade receivables as a key audit matter due to the magnitude of these receivables and the management's estimates and judgments involved in the determination of the expected credit losses of these receivables.	Our procedures in relation to the impairment assessment of trade receivables included: • Obtained an understanding of the key controls that the Group has implemented in relation to debt collection and making provisions for doubtful debts; • Assessed the classification and accuracy of individual balances in ageing reports of trade receivables by testing the underlying invoices and/or agreement on a sample basis; • Assessed subsequent settlement of the receivable balances. Where settlement had not been received subsequent to the year end date, we obtained an understanding of the basis of management's judgments about the recoverability of the outstanding receivables and estimates about the allowances for credit losses made by management for these individual balances; • Assessed the historical accuracy of the estimates made by the management for the credit loss allowances; and • Assessed the appropriateness of the expected credit loss positioning methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit losses.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of prepayments to suppliers	
As set out in Note 22 to the consolidated financial statements, Group had made prepayments to suppliers totalled approximately HK$11,803,000 as at 31 December 2022 which were included in trade and other receivables and prepayments. Management has performed impairment assessment of the prepayments to suppliers based on purchase contracts, advance payments history, suppliers' credit profile, on-going business relationship with suppliers and underlying economic conditions. We identified the impairment assessment of prepayments to suppliers as a key audit matter due to the significant amount of prepayments to suppliers and the impairment assessment of the prepayments to suppliers involved significant management judgments and estimates.	Our procedures in relation to the impairment assessment of prepayments to suppliers included: • Obtained an understanding of the key controls that the Group has implemented in relation to prepayments to suppliers; • Checked, on a sample basis, the prepayments to suppliers to the underlying purchase contracts, payment records and other related information; • Reviewed the relevant documents for the prepayments to suppliers subsequent to 31 December 2022 for which the Group had made advance payments as at that date and assessed any of these purchases were cancelled to the Group; • Reviewed, on a sample basis, the relevant correspondences and made enquiry of management regarding the status of the suppliers to which the Group had made prepayments and the Group's on-going business relationship with these suppliers; and • Assessed the appropriateness of the impairment assessment made by the Group, examined the key data inputs on a sample basis to assess their accuracy and completeness, and challenged the assumptions adopted, where necessary.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of advance payments for assets acquisition	
As set out in Note 23 to the consolidated financial statements, the Group had made advance payments for assets acquisition totalled approximately HK$265,104,000 as at 31 December 2022. Management has performed impairment assessment of the advance payments for assets acquisition based on letter of intent or agreements entered into between the Group and the counter parties, advance payments history, credit profile of contracting parties, status of due diligence works, on-going business relationship with contracting parties and underlying economic conditions. We identified the impairment assessment of advance payments for assets acquisition as a key audit matter due to the significant amount of advance payments for assets acquisition and the impairment assessment of the advance payments for assets acquisition involved significant management judgments.	Our procedures in relation to the impairment assessment of advance payments for assets acquisition included: • Obtained an understanding of the key controls that the Group has implemented in relation to advance payments for assets acquisition; • Checked, on a sample basis, the advance payments for assets acquisition to the underlying letter of intent, supplementary agreements, payment records and other related information; • Obtained the audit circularisation of the advance payments for assets acquisition from the contracting parties for which the Group had made advance payments as at that date; • Reviewed the relevant correspondences and made enquiry of management regarding the status of the due diligence works for the proposed assets acquisition and the Group's on-going business relationship with these contracting parties; and • Considered the appropriateness of (i) classification of the advance payments under non-current assets and current assets in the Group's consolidated statement of financial position and (ii) related disclosures in notes to consolidated financial statements.

OTHER INFORMATION

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.

CCTH CPA Limited
Certified Public Accountants
Hong Kong, 30 March 2023

Ng Kam Fai
Practising Certificate number P06573
Unit 1510–1517, 15/F., Tower 2,
Kowloon Commerce Centre,
No. 51 Kwai Cheong Road, Kwai Chung,
New Territories, Hong Kong

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	NOTES	2022 HK$'000	2021 HK$'000
Revenue	6	**150,286**	11,010,520
Cost of sales	8	**(122,393)**	(10,581,690)
Gross profit		**27,893**	428,830
Other income	10	**12,857**	10,851
Other gains/(losses) — net	11	**3,084**	(405)
Gain on disposal of subsidiaries	40	**–**	11,638
(Impairment loss)/reversal of impairment loss on trade receivables	22	**(92)**	2,010
Impairment loss on prepayments to suppliers	22	**(32,828)**	–
Impairment loss on amounts due from former subsidiaries	40	**–**	(23,458)
Administrative expenses	8	**(31,386)**	(92,080)
Distribution expenses	8	**(8,811)**	(175,893)
Share of loss of associate	20	**(47)**	–
Operating (loss)/profit		**(29,330)**	161,493
Finance income	12	**1,386**	241
Finance expenses	12	**(13,303)**	(24,703)
Finance expenses — net	12	**(11,917)**	(24,462)
(Loss)/profit before income tax		**(41,247)**	137,031
Income tax credit/(expense)	13	**462**	(62,895)
(Loss)/profit for the year		**(40,785)**	74,136
(Loss)/profit for the year attributable to:			
Owners of the Company		**(31,913)**	94,295
Non-controlling interests		**(8,872)**	(20,159)
		(40,785)	74,136
		2022 **HK Cents**	2021 HK Cents
(Loss)/earnings per share	15		
— Basic		**(0.72)**	2.12
— Diluted		**NA**	2.08

The notes on pages 59 to 153 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022 HK$'000	2021 HK$'000
(Loss)/profit for the year	**(40,785)**	74,136
Other comprehensive (loss)/income		
Items that may be reclassified to profit or loss		
— Currency translation differences	**(47,001)**	14,649
— Translation reserve released upon deregistration/ disposal of subsidiaries	**7**	(2,178)
	(46,994)	12,471
Total comprehensive (loss)/income for the year	**(87,779)**	86,607
Total comprehensive (loss)/income for the year attributable to:		
Owners of the Company	**(84,362)**	107,314
Non-controlling interests	**(3,417)**	(20,707)
	(87,779)	86,607

The notes on pages 59 to 153 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	NOTES	2022 HK$'000	2021 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	17	**2,552**	2,108
Advance payments for assets acquisition	23	**163,575**	–
Right-of-use assets	18	**2,440**	4,325
Goodwill	19	**–**	–
Interest in an associate	20	**126,866**	–
		295,433	6,433
Current assets			
Inventories	21	**–**	4,774
Trade and other receivables and prepayments	22	**49,963**	962,094
Advance payments for assets acquisition	23	**101,529**	–
Amounts due from non-controlling interest of a subsidiary	24	**24,500**	–
Cash and cash equivalents	25	**49,238**	55,681
		225,230	1,022,549
Total assets		**520,663**	1,028,982
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	26	**5,569**	5,569
Other reserves	27	**415,273**	458,374
Accumulated losses		**(306,816)**	(273,355)
		114,026	190,588
Non-controlling interests		**(12,760)**	(28,229)
Total equity		**101,266**	162,359

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	NOTES	2022 HK$'000	2021 HK$'000
Liabilities			
Non-current liabilities			
Bond payables	34	**–**	29,718
Lease liabilities	36	**524**	2,677
		524	32,395
Current liabilities			
Trade and other payables	29	**79,907**	359,278
Current income tax liabilities		**1,504**	26,112
Amount due to a shareholder	30	**126,118**	–
Amount due to an associate	31	**121,276**	–
Amounts due to related parties	32	**10,953**	–
Borrowings	33	**30,390**	307,079
Bond payables	34	**29,028**	–
Convertible loan notes	35	**–**	113,291
Derivative financial liabilities	35	**–**	1,230
Lease liabilities	36	**1,955**	2,521
Contract liabilities	37	**17,742**	24,717
		418,873	834,228
Total liabilities		**419,397**	866,623
Net current (liabilities)/assets		**(193,643)**	188,321
Total assets less current liabilities		**101,790**	194,754
Total equity and liabilities		**520,663**	1,028,982

The notes on pages 59 to 153 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 53 to 153 were approved by the Board of Directors on 30 March 2023 and are signed on its behalf by:

Han Jinfeng
Director

Yuan Hongbing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

		Attributable to owners of the Company					
	NOTES	Share capital HK$'000	Other reserves HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 January 2021		5,569	444,813	(386,554)	63,828	(7,288)	56,540
Profit/(loss) for the year		–	–	94,295	94,295	(20,159)	74,136
Other comprehensive income/(expense)							
Currency translation differences	27	–	15,197	–	15,197	(548)	14,649
Release of translation reserve upon disposal of subsidiaries	27	–	(2,178)	–	(2,178)	–	(2,178)
Total comprehensive income/(expense) for the year		–	13,019	94,295	107,314	(20,707)	86,607
Recognition of equity-settled share-based payments	27, 28	–	19,446	–	19,446	–	19,446
Lapse of share options granted	27, 28	–	(3,429)	3,429	–	–	–
Transferred to accumulated losses on modification of convertible loan notes	27, 36	–	(13,186)	13,186	–	–	–
Capital injection by non-controlling interests		–	–	–	–	11,972	11,972
Disposal of a subsidiary		–	–	–	–	(12,206)	(12,206)
Appropriation to statutory reserve	27	–	2,661	(2,661)	–	–	–
Reclassification of special reserve to accumulated losses upon disposal of subsidiaries	27	–	(4,950)	4,950	–	–	–
Balance at 31 December 2021		5,569	458,374	(273,355)	190,588	(28,229)	162,359
Loss for the year		**–**	**–**	**(31,913)**	**(31,913)**	**(8,872)**	**(40,785)**
Other comprehensive (expense)/income							
Currency translation differences	27	**–**	**(52,456)**	**–**	**(52,456)**	**5,455**	**(47,001)**
Release of translation reserve upon deregistration of a subsidiary	27	**–**	**7**	**–**	**7**	**–**	**7**
Total comprehensive expense for the year		**–**	**(52,449)**	**(31,913)**	**(84,362)**	**(3,417)**	**(87,779)**
Payroll and welfare payables waived by shareholder	27	**–**	**7,800**	**–**	**7,800**	**–**	**7,800**
Capital injection by non-controlling interests		**–**	**–**	**–**	**–**	**24,500**	**24,500**
Appropriation to statutory reserve	27	**–**	**1,548**	**(1,548)**	**–**	**–**	**–**
Dividend paid to non-controlling interest	27	**–**	**–**	**–**	**–**	**(5,614)**	**(5,614)**
Balance at 31 December 2022		**5,569**	**415,273**	**(306,816)**	**114,026**	**(12,760)**	**101,266**

Details regarding the other reserves are set out in Note 27.

The notes on pages 59 to 153 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	NOTES	2022 HK$'000	2021 HK$'000
Cash flows from operating activities			
Cash generated from/(used in) operations	39(a)	**670,920**	(56,712)
Interest received		**1,386**	241
Income tax paid		**(22,916)**	(40,662)
Net cash generated from/(used in) operating activities		**649,390**	(97,133)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**–**	1,690
Purchases of property, plant and equipment		**(1,471)**	(3,564)
Investment in an associate	20	**(127,890)**	–
Advance payments for assets acquisition		**(273,639)**	–
Net cash inflow/(outflow) arising on disposal of subsidiaries	22, 40	**27,343**	(192)
Net cash used in investing activities		**(375,657)**	(2,066)
Cash flows from financing activities			
Advance from related parties	39(b)	**121,926**	–
Repayments to related parties	39(b)	**(110,620)**	(893)
Loan proceeds from shareholders	39(b)	**5,801**	240,993
Loan repayment to shareholders	39(b)	**(281,899)**	(181,188)
Loan proceeds from related parties	39(b)	**5,139**	1,144,563
Loan repayments to related parties	39(b)	**–**	(1,178,840)
Loan repayment to non-controlling interests	39(b)	**–**	(3,620)
Proceeds from bank borrowings	39(b)	**–**	54,243
Repayments of bank borrowings	39(b)	**–**	(18,246)
Loan proceeds from other borrowings	39(b)	**–**	3,729
Repayments of other borrowings	39(b)	**(3,488)**	(8,930)
Interest expenses paid		**(178)**	(16,276)
Capital injection by non-controlling interests		**–**	11,972
Dividend paid to non-controlling interests		**(5,614)**	–
Repayment of lease liabilities	39(b)	**(2,778)**	(3,793)
Net cash (used in)/generated from financing activities		**(271,711)**	43,714
Net increase/(decrease) in cash and cash equivalents		**2,022**	(55,485)
Cash and cash equivalents at beginning of the year	25	**55,681**	116,714
Effect of foreign exchange rate changes		**(8,465)**	(5,548)
Cash and cash equivalents at end of the year	25	**49,238**	55,681

The notes on pages 59 to 153 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

Jintai Energy Holdings Limited ("**the Company**") was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The directors consider the Company's immediate and ultimate holding company to be Oriental Gold Honour Joy International Holdings Limited (the "**Oriental Gold**"), a company incorporated in the British Virgin Islands (the "**BVI**"). The directors also consider the Company's ultimate controlling party to be Mr. Chen Jinle who is the sole shareholder of Oriental Gold and who resigned as an executive director of the Company on 11 March 2022.

The address of the registered office of the Company is Cricket Square Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, and the address of the Company's 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, operation of digital trading parks, service business of customs declaration and oil drilling services. The Group has operations mainly in Hong Kong and Mainland China of the People's Republic of China ("**PRC**").

In prior years, the Company's functional currency was Hong Kong dollar ("**HK$**"). The Company is an investment holding company. Due to the continuing expansion of the Group's business operations in Mainland China which are transacted mainly in Renminbi ("**RMB**"), the directors have determined that the functional currency of the Company changed from HK$ to RMB on the prospective basis from 1 January 2021. The consolidated financial statements are presented in HK$ as the directors are of the view that HK$ is appropriate presentation currency for the users of the Group's financial statements given that the shares of the Company are listed on the Stock Exchange.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

In preparing the consolidated financial statements of the Group, the directors of the Company have given consideration to the future liquidity of the Group in light of the Group's net current liabilities of approximately HK$193,643,000 at 31 December 2022. As at 31 December 2022, the Group had amounts due to a shareholder, an associate and certain related parties totalled approximately HK$258,347,000 and borrowings and bonds payable totalled approximately HK$59,418,000, all of which are repayable on demand or within one year after the end of the reporting period, accordingly, are included in current liabilities. On the same date, the Group had cash and cash equivalents amounted to approximately HK$49,238,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(Continued)*

Notwithstanding the aforesaid conditions, the consolidated financial statements have been prepared on a going concern basis on the assumption that the Group is able to operate as a going concern for the foreseeable future. In the opinion of the directors of the Company, the Group can meet its financial obligations as and when they fall due within the next year from the date of approval of these consolidated financial statements, after taking into consideration of the measures and arrangements made or to be made by the Group, as detailed below:

(a) The beneficial shareholder of the Company, Mr. Chen Jinle, has agreed to provide financial support to the extent of approximately HK$81,000,000 to the Company, if required, to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future.

(b) On 20 March 2023, the Group obtained a written consent from the bond holder under which the bond holder has agreed not to demand repayment of the bond payable (amounted to approximately HK$29,028,000 at 31 December 2022) on or before 23 October 2024.

(c) On 20 March 2023, the Group entered into a conditional agreement with a shareholder under which the maturity date of the amount due by the Group to the shareholder (amounted to approximately HK$126,118,000 at 31 December 2022) is to be extended to 17 July 2025, details of which are set out in Note 43. The aforesaid agreement is subject to be approved by the shareholders of the Company at the extraordinary general meeting which is expected to be held before 30 June 2023.

(d) On 30 March 2023, the Group obtained a written consent from certain related parties of the Company, under which these related parties have agreed not to demand repayment of the amount due by the Group to the related parties (amounted to approximately HK$10,953,000 at 31 December 2022) on or before 30 March 2024.

(e) On 30 March 2023, the Group obtained a written consent from an associate of the Company, under which the associate of the Company has agreed not to demand repayment of the amount due by the Group to the associate (amounted to approximately HK$121,276,000 at 31 December 2022) on or before 30 March 2024.

(f) The directors will continuously and closely monitor the Group's liquidity position and financial performance and implement measures to improve the Group's cash flows.

In light of the measures and arrangements implemented to date, the directors of the Company are of the view that the Group has sufficient cash resources to satisfy its working capital requirements and other financial obligations for at least the next twelve months from the date of approval of these consolidated financial statements after having taken into account of the Group's projected cash flows, current financial resources and capital expenditure requirements with respect to the operations and development of the Group's business. Accordingly, the directors of the Company are of the view that it is appropriate to prepare these consolidated financial statements on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to restate the carrying amounts of the Group's assets to their estimated recoverable amounts, to provide further liabilities that might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

3 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.

3.1 Basis of preparation

3.1.1 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 and the Hong Kong Companies Ordinance (Cap. 622).

The preparation of the consolidated 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 certain financial instruments, which are measured at fair value.

3.1.2 Changes in accounting policy and disclosures

(a) Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institutes of Certified Public Accountants (the "**HKICPA**") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the consolidated financial statements.

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosure set out in these consolidated financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Basis of preparation *(Continued)*

3.1.2 Changes in accounting policy and disclosures (Continued)

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

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

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or 1 January 2024.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of these new and amendments to HKFRSs, which are not yet effective, will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Basis of preparation *(Continued)*

3.1.2 Changes in accounting policy and disclosures (Continued)

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

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies (Continued)

HKFRS Practice Statement 2 Making Materiality Judgements (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to HKAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Basis of consolidation

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

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 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.

3.4 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.

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.5 Investments in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.5 Investments in associates *(Continued)*

When the Group ceases to have significant influence over an associate over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

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

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

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

3.6 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.

3.7 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.8 Foreign currency translation

(a) Functional 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**").

(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'.

(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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.9 Property, plant and equipment

Property, plant and equipment including plant and machinery, moulds, furniture, fixtures and office equipment, leasehold improvements and motor vehicles 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 for 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

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 3.10).

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

3.10 Impairment of non-financial assets excluding goodwill

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 (cash-generating units) for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets. 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11 Financial instruments

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

Amortised cost and interest income

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

The Group's financial assets at amortised cost includes trade and other receivables (Note 22), amounts due from non-controlling interest of a subsidiary (Note 24), and cash and cash equivalents (Note 25).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11 Financial instruments *(Continued)*

Financial assets *(Continued)*

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.

Impairment of financial assets

The Group performed impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade and other receivables, amounts due from non-controlling interest of a subsidiary and cash and cash equivalents) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables. The ECL on these debtors with high credit risk are assessed individually and the remaining is assessed using a provision matrix with appropriate groupings.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11 Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

(i) Significant increase in credit risk

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.

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11 Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

(ii) Definition of default

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.

(iii) Credit-impaired financial assets

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

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

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

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

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

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

(iv) Write-off policy

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11 Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11 Financial instruments *(Continued)*

Financial assets *(Continued)*

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

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 at amortised cost

Financial liabilities including borrowings, trade and other payables, bond payables, amounts due to a shareholder, an associate and related parties, and convertible loan notes are subsequently measured at amortised cost, using the effective interest method.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11 Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

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.

(i) Conversion option to 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

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. In subsequent periods, the liability component is carried at amortised cost using the effective interest method.

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.

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.

(ii) Conversion option to be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative.

At the date of issue, both the liability component and derivative component are recognised at fair value. In subsequent periods the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative component are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the debt portion and amortised over the period of the convertible loan notes using the effective interest method.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11 Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

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.

3.12 Inventories

Finished goods are stated at the lower of cost and net realisable value. Costs of purchased inventories are determined after deducting rebates and discounts. Costs are assigned to individual items of inventories 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.

3.13 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. Additional information regarding the accounting policies for trade receivables is set out in note 3.11.

3.14 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.

3.15 Share capital

Ordinary shares are classified as equity (Note 26).

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.16 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.

3.17 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 consolidated 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.

3.18 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.

3.19 Taxation

The income tax expense 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.19 Taxation *(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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.20 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.

3.21 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 (share option reserve). 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 share options are exercised, the Company issues new shares. The proceeds received, net of any directly attributable transaction costs, together with the related amount included in share option reserve are credited to share capital and share premium account accordingly. Where the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

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).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.22 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 goods 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.

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.22 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) Income from drilling services

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

(c) 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.

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

Revenue from provision of 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.

(e) Income from transportation services

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

(f) Service fee for customs declaration

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

Other revenue

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.23 Provisions and contingent liabilities

Provisions are recognised for 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.

3.24 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.

3.25 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.

3.26 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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.26 Leases *(Continued)*

The Group as a lessee *(Continued)*

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.

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

Lease liabilities

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

The lease payments include:

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.26 Leases *(Continued)*

The Group as a lessee *(Continued)*

Lease liabilities *(Continued)*

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 payments change due to changes in expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

Lease modifications

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

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

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

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

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

The Group as a 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.27 Related parties

A related party is a person or entity that is related to the Group that is preparing its financial statements as follows:

(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 (which means that each parent, subsidiary and fellow subsidiary is related to the others);

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

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

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

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also 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.

A related party transaction is a transfer of resources, services or obligations between the Group and a related party, regardless of whether a price is charged.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

4 FINANCIAL INSTRUMENTS

4.1 Categories of financial instruments

	2022 HK$'000	2021 HK$'000
Financial assets at amortised cost		
Trade and other receivables and prepayments (excluding prepayments to suppliers, prepayments, and deposits)	**36,436**	277,362
Amounts due from non-controlling interest of a subsidiary	**24,500**	–
Cash and cash equivalents	**49,238**	55,681
	110,174	333,043
Financial liabilities at amortised cost		
Trade and other payables (excluding accrued expenses and accrued salaries)	**72,330**	341,767
Amount due to a shareholder	**126,118**	–
Amount due to an associate	**121,276**	–
Amounts due to related parties	**10,953**	–
Borrowings	**30,390**	307,079
Bond payables	**29,028**	29,718
Convertible loan notes	**–**	113,291
Lease liabilities	**2,479**	5,198
	392,574	797,053
Financial liabilities at fair value		
Derivative financial liabilities	**–**	1,230
	392,574	798,283

4 FINANCIAL INSTRUMENTS *(Continued)*

4.2 Financial risk management objectives and policies

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 mainly operates in the PRC and is exposed to foreign currency risk arising from fluctuation in RMB. Foreign currency risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. There is an insignificant material foreign exchange risk noted for the Group as the transactions of the Company are mainly denominated in RMB, which is the functional currency of the Company, and the operations and customers of the Group's subsidiaries are located in the PRC with most of the operating assets and transactions denominated and settled in RMB, which are the functional currencies of the Group's subsidiaries.

(ii) Interest rate risk

Except for cash at bank (note 25), the Group has no other significant interest-bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates. Management does not anticipate significant impact on interest-bearing assets resulted from the changes in interest rates because the interest rates of bank deposits are not expected to change significantly.

The Group's interest rate risk mainly arises from short-term borrowings, amount due to a shareholder and bond payables. Interest on borrowings, amount due to a shareholder and bond payables are charged at fixed rates which 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.

Sensitivity analysis

At 31 December 2022, it is estimated that a general increase or decrease of 100 basis points in interest rates, with all other variable held constant, would decrease/increase the Group's loss by approximately HK$1,551,000 (2021: decrease/increase profit by approximately HK$1,483,000). The above sensitivity analysis has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the next financial year. The analysis was performed on the same basis in respect of the prior year ended 31 December 2021.

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

4 FINANCIAL INSTRUMENTS *(Continued)*

4.2 Financial risk management objectives and policies *(Continued)*

(b) Credit risk

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 100% (2021: 100%) of the Group's trade debtors as at 31 December 2022, of which an aggregate carrying amount of HK$14,632,000 (2021: HK$230,338,000) 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 on an aging basis throughout 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.

4 FINANCIAL INSTRUMENTS *(Continued)*

4.2 Financial risk management objectives and policies *(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). No debtors with credit-impaired as at 31 December 2022 and 2021 were assessed individually.

	2022			2021		
	Expected loss rate %	**Gross carrying amount HK$'000**	**Loss allowance HK$'000**	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Not past due	**–**	**–**	**–**	–	230,338	–
Overdue by:						
121 to 365 days	**0.65%**	**9,349**	**61**	–	–	–
Over 365 days	**0.52%**	**5,372**	**28**	–	–	–
		14,721	**89**		230,338	–

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 the date of approval of the consolidated financial statements, the outstanding balance of trade receivables at 31 December 2022 amounted to HK$14,721,000, which was overdue, was fully settled by the customers subsequent to 31 December 2022.

For the year ended 31 December 2022, the Group recognised loss allowance for trade receivable amounted to HK$92,000 based on the provision matrix. For the year ended 31 December 2021, the Group recognised reversal of loss allowance for trade receivables amounted to HK$2,010,000. No provision of loss allowance for credit-impaired debtors was made by the Group as of 31 December 2022 and 2021.

4 FINANCIAL INSTRUMENTS *(Continued)*

4.2 Financial risk management objectives and policies *(Continued)*

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

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

	2022 Lifetime ECL (not credit-impaired) HK$'000	**2022 Lifetime ECL (credit-impaired) HK$'000**	**2022 Lifetime ECL Total HK$'000**	2021 Lifetime ECL (not credit-impaired) HK$'000	2021 Lifetime ECL (credit-impaired) HK$'000	2021 Lifetime ECL Total HK$'000
At 1 January	**–**	**–**	**–**	1,978	–	1,978
Provision for impairment recognised for the year	**92**	**–**	**92**	–	–	–
Reversal of impairment recognised in prior years	**–**	**–**	**–**	(2,010)	–	(2,010)
Currency translation differences	**(3)**	**–**	**(3)**	32	–	32
At 31 December	**89**	**–**	**89**	–	–	–

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 is assessed to be minimal and no provision in this respect was made as of 31 December 2021 and 2022.

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

(c) ***Liquidity risk***

Notwithstanding that the Group sustained net current liabilities amounted to approximately HK$193,643,000 as at 31 December 2022, the directors are of opinion that the Group is able to operate as a going concern for the foreseeable future and to meet its financial obligations as and when they fall due within one year from the date of approval of these consolidated financial statements, details of which are set out in Note 2.

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.

4 FINANCIAL INSTRUMENTS *(Continued)*

4.2 Financial risk management objectives and policies *(Continued)*

(c) ***Liquidity risk*** *(Continued)*

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
Non-derivative financial liabilities					
At 31 December 2022					
Trade and other payables (excluding non-financial liabilities)	**72,330**	**–**	**–**	**72,330**	**72,330**
Amount due to a shareholder	**126,118**	**–**	**–**	**126,118**	**126,118**
Amount due to an associate	**121,276**	**–**	**–**	**121,276**	**121,276**
Amounts due to related parties	**10,953**	**–**	**–**	**10,953**	**10,953**
Borrowings	**30,841**	**–**	**–**	**30,841**	**30,390**
Bond payables	**30,463**	**–**	**–**	**30,463**	**29,028**
Convertible loan notes *(Note)*	**–**	**–**	**–**	**–**	**–**
Lease liabilities	**2,024**	**532**	**–**	**2,556**	**2,479**
At 31 December 2021					
Trade and other payables (excluding non-financial liabilities)	341,767	–	–	341,767	341,767
Amount due to a shareholder	–	–	–	–	–
Amount due to an associate	–	–	–	–	–
Amounts due to related parties	–	–	–	–	–
Borrowings	307,204	–	–	307,204	307,079
Bond payables	–	34,796	–	34,796	29,718
Convertible loan notes *(Note)*	117,488	–	–	117,488	113,291
Lease liabilities	2,697	2,168	659	5,524	5,198

Note: This is categorised based on contractual terms of redemption at maturity on the assumption that there were no redemption or conversion of the convertible loan notes outstanding at the end of the reporting period before the maturity date.

4 FINANCIAL INSTRUMENTS *(Continued)*

4.3 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).

Financial assets and liabilities

The fair value of the following financial assets and liabilities at 31 December 2022 and 31 December 2021, which are recorded at amortised cost, approximate their carrying amounts as those dates due to their short-term maturity:

- Trade and other receivables and prepayments (excluding prepayments to suppliers, prepayments and deposits)
- Amounts due from non-controlling interest of a subsidiary
- Cash and cash equivalents
- Trade and other payables (excluding accrued expenses and accrued salaries)
- Amount due to a shareholder
- Amount due to an associate
- Amounts due to related parties
- Borrowings
- Bonds payable
- Convertible loan notes
- Lease liabilities

4 FINANCIAL INSTRUMENTS *(Continued)*

4.3 Fair value estimation *(Continued)*

The Group's derivative financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair value of these financial liabilities is determined (in particular, the valuation technique(s) and inputs used).

Financial liabilities	Fair values as at 2022 HK$'000	Fair values as at 2021 HK$'000	Fair value hierarchy	Valuation technique(s) and key input(s)
Derivative financial liabilities	–	1,230	Level 3	Binomial option pricing model with significant unobservable inputs detailed in Note 35.

There were no transfers between levels 1, 2 and 3 during the year.

4.4 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 debts or the redemption of existing debts. The Group's overall strategy remains unchanged from that of the prior year.

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

5 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) Impairment assessment of interest in associate

Determining whether the Group's interest in an associate, Genting (Xinjiang) Petroleum and Gas Development Co., Ltd. ("**Xinjiang**"), is impaired requires an estimation of the value in use of the interest in Xinjiang. The value in use calculation requires the management to estimate the present value of the Group's attributable share of future cash flows expected to be generated by Xinjiang based on its business operations and a suitable discount rate with reference to comparable entities. Where the expected value in use is less than the carrying amount of the Group's investment, an impairment loss may arise. As at 31 December 2022, the carrying amount of the Group's interest in Xinjiang was approximately HK$126,866,000 (31 December 2021: Nil). No impairment loss on investment in Xinjiang was recognised in profit or loss in respect of the current year (2021: Nil).

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(b) 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 debtors in financial difficulties are assessed individually for impairment to determine whether specific loss allowance provisions are required.

For the year ended 31 December 2022, the Group assessed the credit risk for trade receivables based on provision matrix within lifetime ECL (not credit-impaired), which resulted in an recognition of impairment loss for trade receivables amounted to HK$92,000 (2021: reversal of impairment loss amounted to HK$2,010,000 for trade receivables).

The information about provision of ECL for the Group's trade receivables are disclosed in notes 4.2(b) and 22.

(c) Impairment of other receivables

The Group's management determines the provision for impairment of other receivables. This impairment assessment is based on the historical information about the counterparties default rates and financial position of the counterparties. Management reassesses the provision on a regular basis by reviewing the collectability of other receivable balance based on past credit history and knowledge of counterparties' financial position. The information about impairment of other receivables of the Group are disclosed in note 4.2(b).

(d) Impairment of prepayments to suppliers

The Group's management determines the provision for impairment of prepayments to suppliers. This estimate is based on the credit history of the suppliers and current market conditions. Management reassesses the provision on a regular basis by reviewing the utilisation of prepayments balance based on past credit history and knowledge of suppliers' financial position and market volatilities. Details of the prepayments to suppliers are set out in note 22.

(e) 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. The Group recognises liabilities for anticipated tax 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. Management of the Group will revise the expectation where the applicable tax rate is expected to be different from the original expectation.

6 REVENUE

An analysis of the Group's revenue from contracts with customers for the year is as follows:

	2022 HK$'000	2021 HK$'000
Revenue recognised at point in time:		
Sales of energy trading products	**116,949**	10,701,516
Provision of drilling services	**–**	259,935
Sale of speaker units	**–**	193
Provision of transportation services	**–**	18,398
Provision of customs declaration services	**–**	3,979
	116,949	10,984,021
Revenue recognised over time:		
Operation of digital energy trading parks	**33,337**	26,499
	150,286	11,010,520

7 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 four business lines, (1) energy business which comprises mainly the trading of fuel oil and kerosene; (2) drilling services which represent provision of drilling services; (3) operation of digital energy trading parks; and (4) services business of customs declaration.

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, share-based payment expenses, and the unallocated operating income and expenses since these activities are driven by the central function and the related income or expenses are individual between segments.

The Group's bond payables, borrowings, amounts due to a shareholder, an associate and related parties, convertible loan notes, derivative financial liabilities and current income tax liabilities are not considered to be segment liabilities for reporting to the board of directors as they are managed on a central basis.

7 SEGMENT INFORMATION *(Continued)*

Segment information is as follows:

	2022						
	Energy business HK$'000	Drilling services HK$'000	Speaker business HK$'000	Operation of digital energy trading parks HK$'000	Transportation services HK$'000	Services business of customs declaration HK$'000	Total HK$'000
Segment revenue							
Reportable segment revenue	117,760	–	–	33,337	–	–	151,097
Elimination of inter-segment revenue	(811)	–	–	–	–	–	(811)
Sales to external customers	116,949	–	–	33,337	–	–	150,286
Segment (loss)/profit	(32,611)	(940)	–	15,977	–	–	(17,574)
Gain on disposal of subsidiaries (Note 40)							–
Gain on change in fair value of derivative financial liabilities							1,169
Share-based payment expenses							–
Unallocated operating income							2,086
Unallocated operating expenses							(14,964)
Share of loss of associate (Note 20)							(47)
Operating loss							(29,330)
Finance expenses — net							(11,917)
Loss before income tax							(41,247)
Income tax credit							462
Loss for the year							(40,785)

7 SEGMENT INFORMATION *(Continued)*

	2022						
	Energy business HK$'000	Drilling services HK$'000	Speaker business HK$'000	Operation of digital energy trading parks HK$'000	Transportation services HK$'000	Services business of customs declaration HK$'000	Total HK$'000
Depreciation charge of property, plant and equipment (Note 17)	256	108	–	414	–	1	779
Depreciation of right-of-use assets (Note 18)	–	–	–	1,356	–	–	1,356
Impairment loss on prepayments to suppliers (Note 22)	32,828	–	–	–	–	–	32,828
Impairment loss on amount due from former subsidiaries (Note 40)	–	–	–	–	–	–	–
Impairment loss on trade receivables (Note 22)	92	–	–	–	–	–	92
Loss on disposal of property, plant and equipment (Note 11)	–	–	–	17	–	–	17
Loss on disposal of right-of-use assets (Note 11)	–	–	–	375	–	–	375
Assets							
As at 31 December							
Segment assets	201,152	880	–	24,294	–	35	226,361
Unallocated assets							294,302
Total assets							520,663
Liabilities							
As at 31 December							
Segment liabilities	59,879	9	–	32,980	–	31	92,899
Unallocated liabilities							326,498
Total liabilities							419,397

7 SEGMENT INFORMATION *(Continued)*

	2021						
	Energy business HK$'000	Drilling services HK$'000	Speaker business HK$'000	Operation of digital energy trading parks HK$'000	Transportation services HK$'000	Services business of customs declaration HK$'000	Total HK$'000
Segment revenue							
Reportable segment revenue	10,947,860	259,935	193	26,499	24,865	3,979	11,263,331
Elimination of inter-segment revenue	(246,344)	–	–	–	(6,467)	–	(252,811)
Sales to external customers	10,701,516	259,935	193	26,499	18,398	3,979	11,010,520
Segment profit/(loss)	92,024	93,718	(2,216)	4,772	(7,399)	2,348	183,247
Gain on disposal of subsidiaries (Note 40)							11,638
Gain on change in fair value of derivative financial liabilities							–
Share-based payment expenses							(19,446)
Unallocated operating income							–
Unallocated operating expenses							(13,946)
Share of loss of associate (Note 20)							–
Operating profit							161,493
Finance expenses — net							(24,462)
Profit before income tax							137,031
Income tax expense							(62,895)
Profit for the year							74,136

7 SEGMENT INFORMATION *(Continued)*

	2021						
	Energy business *HK$'000*	Drilling services *HK$'000*	Speaker business *HK$'000*	Operation of digital energy trading parks *HK$'000*	Transportation services *HK$'000*	Services business of customs declaration *HK$'000*	Total *HK$'000*
Depreciation charge of property, plant and equipment (Note 17)	106	112	67	953	6,442	–	7,680
Depreciation of right-of-use assets (Note 18)	–	–	–	1,054	–	–	1,054
Impairment loss on prepayments to suppliers (Note 22)	–	–	–	–	–	–	–
Impairment loss on amount due from former subsidiaries (Note 40)	–	–	–	–	23,458	–	23,458
Reversal of impairment loss on trade receivables (Note 22)	(2,010)	–	–	–	–	–	(2,010)
Impairment loss on property, plant and equipment	–	–	–	–	–	–	–
Loss on disposal of property, plant and equipment (Note 11)	–	–	–	3	443	–	446
Gain on disposal of right-of-use assets (Note 11)	–	–	–	(27)	–	–	(27)
Assets							
As at 31 December							
Segment assets	738,794	232,403	–	56,250	–	144	1,027,591
Unallocated assets							1,391
Total assets							1,028,982
Liabilities							
As at 31 December							
Segment liabilities	119,933	215,808	–	30,091	–	146	365,978
Unallocated liabilities							500,645
Total liabilities							866,623

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

	2022 **HK$'000**	2021 HK$'000
PRC	**150,286**	11,010,520

7 SEGMENT INFORMATION *(Continued)*

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

	2022 **HK$'000**	2021 HK$'000
Revenue from energy business:		
Revenue from Customer A	**N/A#**	1,832,386
Revenue from Customer B	**N/A#**	1,277,483
Revenue from Customer C	**82,107**	N/A*
Revenue from Customer D	**34,842**	N/A*

Each of the revenue from Customer A and Customer B for the year ended 31 December 2022 did not contribute over 10% of the total revenue of the Group for that year.

* Each of the revenue from Customer C and Customer D for the year ended 31 December 2021 did not contribute over 10% of the total revenue of the Group for that year.

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

	2022 **HK$'000**	2021 HK$'000
PRC	**293,929**	6,387
Hong Kong	**1,504**	46
	295,433	6,433

8. EXPENSES BY NATURE

	Notes	2022 HK$'000	2021 HK$'000
Cost of goods sold		**122,393**	10,516,316
Employee benefit expense	9	**15,805**	49,863
Short-term lease expense		**6**	29
Storage fees		**–**	54,101
Delivery		**–**	146,774
Donations		**92**	–
Utilities		**3,784**	2,471
Depreciation — property, plant and equipment	17	**823**	7,756
Depreciation — right-of-use assets	18	**1,614**	1,054
Repairs and maintenance expenses		**128**	5,329
Legal and professional fees		**6,088**	9,869
Auditors' remuneration — audit services		**1,300**	1,000
Auditors' remuneration — non-audit services		**250**	450
Loading fee		**–**	19,384
Other local taxes paid		**174**	16,326
Other expenses		**10,133**	18,941
Total cost of sales, distribution expenses and administrative expenses		**162,590**	10,849,663
Analysed for reporting purposes:			
Cost of sales		**122,393**	10,581,690
Administrative expenses		**31,386**	92,080
Distribution expenses		**8,811**	175,893
		162,590	10,849,663

9 EMPLOYEE BENEFIT EXPENSE

	2022 HK$'000	2021 HK$'000
Wages and salaries	**12,650**	26,032
Social security and retirement benefit cost	**2,873**	3,552
Equity-settled share-based payment expense	**–**	19,446
Other staff welfare	**282**	833
Total employee benefit expense	**15,805**	49,863

At 31 December 2022, the Group had no forfeited contributions to retirement schemes which are available to reduce its contributions in future years (2021: Nil).

9 EMPLOYEE BENEFIT EXPENSE *(Continued)*

(a) Directors' emoluments

The above total employee benefit expense includes directors' remuneration, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, as follows:

For the year ended 31 December 2022:

Name	Fees HK$'000	Salaries HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Share-based payments (Note vii) HK$'000	Total HK$'000
Executive directors					
Chen Jinle (Note (i))	–	–	–	–	–
Han Jinfeng (Note (ii))	–	–	–	–	–
Lin Caihuo	–	–	–	–	–
Yuan Hongbing	–	1,440	47	–	1,487
Non-executive directors					
Chen Yunwei (Note (iii))	–	–	–	–	–
Wang Shoulei (Note (vi))	–	–	–	–	–
Independent non-executive directors					
Gao Han (Note (v))	–	–	–	–	–
Jiang Hao (Note (iv))	180	–	–	–	180
Mak Ting Sang	180	–	–	–	180
Tche Heng Hou Kevin	180	–	–	–	180
Total	540	1,440	47	–	2,027

9 EMPLOYEE BENEFIT EXPENSE *(Continued)*

(a) Directors' emoluments *(Continued)*

For the year ended 31 December 2021:

Name	Fees	Salaries	Employer's contribution to a retirement benefit scheme	Share-based payments (Note vii)	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors					
Chen Jinle (Note (i))	–	3,600	49	–	3,649
Han Jinfeng (Note (ii))	–	–	–	–	–
Lin Caihuo	–	–	–	–	–
Yuan Hongbing	–	1,440	50	–	1,490
Non-executive directors					
Chen Yunwei (Note (iii))	42	–	–	–	42
Wang Shoulei (Note (vi))	197	–	–	–	197
Independent non-executive directors					
Gao Han (Note (v))	149	–	–	–	149
Jiang Hao (Note (iv))	32	–	–	–	32
Mak Ting Sang	180	–	–	–	180
Tche Heng Hou Kevin	180	–	–	–	180
Total	780	5,040	99	–	5,919

Notes:

(i) Mr. Chen Jinle resigned as an executive director of the Company with effect from 11 March 2022.

(ii) Mr. Han Jinfeng was appointed as an executive director of the Company with effect from 11 March 2022.

(iii) Mr. Chen Yunwei was appointed as a non-executive director of the Company with effect from 29 October 2021.

(iv) Mr. Jiang Hao was appointed as an independent non-executive director of the Company with effect from 28 October 2021.

(v) Mr. Gao Han resigned as an independent non-executive director of the Company with effect from 28 October 2021.

(vi) Mr. Wang Shoulei resigned as a non-executive director of the Company with effect from 26 October 2021.

(vii) 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 3.21 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. Details of share option scheme, including the principal terms and number of options granted, are disclosed in Note 28.

9 EMPLOYEE BENEFIT EXPENSE *(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 (2021: Nil).

(c) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2022, the Company did not pay consideration to any third parties for making available directors' services (2021: 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 2022, 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 (2021: 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 (2021: 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 emoluments of the non-executive directors' and independent non-executive directors shown above were for the services as directors of the Company.

(h) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included one (2021: two) directors whose emoluments are set out in Note 9(a). The emoluments payable to the remaining four (2021: three) individuals for the year are as follows:

	2022 **HK$'000**	2021 HK$'000
Salaries, allowances and benefits	**1,431**	2,419
Bonuses	**28**	–
Retirement benefit scheme contributions	**54**	21
Equity-settled share-based expense	**–**	4,483
	1,513	6,923

9 EMPLOYEE BENEFIT EXPENSE *(Continued)*

(h) Five highest paid individuals *(Continued)*

The emoluments fell within the following bands:

	Number of individuals 2022	Number of individuals 2021
Emolument bands (in HK$)		
Within HK$1,000,000	**4**	–
HK$1,000,000–HK$1,500,000	**–**	1
HK$1,500,001–HK$2,500,000	**–**	1
Over HK$2,500,000	**–**	1

During the prior year ended 31 December 2021, 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 28.

10 OTHER INCOME

	2022 HK$'000	2021 HK$'000
Government grant (Note)	**12,499**	9,249
Others	**358**	1,602
	12,857	10,851

Note: During the current year, the Group recognised government grant of HK$12,499,000 (2021: HK$9,249,000) provided by the PRC government, of which HK$1,164,000 (2021: HK$461,000) relates to foreign capital injection, HK$11,279,000 (2021: HK$8,755,000) relates to the operation of digital energy trading parks, and HK$32,000 (2021: HK$33,000) relates to other subsidies. Subsidies of HK$24,000 (2021: Nil) relating to Employment Support Scheme provided by the Hong Kong government was received by the Group for the year.

11 OTHER GAINS/(LOSSES) — NET

	2022 HK$'000	2021 HK$'000
Fair value gain on derivative financial liabilities (Note 35)	**1,169**	45,823
Net foreign exchange gains	**2,264**	5,358
Gain on deregistration of a subsidiary	**32**	1
Loss on modification of convertible loan notes (Note 35)	**–**	(50,971)
Loss on disposal of property, plant and equipment	**(17)**	(446)
(Loss)/gain on disposal of right-of-use assets	**(375)**	27
Impairment loss of goodwill (Note 19)	**–**	(614)
Others	**11**	417
	3,084	(405)

12 FINANCE INCOME AND EXPENSES

	2022 HK$'000	2021 HK$'000
Interest expense:		
— Bank borrowings	**–**	(2,777)
— Shareholders' loan	**–**	(46)
— Bond payables	**(1,722)**	(1,688)
— Lease liabilities	**(178)**	(294)
— Convertible loan notes	**(11,403)**	(19,898)
Total finance expenses	**(13,303)**	(24,703)
Bank interest income	**1,386**	241
Total finance income	**1,386**	241
Total finance expenses — net	**(11,917)**	(24,462)

13 INCOME TAX (CREDIT)/EXPENSE

	2022 HK$'000	2021 HK$'000
Current income tax:		
— Hong Kong Profits Tax	–	–
— PRC Enterprise Income Tax	**608**	62,873
(Over)/under-provision in prior years:		
— PRC Enterprise Income Tax	**(1,070)**	22
Income tax (credit)/expense	**(462)**	62,895

Under the two-tiered Hong Kong profits tax rates regime, the first HK$2 million of profits of the qualifying group entity is taxed at 8.25%, and profits above HK$2 million is taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime continue to be taxed at a tax rate of 16.5%.

No provision for Hong Kong profits tax of both of the years presented has been made in the consolidated financial statements as the Group has not derived any assessable profit for those years arising 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% (2021: 25%).

The income tax (credit)/expense for the year can be reconciled to the Group's (loss)/profit before income tax per the consolidated statement of profit or loss, as follows:

	2022 HK$'000	2021 HK$'000
(Loss)/profit before income tax	**(41,247)**	137,031
Tax calculated at domestic tax rates applicable to profit in the respective countries	**(8,580)**	39,307
Tax effect of expenses that are not deductible for tax purposes	**10,857**	31,494
Tax effect of income that are not taxable for tax purposes	**(4,408)**	(14,700)
Tax effect of tax losses not recognised	**4,086**	5,327
Utilisation of tax losses not previously recognised	**(95)**	(90)
Tax concession granted by local governments	**(1,501)**	(2,720)
Tax effect of temporary differences not recognised	**249**	4,255
(Over)/under-provision in prior years	**(1,070)**	22
Income tax (credit)/expense	**(462)**	62,895

14 DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 December 2022 (2021: nil).

15 (LOSS)/EARNINGS PER SHARE

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

	2022 HK$'000	2021 HK$'000
Earnings		
(Loss)/earnings for the purpose of basic loss/earnings per share and diluted earnings per share		
(Loss)/profit for the year attributable to the owners of the Company	**(31,913)**	94,295

	No. of shares '000	No. of shares '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss/earnings per share	**4,455,021**	4,455,021
Effect of dilutive potential ordinary shares:		
Convertible loan notes (Note a)	**–**	–
Share options (Note b)	**–**	75,606
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**4,455,021**	4,530,627

	2022 HK Cents	2021 HK Cents
Basic (loss)/earnings per share	**(0.72)**	2.12
Diluted earnings per share	**NA**	2.08

Notes:

(a) The computation of the diluted loss per share for the year ended 31 December 2022 does not assume the conversion of the Company's outstanding convertible loan notes since their assumed exercise would result in a decrease in loss per share for the year.

The computation of the diluted earnings per share for the year ended 31 December 2021 does not assume the conversion of the Company's outstanding convertible loan notes since their assumed exercise would result in an increase in earnings per share for the year.

(b) The computation of diluted loss per share for the year ended 31 December 2022 does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares for that year.

The computation of the diluted earnings per share for the year ended 31 December 2021 does not assume the conversion of the Company's outstanding convertible loan notes since their assumed exercise would result in an increase in earnings per share for the year.

16 SUBSIDIARIES

General information of subsidiaries

The following is a list of the principal subsidiaries of the Group at 31 December 2022 and 2021:

Company	Place of incorporation/ establishment/ principal place of business	Particulars of issued share capital/ registered capital	Proportion of effective shareholding 2022 (%)	2021 (%)	Principal activities
Indirect subsidiaries:					
China Oriental Gold Honour Joy International (Hong Kong) Co., Limited	Hong Kong	HK$10,000	**100**	100	Trading of energy products
Shandong Tai Xue Energy Co., Ltd.* (山東泰學能源有限公司)	PRC	RMB100,000,000	**100**	100	Trading of energy products
Shandong deru Energy Co., Ltd.* (山東德儒能源有限公司)	PRC	RMB300,000,000	**100**	100	Trading of energy products
China Oriental Tide Investment Co., Limited	Hong Kong	HK$10,000	**100**	100	Investment holding
Shandong Dexue Energy Co., Ltd.* (山東德學能源有限公司)	PRC	RMB300,000,000	**100**	100	Trading of energy products
Beijing Century Energy Co., Ltd.* (北京金寶世紀能源有限公司)	PRC	RMB100,000,000	**100**	100	Trading of energy products
Tianjin Tanhao Energy Product. Co., Ltd.* (天津唐昊石油製品銷售有限公司)	PRC	RMB30,000,000	**51**	51	Trading of energy products
Shanxi Xin Dexue Energy Co., Ltd.* (陝西新德學能源有限公司)	PRC	RMB50,000,000	**100**	100	Trading of energy products
Shandong Dadao Juneng Network Technology Co., Ltd.* (山東大道聚能網絡科技集團有限公司)	PRC	RMB200,000,000	**51**	51	Operation of digital energy trading parks

16 SUBSIDIARIES *(Continued)*

General information of subsidiaries *(Continued)*

Company	Place of incorporation/ establishment/ principal place of business	Particulars of issued share capital/ registered capital	Proportion of effective shareholding		Principal activities
			2022 (%)	2021 (%)	
Shangdong Ruiyuan Shipping Company Limited* (山東瑞源船務有限公司)	PRC	RMB3,000,000	**60**	60	Services business of customs declaration
Dongying Jintai Zhili International Trade Co., Ltd.* (東營金泰智立國際貿易有限公司)	PRC	RMB100,000,000	**100**	100	Trading of energy products
Qingdao Oriental Reliance Petrochemical Co., Ltd.* (青島東方信實石油化工有限公司) (Note a)	PRC	RMB100,000,000	**50%**	50%	Trading of energy products
ZY Energy Holdings Limited	Hong Kong	HK$50,000,000	**51%**	N/A	Trading of energy products

Notes:

(a) At 31 December 2022, a subsidiary of the Company holds 50% equity interest in Qingdao Oriental Reliance Petrochemical Co., Ltd. ("**Qingdao Oriental**") with the remaining 50% held by a third party unrelated to the Group. Pursuant to the related agreement entered into between the subsidiary and the third party, the subsidiary is entitled to control the majority of the board of directors of Qingdao Oriental, accordingly, the directors of the Company consider that the Group has control over Qingdao Oriental which is classified as a subsidiary of the Company.

(b) 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.

(c) 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.

* For identification purpose only.

16 SUBSIDIARIES *(Continued)*

Details of non-wholly owned subsidiaries that have material non-controlling interests

Name of entities	Place of incorporation/ establishment/ principal place of business	Voting rights held by non-controlling interests		Profit/(loss) allocated to non-controlling interest		Accumulated non-controlling interest	
		2022	2021	**2022 HK$'000**	2021 HK$'000	**2022 HK$'000**	2021 HK$'000
Tianjin Tanhao Energy Product. Co., Ltd.	PRC	**49%**	49%	**138**	(23,037)	**(22,948)**	(25,071)
Shandong Dadao Juneng Network Technology Co., Ltd.	PRC	**49%**	49%	**7,387**	1,905	**1,630**	(3,187)
Qingdao Oriental Reliance Petrochemical Co., Ltd.	PRC	**50%**	50%	**(16,538)**	(18)	**(16,040)**	(19)
ZY Energy Holdings Limited	Hong Kong	**49%**	N/A	**(9)**	–	**24,491**	–
Individually immaterial subsidiaries with non-controlling interests				**150**	991	**107**	48
				(8,872)	(20,159)	**(12,760)**	(28,229)

Summarised consolidated financial information in respect of each of the Group's entities that has material non-controlling interests is set out below. The summarised consolidated financial information below represents amounts before intragroup eliminations.

16 SUBSIDIARIES *(Continued)*

Details of non-wholly owned subsidiaries that have material non-controlling interests *(Continued)*

Tianjin Tanhao Energy Product. Co., Ltd.

	2022 HK$'000	2021 HK$'000
Non-current assets	**10**	11
Current assets	**125,799**	173,461
Current liabilities	**(172,641)**	(224,637)
Equity attributable to owners of the Company	**(23,884)**	(26,094)
Non-controlling interests	**(22,948)**	(25,071)
Revenue	**291**	1,579,743
Expenses	**(9)**	(1,626,757)
Profit/(loss) for the year	**282**	(47,014)
Profit/(loss) attributable to owners of the Company	**144**	(23,977)
Profit/(loss) attributable to non-controlling interests	**138**	(23,037)
Profit/(loss) for the year	**282**	(47,014)
Other comprehensive income/(loss) attributable to owners of the Company	**2,066**	(417)
Other comprehensive income/(loss) attributable to non-controlling interests	**1,985**	(406)
Other comprehensive income/(loss) for the year	**4,051**	(823)
Total comprehensive income/(loss) for the year	**4,333**	(47,837)
Dividend paid to non-controlling interests	**–**	–
Net cash generated from operating activities	**2,185**	30,803
Net cash used in investing activities	**–**	–
Net cash used in financing activities	**–**	(30,883)
Net increase/(decreased) in cash and cash equivalents	**2,185**	(80)

16 SUBSIDIARIES *(Continued)*

Details of non-wholly owned subsidiaries that have material non-controlling interests *(Continued)*

Shandong Dadao Juneng Network Technology Co., Ltd.

	2022 HK$'000	2021 HK$'000
Non-current assets	**3,440**	6,719
Current assets	**31,118**	21,815
Current liabilities	**(31,232)**	(32,362)
Non-current liabilities	**–**	(2,677)
Equity attributable to owners of the Company	**1,696**	(3,318)
Non-controlling interests	**1,630**	(3,187)
Revenue	**55,146**	36,023
Expenses	**(40,070)**	(32,135)
Profit for the year	**15,076**	3,888
Profit attributable to owners of the Company	**7,689**	1,983
Profit attributable to non-controlling interests	**7,387**	1,905
Profit for the year	**15,076**	3,888
Other comprehensive income/(loss) attributable to owners of the Company	**110**	(133)
Other comprehensive income/(loss) attributable to non-controlling interests	**106**	(128)
Other comprehensive income/(loss) for the year	**216**	(261)
Total comprehensive income/(loss) for the year	**15,292**	3,627
Dividend paid to non-controlling interests	**(5,529)**	–
Net cash generated from operating activities	**12,706**	12,447
Net cash used in investing activities	**(147)**	(2,562)
Net cash used in financing activities	**(3,107)**	(1,472)
Net increase in cash and cash equivalents	**9,452**	8,413

16 SUBSIDIARIES *(Continued)*

Details of non-wholly owned subsidiaries that have material non-controlling interests *(Continued)*

Qingdao Oriental Reliance Petrochemical Co., Ltd.

	2022 HK$'000	2021 HK$'000
Current assets	**26,568**	80,278
Current liabilities	**(58,648)**	(80,316)
Equity attributable to owners of the Company	**(16,040)**	(19)
Non-controlling interests	**(16,040)**	(19)
Revenue	**34,843**	87,557
Expenses	**(67,919)**	(87,593)
Loss for the year	**(33,076)**	(36)
Loss attributable to owners of the Company	**(16,538)**	(18)
Loss attributable to non-controlling interests	**(16,538)**	(18)
Loss for the year	**(33,076)**	(36)
Other comprehensive income attributable to owners of the Company	**517**	–
Other comprehensive income attributable to non-controlling interests	**517**	–
Other comprehensive income for the year	**1,034**	–
Total comprehensive loss for the year	**(32,042)**	(36)
Dividend paid to non-controlling interests	**–**	–
Net cash (used in)/generated from operating activities	**(863)**	172
Net cash generated from investing activities	**–**	–
Net cash generated from financing activities	**697**	–
Net (decreased)/increase in cash and cash equivalents	**(166)**	172

16 SUBSIDIARIES *(Continued)*

Details of non-wholly owned subsidiaries that have material non-controlling interests *(Continued)*

ZY Energy Holdings Limited

	2022 HK$'000
Current assets	**50,000**
Current liabilities	**(18)**
Equity attributable to owners of the Company	**25,491**
Non-controlling interests	**24,491**
Revenue	**–**
Expenses	**(18)**
Loss for the year	**(18)**
Loss attributable to owners of the Company	**(9)**
Loss attributable to non-controlling interests	**(9)**
Loss for the year	**(18)**
Other comprehensive loss attributable to owners of the Company	**–**
Other comprehensive loss attributable to non-controlling interests	**–**
Other comprehensive loss for the year	**–**
Total comprehensive loss for the year	**(18)**
Dividend paid to non-controlling interests	**–**
Net cash generated from operating activities	**–**
Net cash generated from investing activities	**–**
Net cash generated from financing activities	**–**
Net increase in cash and cash equivalents	**–**

17 PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 31 December 2022					
Carrying amount at 1 January 2022	**1,018**	**866**	**71**	**153**	**2,108**
Additions, at cost	**–**	**114**	**76**	**1,281**	**1,471**
Disposals	**–**	**(17)**	**–**	**–**	**(17)**
Depreciation charge	**(108)**	**(392)**	**(100)**	**(223)**	**(823)**
Currency translation differences	**(77)**	**(60)**	**(5)**	**(45)**	**(187)**
Carrying amount at 31 December 2022	**833**	**511**	**42**	**1,166**	**2,552**
At 31 December 2022					
Cost	**1,103**	**1,439**	**867**	**1,531**	**4,940**
Accumulated depreciation and impairment	**(270)**	**(928)**	**(825)**	**(365)**	**(2,388)**
Carrying amount	**833**	**511**	**42**	**1,166**	**2,552**

	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 31 December 2021					
Carrying amount at 1 January 2021	1,097	1,022	235	16,923	19,277
Additions, at cost	–	489	520	2,555	3,564
Disposals	–	(7)	–	(2,129)	(2,136)
Disposal of subsidiaries (Note 40)	–	(279)	–	(11,192)	(11,471)
Depreciation charge	(112)	(381)	(681)	(6,582)	(7,756)
Currency translation differences	33	22	(3)	578	630
Carrying amount at 31 December 2021	1,018	866	71	153	2,108
At 31 December 2021					
Cost	1,198	1,469	2,307	315	5,289
Accumulated depreciation and impairment	(180)	(603)	(2,236)	(162)	(3,181)
Carrying amount	1,018	866	71	153	2,108

17 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	2022 HK$'000	2021 HK$'000
Depreciation charge analysed for reporting purpose:		
Energy business	**256**	106
Drilling services	**108**	112
Speaker business	**–**	67
Operation of digital energy trading parks	**414**	953
Transportation services	**–**	6,442
Services business of customs declaration	**1**	–
Unallocated	**44**	76
	823	7,756

Depreciation expenses for the year ended 31 December 2022 of HK$823,000 have been charged in 'administrative expenses'. Depreciation expenses for the prior year ended 31 December 2021 of HK$5,831,000 and HK$1,925,000 have been charged in 'cost of sales' and 'administrative expenses', respectively.

18 RIGHT-OF-USE ASSETS

	Leased properties	
	2022	2021
	HK$'000	HK$'000
Cost		
As at 1 January	**11,426**	8,359
Additions	**2,564**	5,257
Disposals	**(3,450)**	(1,046)
Disposal of a subsidiary (Note 40)	**–**	(1,665)
Exchange difference	**(879)**	521
As at 31 December	**9,661**	11,426
Accumulated depreciation and impairment		
As at 1 January	**(7,101)**	(6,291)
Depreciation charge for the year	**(1,614)**	(1,054)
Disposals	**908**	422
Disposal of a subsidiary (Note 40)	**–**	266
Exchange difference	**586**	(444)
As at 31 December	**(7,221)**	(7,101)
Carrying amount		
As at 31 December	**2,440**	4,325
Depreciation charge analysed for reporting purpose:		
Operation of digital energy trading parks	**1,356**	1,054
Unallocated	**258**	–
	1,614	1,054
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	**6**	29
Total cash outflow for leases	**2,962**	3,822

During year ended 31 December 2022, the Group leases offices for its operations. Lease contracts are entered into for fixed term of 1 to 4 years (2021: 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.

19 GOODWILL

	2022	2021
	HK$'000	HK$'000
At 1 January	**–**	605
Impairment loss recognised (Note 11)	**–**	(614)
Currency translation differences	**–**	9
At 31 December	**–**	–

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

In view of the suspension of the business operation of the CGU to which the goodwill was allocated, management of the Group considered it appropriate to make impairment on the goodwill amounted to HK$614,000 which was charged to profit and loss in respect of the prior year ended 31 December 2021.

20. INTEREST IN AN ASSOCIATE

	2022	2021
	HK$'000	HK$'000
Unlisted investment, at cost	**127,890**	–
Share of post-acquisition losses	**(47)**	–
Currency translation differences	**(977)**	–
	126,866	–

	2022	2021
	HK$'000	HK$'000
Movements during the year:		
At the beginning of the year	**–**	–
Capital injection to the associate	**127,890**	–
Share of loss recognised for the year	**(47)**	–
Currency translation differences	**(977)**	–
At the end of the year	**126,866**	–

20 INTEREST IN AN ASSOCIATE *(Continued)*

Particulars regarding the associate of the Group are as follows:

Name	Particulars of issued/ registered capital	Place of incorporation/ operation	Percentage of ownership interest held by the Group		Principal activity
			2022	2021	
Genting (Xinjiang) Petroleum and Gas Development Co., Ltd. ("Genting Xinjiang")	Registered capital of RMB25,000,000	PRC	**45%**	–	Provision of drilling service and Sales of energy trading products

The financial information of Genting Xinjiang is summarised as below:

	31 December 2022 HK$'000
Non-current assets	**265**
Current assets	**281,659**
Current liabilities	**–**
Non-current liabilities	**–**
Net assets	**281,924**

	Period from 31 August 2022 (date of incorporation) to 31 December 2022 HK$'000
Revenues	**–**
Loss and total comprehensive expense for the year	**104**

20 INTEREST IN AN ASSOCIATE *(Continued)*

Reconciliation of the above recognised financial information to the carrying amount of the interest in an associate recognised the consolidated financial statements:

	31 December 2022 HK$'000
Net assets of Genting Xinjiang	**281,924**
Proportion of the Group's ownership interest in Genting Xinjiang	**45%**
Group's share of net assets of Genting Xinjiang	**126,866**
Carrying amount of the Group's interest in Genting Xinjiang	**126,866**

21 INVENTORIES

	2022 HK$'000	2021 HK$'000
Finished goods		
— Energy trading goods	**–**	4,774

The cost of inventories recognised as expense and included in 'cost of sales' amounted to HK$122,393,000 (2021: HK$10,516,316,000).

22 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2022 HK$'000	2021 HK$'000
Trade receivables from third parties	**14,721**	230,338
Less: allowance for impairment of trade receivables	**(89)**	–
Trade receivables — net of impairment recognised	**14,632**	230,338
Consideration receivable for disposal of subsidiaries	**14,768**	42,709
Other receivables	**5,612**	2,649
Value added tax receivables	**1,424**	1,666
Trade and other receivables	**36,436**	277,362
Prepayments to suppliers	**11,803**	682,975
Deposits paid	**842**	914
Prepaid expenses	**882**	843
	49,963	962,094

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

Trade receivables

The Group normally allows a credit period of 0–180 days (2021: 0–180 days) from invoice date to its customers and may further extend the credit period to selected customers depending on their trade volume and settlement history. At 31 December 2022 and 2021, the aging analysis of trade receivables based on invoice date was as follows:

	2022 HK$'000	2021 HK$'000
121 to 365 days	**9,288**	230,338
Over 365 days	**5,344**	–
	14,632	230,338

Movements in allowance for impairment of trade receivables are as follows:

	2022 HK$'000	2021 HK$'000
At 1 January	**–**	1,978
Impairment loss recognised/(reversal of impairment loss) for the year	**92**	(2,010)
Currency translation difference	**(3)**	32
At 31 December	**89**	–

In determining the expected credit loss of the trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted. The trade receivables past due but not provided for were either settled after the end of the reporting period or no historical default of payments by the respective customers.

Included in the Group's trade receivables are receivables with the aggregate carrying amount of HK$14,721,000 (2021: Nil) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amount are still considered recoverable. The Group does not hold any collateral over these balances. The aging of these overdue trade receivables but not impaired is as follows:

	2022 HK$'000	2021 HK$'000
121 to 365 days	**9,349**	–
Over 365 days	**5,372**	–
	14,721	–

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

Consideration receivable for disposal of subsidiaries

During the prior year ended 31 December 2021, the Group disposed of certain subsidiaries for an aggregate consideration of RMB36,502,000 (equivalent to HK$43,920,000), of which RMB35,482,000 (equivalent to HK$42,709,000) remained not settle as at 31 December 2021 as set out in Note 40. During the current year, the consideration to the extent of approximately RMB23,482,000 (equivalent to HK$27,343,000) was received by the Group with the remaining balance of approximately RMB12,000,000 (equivalent to HK$14,768,000) remained outstanding at 31 December 2022. The consideration for disposal is unsecured, interest free and payable on demand.

Prepayments to suppliers

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

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

	2022 **HK$'000**	2021 HK$'000
At 1 January	**–**	–
Impairment loss recognised for the year	**32,828**	–
Currency translation differences	**(1,023)**	–
At 31 December	**31,805**	–

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

	2022 **HK$'000**	2021 HK$'000
RMB	**32,269**	259,737
HK$	**4,167**	17,625
	36,436	277,362

23 ADVANCE PAYMENTS FOR ASSETS ACQUISITION

	2022 **HK$'000**	2021 HK$'000
Advance payments for:		
— assets acquisition through acquisition of a subsidiary (Note (a))	**101,529**	–
— assets acquisition through formation of a joint venture (Note (b))	**163,575**	–
	265,104	–
Analysed for reporting:		
— non-current assets	**163,575**	–
— current assets	**101,529**	–
	265,104	–

Notes:

(a) On 1 November 2022, the Company entered into a Letter of Intent with a PRC third party, Yinchuan Jinxinda Enterprise Management Co., Ltd.* (銀川金信達企業管理有限公司) ("**Yinchuan Jinxinda**"), for the proposed acquisition of 51% equity interest in a PRC entity, the Yunding (Inner Mongolia) Oil and Gas Development Co., Ltd.* (雲頂(內蒙古)石油天然氣開發有限公司) ("**Yunding**"). Pursuant to this Letter of Intent, (i) the Group has made advance payment amounted to RMB40,000,000 (equivalent to approximately HK$45,124,000) to Yinchuan Jinxinda and has been conducting the due diligence works regarding Yunding to assess the proposed acquisition; and (ii) in the event that the Group is not satisfied with the results of the aforementioned due diligence works and the proposed acquisition is not materialised on or before 30 April 2023, the advance payment made by the Group of RMB40,000,000 is to be refunded by Yinchuan Jinxinda to the Group on or before 31 May 2023.

On 4 November 2022, the Company entered into a Letter of Intent with a PRC third party, Beijing Sanding Run Petroleum Technology Co., Ltd.* (北京三鼎潤石油科技有限公司) ("**Beijing Sanding Run**"), for the proposed acquisition of 100% equity interest in a PRC entity, Inner Mongolia Ningmeng Energy Co., Ltd.* (內蒙古寧蒙能源有限公司) ("**Ningmeng**"). Pursuant to this Letter of Intent, (i) the Group has made advance payment amounted to RMB50,000,000 (equivalent to approximately HK$56,405,000) to Beijing Sanding Run and has been conducting the due diligence works regarding Ningmeng to assess the proposed acquisition; and (ii) in the event that the Group is not satisfied with the results of the aforementioned due diligence works and the proposed acquisition is not materialised on or before 30 April 2023, the advance payment made by the Group of RMB50,000,000 is to be refunded by Beijing Sanding Run to the Group on or before 31 May 2023.

As at the end of the reporting period and the date of approval of these consolidated financial statements, the Group's due diligence works regarding Yunding and Ningmeng are in place and the Group's proposed acquisitions of equity interests in these to entities are still pending for completion. Based on the available documents and information gathered by the Group, Management is of the view that it is unlikely that completion of the acquisitions of equity interest in Yunding and Ningmeng will not take place and the advance payments for the acquisitions made by the Group totalled RMB100,000,000 (equivalents to HK$101,529,000) will be refunded to the Group during the next financial year, accordingly, the advance payments made in this respect has been classified under current assets.

23 ADVANCE PAYMENTS FOR ASSETS ACQUISITION *(Continued)*

Notes: *(Continued)*

(b) On 26 August 2022, the Company entered into an agreement with a PRC third party, Tacheng Xingta Energy Investment Exploitation Construction Company Limited* (塔城興塔能源投資開發建設有限公司) ("**Tacheng Xingta**"), for the proposed acquisition of exploitation right of the oil sand mine in Xinjiang, the PRC (the "Oil Sand Mine") by a joint venture (the "**Joint Venture**") to be formed and owned by the Company and Tacheng Xingta from Tacheng Xingta for a consideration to be agreed by the contracting parties. Under this agreement, the Company has also agreed to provide funding to the exploitation of the Oil Sand Mine to be undertaken by the Joint Venture.

On 28 October 2022, the Company entered into a supplementary agreement with Tacheng Xingta, under which the Group has made advance payments amounted to RMB145,000,000 (equivalent to approximately HK$163,575,000) to the Tacheng Xingta and has been conducting the due diligence works regarding the formation of the Joint Venture and acquisition of the exploitation rights of the Oil Sand Mine. Pursuant to the supplementary agreement, in the event that the Group cannot be satisfied with the results of the aforementioned due diligence works on or before 30 April 2023, the advance payments made by the Group of RMB145,000,000 is to be refunded by Tacheng Xingta to the Group on or before 31 May 2023.

At the end of the reporting period and the date of approval of the consolidated financial statements, the Group's due diligence works regarding the formation of the Joint Venture and acquisition of the exploitation rights of the Oil Sand Mine are in place and the formation of the Joint Venture and the proposed acquisition by the Joint Venture of exploitation right of the Oil Sand Mine are yet pending for completion. Based on the available documents and information gathered by the Group, it is not unlikely that completion of the formation of the Joint Venture and acquisition of the exploitation rights will take place and the advance payments will be regarded as part of the Group's cost of investment in and amount due from the Joint Venture, accordingly, the advance payments made in this respect have been classified under non-current assets.

24 AMOUNTS DUE FROM NON-CONTROLLING INTEREST OF A SUBSIDIARY

	2022 **HK$'000**	2021 HK$'000
Unsecured amounts due from non-controlling shareholders of a subsidiary (Note (a))	**24,500**	–

Notes:

(a) On 9 November 2022, a subsidiary of the Company issued and allotted 24,500,000 share capital to non-controlling shareholders for the consideration of HK$24,500,000. At the end of the reporting period and up to the date of approval of these consolidated financial statements, the amounts due from non-controlling shareholders of a subsidiary amounted to HK$24,500,000 remained outstanding.

The amounts due from non-controlling shareholders of a subsidiary was unsecured, interest-free and repayable on demand.

25 CASH AND CASH EQUIVALENTS

	2022 **HK$'000**	2021 HK$'000
Cash on hand and at bank	**49,238**	55,681

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

	2022 **HK$'000**	2021 HK$'000
US$	**7**	7
RMB	**48,605**	54,648
HK$	**626**	1,026
	49,238	55,681

26 SHARE CAPITAL

	Number of shares	**Share capital** HK$'000
Ordinary shares of HK$0.00125 each		
Authorised:		
As at 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	**16,000,000,000**	**20,000**
Issued and fully paid:		
As at 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	**4,455,020,888**	**5,569**

27 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$'000	Capital reserve (note c) HK$'000	Convertible loan notes equity reserve HK$'000	Total HK$'000
At 1 January 2021	321,958	4,950	3,014	25,642	58,731	17,332	13,186	444,813
Currency translation differences	–	–	–	15,197	–	–	–	15,197
Translation reserve released upon disposal of subsidiaries (Note 40)	–	–	–	(2,178)	–	–	–	(2,178)
Recognition of equity-settled share-based payments	–	–	–	–	19,446	–	–	19,446
Lapse of share options granted	–	–	–	–	(3,429)	–	–	(3,429)
Transferred to accumulated losses on modification of convertible loan notes (Note 35)	–	–	–	–	–	–	(13,186)	(13,186)
Appropriation to statutory reserve	–	–	2,661	–	–	–	–	2,661
Reclassification of special reserve to accumulated losses upon disposal of subsidiaries	–	(4,950)	–	–	–	–	–	(4,950)
At 31 December 2021	321,958	–	5,675	38,661	74,748	17,332	–	458,374
At 1 January 2022	**321,958**	**–**	**5,675**	**38,661**	**74,748**	**17,332**	**–**	**458,374**
Currency translation differences	**–**	**–**	**–**	**(52,456)**	**–**	**–**	**–**	**(52,456)**
Translation reserve released upon deregistration of a subsidiary	**–**	**–**	**–**	**7**	**–**	**–**	**–**	**7**
Payroll and welfare payable waived by a shareholder	**–**	**–**	**–**	**–**	**–**	**7,800**	**–**	**7,800**
Appropriation to statutory reserve	**–**	**–**	**1,548**	**–**	**–**	**–**	**–**	**1,548**
At 31 December 2022	**321,958**	**–**	**7,223**	**(13,788)**	**74,748**	**25,132**	**–**	**415,273**

27 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) Capital reserve of the Group is analysed as follows:

	2022 **HK$'000**	2021 HK$'000
Current account waived by a shareholder	**(2,564)**	(2,564)
Interest payable waived by shareholders	**1,856**	1,856
Payroll and welfare payables waived by shareholders	**25,840**	18,040
	25,132	17,332

28 SHARE-BASED PAYMENTS

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.

28 SHARE-BASED PAYMENTS *(Continued)*

Maximum entitlement of each eligible participant

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

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

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

During the year ended 31 December 2021, share options were granted on 20 May 2021 with an aggregate estimated fair value of approximately HK$16,012,000. The closing price of the Company's shares immediately before 20 May 2021, the date of grant, was HK$0.148 per share.

The fair values of share options granted at the date of grant were calculated using the Binominal model. The inputs into the model were as follows:

Date of grant	20 May 2021
Share price at grant date	HK$0.148
Exercise price	HK$0.150
Expected volatility	121.70%
Expected life	6 years
Risk-free rate	0.76%
Expected dividend yield	0%

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 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.

28 SHARE-BASED PAYMENTS *(Continued)*

The Group recognised the share-based payments expense of HK$19,446,000 for the prior year ended 31 December 2021 in relation to share options granted by the Company. No share-based payments expense for the year ended 31 December 2022 was recognised by the Group.

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

For the year ended 31 December 2022

					Number of share options			
Category of participants	Date of grant	Exercise price	Vesting date	Exercisable period	As at 01/01/2022	Granted during the year	Lapsed during the year	As at 31/12/2022
Employees	19/06/2015	HK$0.64125	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	362,500,000	–	–	362,500,000
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	20/05/2021	HK$0.15	20/05/2021	20/05/2021–19/05/2027	125,000,000	–	–	125,000,000
Total					806,700,000	–	–	806,700,000

At 31 December 2022, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 806,700,000 (2021: 806,700,000), which totally representing 18.11% (2021: 18.11%) of the shares of the Company in issue at that date.

28 SHARE-BASED PAYMENTS *(Continued)*

For the year ended 31 December 2021

					Number of share options			
Category of participants	Date of grant	Exercise price	Vesting date	Exercisable period	As at 01/01/2021	Granted during the year	Lapsed during the year	As at 31/12/2021
Employees	19/06/2015	HK$0.64125	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	362,500,000	–	–	362,500,000
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 (Note)	19/06/2020	HK$0.145	19/06/2021	19/06/2021–18/06/2026	50,000,000	–	(50,000,000)	–
Employees	20/05/2021	HK$0.150	20/05/2021	20/05/2021–19/05/2027	–	125,000,000	–	125,000,000
Total					731,700,000	125,000,000	(50,000,000)	806,700,000

Note: The 50,000,000 share options were lapsed during the year ended 31 December 2021 because of failure to meet the performance target by the subsidiary of Company.

29 TRADE AND OTHER PAYABLES

	2022 **HK$'000**	2021 HK$'000
Trade payables	**2,152**	182,004
Other payables	**66,878**	156,459
Interest payable	**3,300**	3,304
Accrued salaries (Note (a))	**1,459**	8,784
Accrued expenses	**6,118**	8,727
	79,907	359,278

Notes:

(a) During the year ended 31 December 2022, payroll and welfare payables of HK$7,800,000 were waived by the substantial shareholder, Mr. Chen Jinle. The waiver was accounted for as deemed contribution by the shareholder and was included in the capital reserve of the Group (Note 27).

The suppliers normally allow credit periods arranged from 60 to 365 days to the Group. At 31 December 2022 and 2021, the aging analysis of the trade payables based on invoice date is as follows:

	2022 **HK$'000**	2021 HK$'000
Within 30 days	**395**	–
31 to 60 days	**789**	9
61 to 90 days	**959**	–
91 to 120 days	**–**	–
Over 120 days	**9**	181,995
	2,152	182,004

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

	2022 **HK$'000**	2021 HK$'000
RMB	**69,047**	336,710
HK$	**10,860**	22,568
	79,907	359,278

30 AMOUNT DUE TO A SHAREHOLDER

	2022 HK$'000	2021 HK$'000
Unsecured amount due to a shareholder (Note 41(b))	**126,118**	–

The amount due to a shareholder, which represents the principal outstanding of the convertible loan notes and the related accrued interests (Note 35), was secured by guarantee given by the shareholders of the Company, carried interest at 14% per annum and was due for immediate repayment as at the end of the reporting period.

31 AMOUNT DUE TO AN ASSOCIATE

	2022 HK$'000	2021 HK$'000
Amount due to an associate (Note 20)	**121,276**	–

These balances are unsecured, interest-free and repayable on demand.

32 AMOUNTS DUE TO RELATED PARTIES

	2022 HK$'000	2021 HK$'000
Amounts due to:		
— Family members of shareholders of the Company (Note 41(b))	**744**	–
— An entity controlled by a director of the Company (Note 41(b))	**10,209**	–
	10,953	–

These balances are unsecured, interest-free and repayable on demand.

33 BORROWINGS

	2022 HK$'000	2021 HK$'000
Bank borrowings, unsecured	**13,387**	13,387
Other borrowings	**–**	3,488
Loans from related parties (Note 41(b))	**17,003**	11,864
Shareholders' loans (Note 41(b))	**–**	278,340
	30,390	307,079

(a) Bank borrowings

As at 31 December 2022, the unsecured bank borrowings with principal and interest payables of HK$13,387,000 (2021: HK$13,387,000) and HK$3,257,000 (2021: HK$3,257,000) respectively have been overdue and has not repaid in accordance with scheduled payment dates. Up to the date of approval of the consolidated financial statements, these bank borrowings with principal and interest payables of HK$13,387,000 (2021: HK$13,387,000) and HK$3,257,000 (2021: HK$3,257,000) are still outstanding.

The outstanding bank borrowings of the Group carry interest at the interest rate at 3.37% (2021: 3.37%) per annum.

(b) Other borrowings

Borrowings from certain third parties, which were unsecured and carried interest at 15% per annum, were repaid during the current year.

(c) Loans from related parties

The amounts due to related parties are unsecured, interest-free and are repayable within one year after the end of the reporting period. Details of the related parties are set out in note 41(b).

(d) Shareholders' loans

The shareholders' loans are unsecured and repayable within one year. As at 31 December 2021, these shareholders' loans to the extent of HK$276,502,000 were interest free with the remaining balance of HK$1,838,000 carried interest rate at 4.35% per annum. During the year ended 31 December 2022, the shareholders' loans of HK$278,340,000 was fully repaid by the Group.

34 BOND PAYABLES

	2022 HK$'000	2021 HK$'000
Bonds payable:		
— Within one year	**29,028**	–
— Within a period of more than one year but not exceeding two years	**–**	29,718
	29,028	29,718
Portion due within one year included in current liabilities	**(29,028)**	–
Portion due not within one year included in non-current liabilities	**–**	29,718

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**") in connection with the acquisition of a subsidiary. The Bonds, which is held by a related party, Chen Qiusan (Note 41(a)), is unsecured, carries interest at 5% per annum and is payable on the maturity date of 23 October 2023.

The fair value of the Bonds at initial recognition amounted to approximately RMB22,603,000 (equivalent to approximately HK$26,164,000) 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:

	2022 HK$'000	2021 HK$'000
At 1 January	**29,718**	27,144
Interest charge for the year	**1,722**	1,688
Exchange differences	**(2,412)**	886
At 31 December	**29,028**	29,718

35 CONVERTIBLE LOAN NOTES

	2022	2021
	HK$'000	HK$'000
Convertible loan notes:		
— Liability component	**–**	113,291
— Derivative conversion option component	**–**	1,230
— Equity component	**–**	–
Classified under current liabilities:		
— Convertible loan notes	**–**	113,291
— Derivative financial liabilities	**–**	1,230
Classified under other reserves		
— Convertible loan notes equity reserve	**–**	–

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. Under the terms of the Convertible Notes, (i) the Convertible Notes are denominated in Hong Kong dollars and are secured by shareholders of the Company, who have jointly and severally, unconditionally and irrevocably guaranteed the due and punctual payment of all sums expressed to be payable by the Company; (ii) 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; (iii) 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; (iv) if the Convertible Notes have not been converted or redeemed, they will be redeemed on 17 July 2020 at par; and (iv) interest of 10% will be paid annually up until the settlement date.

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 note holder signed a supplementary agreement to revise the terms of Convertible Notes under which the Convertible Notes would be redeemed on 17 July 2021 at a conversion price of HK$0.1340 per Convertible Notes. The fair value of the Convertible Notes at 16 July 2020 was estimated to be HK$110,953,000, which was valued by an independent financial advisor. The fair value of the Convertible Notes comprises the liability component and the equity component amounted to HK$97,767,000 and HK$13,186,000 respectively.

On 4 August 2021, the Company and the note holder signed the second supplementary agreement to revise the terms of the Convertible Notes. Pursuant to this supplementary agreement, the Convertible Notes will be redeemed on 17 July 2022 and the interest on the notes is charged at 10% per annum until the settlement date.

Except for the above mentioned, all other terms of the Convertible Notes remain unchanged.

35 CONVERTIBLE LOAN NOTES *(Continued)*

Following the change of the functional currency of the Company during the prior year ended 31 December 2021, as detailed in note 1, upon the modification of the terms of the Convertible Notes on 4 August 2021, the Convertible Notes contain liability component and conversion option derivative component and the fair value of the Convertible Notes at 4 August 2021 was estimated to be HK$161,924,000, which was valued by an independent financial advisor. The fair value of the Convertible Notes comprises the liability component and the derivative component amounted to HK$114,871,000 and HK$47,053,000 respectively. The effective interest rate adopted in the valuation of liability component is 6.36% per annum. The effective rate applied for the liability component carried at amortised cost at 31 December 2021 is 6.36% per annum.

Details of principal valuation parameters applied in determining the liability component and derivative conversion option component was summarised as follows:

		At 4 August 2021	**At 31 December 2021**
(a)	Principal amount:	HK$110,952,907	HK$110,952,907
(b)	Coupon rate:	10% per annum	10% per annum
(c)	Maturity date:	17 July 2022	17 July 2022
(d)	Conversion price:	HK$0.134	HK$0.134
(e)	Risk-free rate:	0.02%	0.19%
(f)	Expected volatility:	60.00%	51.01%
(g)	Expected dividend yield:	0%	0%

The loss on modification of the Convertible Notes during the prior year ended 31 December 2021 amounted to HK$50,971,000, which represents the excess of the fair value of the Convertible Notes at the date of modification amounted to HK$161,924,000 over the carrying amount of the liability component of the Convertible Notes at that date amounted to HK$110,953,000, was recognised in profit and loss in respect of that year and was included in other losses (Note 11). In addition, on modification of the Convertible Notes, the equity component of the Convertible Notes amounted to HK$13,186,000 was transferred to accumulated losses.

The Convertible Notes matured on 17 July 2022 and were not repaid by the Company or converted into shares of the Company upon their maturity. The total outstanding balance of the Convertible Notes of HK$126,118,000, comprising the principal amount of the Convertible Notes of HK$110,953,000 and the related interest payable and accrued interests of HK$13,666,000 and HK$1,499,000 was reclassified to amount due to a shareholder upon their maturity.

35 CONVERTIBLE LOAN NOTES *(Continued)*

Movements of the Convertible Notes for the years ended 31 December 2022 and 31 December 2021 are as follows:

	Liability component HK$'000	Derivative component HK$'000	Equity component HK$'000
At 1 January 2021	110,878	–	13,186
Interest charge	19,898	–	–
Interest paid	(13,364)	–	–
Adjustment for modification of convertible loan notes	3,918	47,053	(13,186)
Gain on change in fair value of derivative financial liabilities (Note 11)	–	(45,823)	–
Exchange difference	(8,039)	–	–
At 31 December 2021	113,291	1,230	–
Interest charge	**4,065**	**–**	**–**
Interest payable included in trade and other payables	**(6,328)**	**–**	**–**
Gain on change in fair value of derivative financial liabilities (Note 11)	**–**	**(1,169)**	**–**
Reclassified upon maturity of convertible loan notes	**(110,953)**	**–**	**–**
Exchange difference	**(75)**	**(61)**	**–**
At 31 December 2022	**–**	**–**	**–**

36 LEASE LIABILITIES

	2022 HK$'000	2021 HK$'000
Lease liabilities payable:		
Within one year	**1,955**	2,521
Within a period of more than one year but not more than two years	**524**	2,677
	2,479	5,198
Less: Amount due for settlement within 12 months shown under current liabilities	**(1,955)**	(2,521)
Amount due for settlement after 12 months shown under non-current liabilities	**524**	2,677

The weighted average incremental borrowing rate applied to lease liabilities is 6.11% (2021: 5.25%) per annum.

37 CONTRACT LIABILITIES

	2022 HK$'000	2021 HK$'000
Advances from customers	**17,742**	24,717

Notes:

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

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

	2022 HK$'000	2021 HK$'000
At 1 January	**24,717**	839,358
Increase in contract liabilities as a result of advance consideration received from customers	**17,949**	24,520
Decrease in contract liabilities as a result of recognising revenue for the year that was included in the contract liabilities at the beginning of the year	**(23,125)**	(796,046)
Decrease in contract liabilities as a result of repaying to customers	**–**	(55,724)
Decrease in contract liabilities as a result of disposal of subsidiaries	**–**	(1,201)
Currency translation differences	**(1,799)**	13,810
At 31 December	**17,742**	24,717

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 the promised energy trading products and the entity satisfies the related performance obligation.

— Services for operation of digital energy trading parks

The Group receives a designated amount of the contract value from customers when the service agreement is signed. The advances result in contract liabilities being recognised until the customer obtain control of promised services for operation of digital energy trading parks and the entity satisfies the related performance obligation.

For all these contracts with an original expected duration of one year or less, as permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

38 DEFERRED TAX LIABILITIES

As at 31 December 2022, the Group had unutilised tax loss carried forward to offset future taxable profits of HK$31,294,000 (2021: HK$31,986,000), 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. Included in unrecognised tax losses are losses of HK$30,049,000 (2021: HK$30,758,000) that will expire in a period from 2024 to 2026, other losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of HK$32,919,000 (2021: HK$23,458,000). 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$37,411,000 (2021: HK$254,673,000) 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.

39 CASH FLOW INFORMATION

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

	2022 HK$'000	2021 HK$'000
(Loss)/profit before income tax	**(41,247)**	137,031
Adjustments for:		
— Depreciation of property, plant and equipment (Note 8)	**823**	7,756
— Depreciation of right-of-use assets (Note 8)	**1,614**	1,054
— Equity-settled share-based payment expense	**–**	19,446
— Share of loss of associate (Note 20)	**47**	–
— Loss on disposal of property, plant and equipment (Note 11)	**17**	446
— Loss/(gain) on disposal of right-of-use assets (Note 11)	**375**	(27)
— Finance expenses (Note 12)	**13,303**	24,703
— Interest income (Note 12)	**(1,386)**	(241)
— Gain on disposal of subsidiaries (Note 40)	**–**	(11,638)
— Loss on modification of convertible loan notes	**–**	50,971
— Fair value gain on derivative financial liabilities (Note 35)	**(1,169)**	(45,823)
— Gain on deregistration of subsidiaries (Note 11)	**(32)**	(1)
— Impairment loss of goodwill (Note 19)	**–**	614
— Impairment of amounts due from former subsidiaries (Note 40)	**–**	23,458
— Impairment loss/(reversal of impairment loss) on trade receivables (Note 22)	**92**	(2,010)
— Impairment loss on prepayments to suppliers (Note 22)	**32,828**	–
Operating cash flows before movements in working capital	**5,265**	205,739
— Decrease in inventories	**4,537**	496,800
— Decrease in trade and other receivables, deposits paid and prepaid expenses	**221,539**	374,376
— Decrease/(increase) in prepayments to suppliers	**582,433**	(364,390)
— (Decrease)/increase in trade and other payables	**(262,859)**	58,013
— Increase in amount due to an associate	**125,181**	–
— Decrease in contract liabilities	**(5,176)**	(827,250)
Cash generated from/(used in) operations	**670,920**	(56,712)

39 CASH FLOW INFORMATION *(Continued)*

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Group's consolidated statement of cash flows from financing activities.

			Borrowings								
	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$'000	Shareholders' loans HK$'000	Loan from non-controlling interests 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 2022	3,304	–	13,387	278,340	–	11,864	3,488	5,198	29,718	113,291	458,590
Cash inflows for the year	–	121,926	–	5,801	–	5,139	–	–	–	–	132,866
Cash outflows for the year	–	(110,620)	–	(281,899)	–	–	(3,488)	(2,956)	–	–	(398,963)
Net cash (outflow)/inflow	–	11,306	–	(276,098)	–	5,139	(3,488)	(2,956)	–	–	(266,097)
Interest expenses	7,338	–	–	–	–	–	–	178	1,722	4,065	13,303
New lease entered	–	–	–	–	–	–	–	2,564	–	–	2,564
Gain on disposal of right-of-use assets	–	–	–	–	–	–	–	(2,167)	–	–	(2,167)
Elimination by disposal of subsidiaries (Note 40)	–	–	–	–	–	–	–	–	–	–	–
Adjustment for modification of convertible loan notes	–	–	–	–	–	–	–	–	–	–	–
Interest payable included in trade and other payables	6,328	–	–	–	–	–	–	–	–	(6,328)	–
Reclassified upon maturity of convertible loan notes (Note 35)	(13,666)	–	–	–	–	–	–	–	–	(110,953)	(124,619)
Currency translation differences	(4)	(353)	–	(2,242)	–	–	–	(338)	(2,412)	(75)	(5,424)
As at 31 December 2022	3,300	10,953	13,387	–	–	17,003	–	2,479	29,028	–	76,150

39 CASH FLOW INFORMATION *(Continued)*

(b) Reconciliation of liabilities arising from financing activities *(Continued)*

	Interest payable (included in trade and other payables) HK$'000	Amounts due to related parties (included in trade and other payables) HK$'000	Borrowings Bank borrowings HK$'000	Borrowings Shareholders' loans HK$'000	Borrowings Loan from non-controlling interests HK$'000	Borrowings Loan from related parties HK$'000	Borrowings Other borrowings HK$'000	Lease liabilities HK$'000	Bond payables HK$'000	Convertible loan notes HK$'000	Total HK$'000
As at 1 January 2021	3,390	893	41,892	219,600	3,563	45,460	8,552	5,206	27,144	110,878	466,578
Cash inflows for the year	–	–	54,243	240,993	–	1,144,563	3,729	–	–	–	1,443,528
Cash outflows for the year	(2,912)	(893)	(18,246)	(181,188)	(3,620)	(1,178,840)	(8,930)	(3,793)	–	(13,364)	(1,411,786)
Net cash (outflow)/inflow	(2,912)	(893)	35,997	59,805	(3,620)	(34,277)	(5,201)	(3,793)	–	(13,364)	31,742
Interest expenses	2,823	–	–	–	–	–	–	294	1,688	19,898	24,703
New lease entered	–	–	–	–	–	–	–	5,257	–	–	5,257
Gain on disposal of right-of-use assets	–	–	–	–	–	–	–	(651)	–	–	(651)
Elimination by disposal of subsidiaries (Note 40)	–	–	(65,246)	(2,732)	–	–	–	(1,387)	–	–	(69,365)
Adjustment for modification of convertible loan notes	–	–	–	–	–	–	–	–	–	3,918	3,918
Currency translation differences	3	–	744	1,667	57	681	137	272	886	(8,039)	(3,592)
As at 31 December 2021	3,304	–	13,387	278,340	–	11,864	3,488	5,198	29,718	113,291	458,590

40 DISPOSAL OF SUBSIDIARIES

	Net cash inflows/(outflows) on disposal		Gain/(loss) on disposal	
	2022 HK$'000	2021 HK$'000	**2022 HK$'000**	2021 HK$'000
Disposal of:				
— Shinhint Industrial Holdings Limited (note a)	–	(111)	–	235
— Lijin Shuntong Logistics Company Limited (note b)	–	(113)	–	10,684
— Shandong Jinhai Shengda Energy Co., Ltd. (note c)	–	(69)	–	(241)
— Chuangpu Technology Co., Ltd. (note d)	–	101	–	960
	–	(192)	–	11,638

Notes:

(a) On 31 December 2021, the Group entered into a disposal agreement with a third party in relation to the disposal of the entire issued share capital of a subsidiary, Shinhint Industrial Holdings Limited together with its subsidiaries ("**Shinhint Group**").

The disposal was completed on 31 December 2021 and the consideration for disposal amounted to approximately HK$8, which remained outstanding at 31 December 2021.

(b) On 3 December 2021, the Group entered into a disposal agreement with a third party in relation to the disposal of the entire issued share capital of a subsidiary, Shuntong Logistics.

The disposal was completed on 3 December 2021 and the consideration for disposal amounted to approximately RMB23,482,000 (equivalent to HK$28,297,000), which remained outstanding at 31 December 2021.

(c) On 2 July 2021, the Group entered into a disposal agreement with third party in relation to the disposal of 54% issued share capital of a subsidiary, Shandong Jinhai Shengda Energy Co., Ltd. (山東金海盛達能源有限公司) ("**Shandong Jinhai**").

The disposal was completed on 2 July 2021 and the consideration for disposal amounted to approximately RMB12,000,000 (equivalent to HK$14,412,000), which remained outstanding at 31 December 2021.

(d) On 1 January 2021, the Group entered into a disposal agreement with a third party in relation to the disposal of 51% issued share capital in a subsidiary, Chuangpu Technology Co., Ltd. (創普科技有限公司) ("**Chuangpu Technology**").

The disposal was completed on 1 January 2021 and the consideration for disposal amounted to approximately RMB1,020,000 (equivalent to HK$1,211,000), which was fully settled at 31 December 2021.

40 DISPOSAL OF SUBSIDIARIES *(Continued)*

Net assets/liabilities disposed of

Assets and liabilities over which control was lost are as follows:

Year ended 31 December 2021

	Shinhint Group HK$'000	Shuntong Logistic HK$'000	Shandong Jinhai HK$'000	Chuangpu Technology HK$'000	Total HK$'000
Non-current assets					
Property, plant and equipment (Note 17)	249	10,950	34	238	11,471
Right-of-use assets (Note 18)	–	–	–	1,399	1,399
Current assets					
Inventories	–	866	–	686	1,552
Trade and other receivables	5	60,666	98,595	1,818	161,084
Prepayments to suppliers	–	–	12,029	873	12,902
Cash and cash equivalents	111	113	69	1,110	1,403
Total assets	365	72,595	110,727	6,124	189,811
Current liabilities					
Trade and other payables	600	774	47,313	432	49,119
Current income tax liabilities	–	–	2	–	2
Amounts due to Group companies	–	23,458	–	–	23,458
Shareholder's loan	–	–	–	2,732	2,732
Bank borrowings (Note 33)	–	29,159	36,087	–	65,246
Lease liabilities (Note 36)	–	–	–	831	831
Contract liabilities	–	–	–	1,201	1,201
Non-current liabilities					
Lease liabilities (Note 36)	–	–	–	556	556
Total liabilities	600	53,391	83,402	5,752	143,145
Net (liabilities)/assets disposed of	(235)	19,204	27,325	372	46,666

40 DISPOSAL OF SUBSIDIARIES *(Continued)*

Gain on disposal of subsidiaries

Year ended 31 December 2021

	Shinhint Group HK$000	Shuntong Logistic HK$000	Shandong Jinhai HK$000	Chuangpu Technology HK$000	Total HK$000
Consideration for disposal					
— Received	–	–	–	1,211	1,211
— Receivable	–	28,297	14,412	–	42,709
Total consideration for disposal	–	28,297	14,412	1,211	43,920
Net liabilities/(assets) disposed of	235	(19,204)	(27,325)	(372)	(46,666)
Non-controlling interests	–	–	11,973	233	12,206
Exchange reserve released upon disposal	–	1,591	699	(112)	2,178
Gain/(loss) on disposal	235	10,684	(241)	960	11,638

Certain of the subsidiaries disposed of during the year ended 31 December 2021 owed the Group amounted to HK$23,458,000 at time of completion of the disposal. Having considered the financial position and cash flows of these former subsidiaries, management of the Group was of the view that it was highly uncertain that the Group is able to recover these amounts due from the former subsidiaries, accordingly, impairment loss in full amounted to HK$23,458,000 was recognised on the amounts due by these former subsidiaries in profit or loss in respect of the year. At the end of the reporting period and up to the date of approval of these consolidated financial statements, the amount due by the former subsidiaries to the Group amounted to HK$23,458,000 remained outstanding.

Cash inflow/(outflow) on disposal of subsidiaries

Year ended 31 December 2021

	Shinhint Group HK$000	Shuntong Logistic HK$000	Shandong Jinhai HK$000	Chuangpu Technology HK$000	Total HK$000
Consideration for disposal received	–	–	–	1,211	1,211
Less: Bank balances and cash disposed of	(111)	(113)	(69)	(1,110)	(1,403)
Net cash inflow/(outflow) on disposal	(111)	(113)	(69)	101	(192)

41 SIGNIFICANT RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following significant related party transactions during the year ended 31 December 2022:

(a) Related parties

Name of related parties	Relationship
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**”) (“**Beijing Zhongcheng**”)	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
陳金樂 (“**Chen Jinle**”)	Shareholder of the Company
崔憲國 (“**Cui Xianguo**”)	Shareholder of the Company

41 SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

(b) Related party balances

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

	2022 **HK$'000**	2021 HK$'000
Amounts due to related parties (Note 32)		
— Beijing Yuanchuang	**10,209**	–
— Chen Qiusan	**744**	–
	10,953	–
Loans from related parties (Note 33)		
— Yuan Hongbing	**17,003**	11,864
Amount due to a shareholder (Note 30)		
— Qilu International Funds SPC	**126,118**	–
Shareholders' loans (Note 33)		
— Chen Jinle	**–**	200,097
— Cui Xianguo	**–**	78,243
	–	278,340

(c) Compensation of key management personnel

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

	2022 **HK$'000**	2021 HK$'000
Salaries and other short-term benefits	**2,863**	6,750

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

42 SUMMARY FINANCIAL INFORMATION OF THE COMPANY

(a) Statement of financial position of the Company

	As at 31 December	
	2022	2021
	HK$'000	HK$'000
Assets		
Non-current assets		
Investment in subsidiaries	**29,504**	29,504
Amounts due from subsidiaries — non-current	**144,639**	166,377
Property, plant and equipment	**1,503**	46
	175,646	195,927
Current assets		
Other receivables	**1,072**	1,164
Cash and cash equivalents	**184**	181
	1,256	1,345
Total assets	**176,902**	197,272
Equity		
Share capital	**5,569**	5,569
Other reserves	**419,584**	417,391
Accumulated losses	**(542,392)**	(521,804)
Total equity	**(117,239)**	(98,844)

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

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

	As at 31 December	
	2022	2021
	HK$'000	HK$'000
Liabilities		
Non-current liabilities		
Lease liabilities	**524**	–
Bond payables	**–**	29,718
	524	29,718
Liabilities		
Current liabilities		
Other payables	**81,012**	76,060
Amounts due to subsidiaries	**43,079**	17,984
Amount due to a shareholder	**126,118**	–
Borrowings	**13,387**	56,670
Bond payables	**29,028**	–
Convertible loan notes	**–**	113,291
Derivative financial liabilities	**–**	1,230
Lease liabilities	**993**	1,163
	293,617	266,398
Total liabilities	**294,141**	296,116
Net current liabilities	**(292,361)**	(265,053)
Total assets less current liabilities	**(116,715)**	(69,126)
Total equity and liabilities	**176,902**	197,272

The statement of financial position of the Company was approved by the Board of Directors on 30 March 2023 and is signed on its behalf by:

Han Jinfeng	**Yuan Hongbing**
Director	*Director*

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

(b) Reserve movements of the Company

	Share premium HK$'000	Special reserve HK$'000	Exchange 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 2021	321,958	107,647	–	58,731	19,387	13,186	(572,410)	(51,501)
Loss for the year	–	–	–	–	–	–	(73,656)	(73,656)
Currency translation differences	–	–	1,298	–	–	–	–	1,298
Recognition of equity-settled share-based payments	–	–	–	19,446	–	–	–	19,446
Lapse of share option granted	–	–	–	(3,429)	–	–	3,429	–
Transferred to accumulated losses on modification of convertible loan notes	–	–	–	–	–	(13,186)	13,186	–
Reclassification of special reserve to accumulated losses upon disposal of subsidiaries	–	(107,647)	–	–	–	–	107,647	–
At 31 December 2021	321,958	–	1,298	74,748	19,387	–	(521,804)	(104,413)
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(20,588)**	**(20,588)**
Currency translation differences	**–**	**–**	**(5,607)**	**–**	**–**	**–**	**–**	**(5,607)**
Payroll and welfare payables waived by shareholder	**–**	**–**	**–**	**–**	**7,800**	**–**	**–**	**7,800**
At 31 December 2022	**321,958**	**–**	**(4,309)**	**74,748**	**27,187**	**–**	**(542,392)**	**(122,808)**

43 EVENTS AFTER REPORTING PERIOD

In addition to those disclosed elsewhere in the consolidated financial statements, the following event took place after the end of the reporting period:

On 20 March 2023, the Company entered into an agreement (the "**Agreement**") with a shareholder of the Company, pursuant to which the parties to the Agreement have conditionally agreed that (a) all accrued and unpaid interest on the amount due by the Group to the shareholder up to 18 July 2022 in the sum of HK$12,337,857.56 shall be aggregated with the original principal amount of the amount due to the shareholder of HK$110,952,907, totalling HK$123,290,764.56, which shall be treated as the new outstanding principal amount; (b) from 19 July 2022 onwards, interest shall be accrued at the rate of 8% per annum; (c) the maturity date of the amount due to the shareholder shall be extended to 17 July 2025; and (d) the interest payment date shall be revised to 17 July 2025.

The Agreement is subject to certain conditions to be fulfilled by the contracting parties, including the approval by the shareholders of the Company at extraordinary general meeting which is expected to be held before 30 June 2023, accordingly the completion of the Agreement has not taken place up to the date of approval of these consolidated financial statements.

FINANCIAL SUMMARY

	Year ended 31 December				
	2018	2019	2020	2021	**2022**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Revenue	1,848,844	3,003,380	14,078,809	11,010,520	**150,286**
Profit/(Loss) for the year from continuing operations	(366,597)	(598,129)	314,029	74,136	**(40,785)**
Profit for the year from discontinued operations	14,786	–	–	–	**–**
Profit/(Loss) for the year	(351,811)	(598,129)	314,029	74,136	**(40,785)**
Attributable to:					
Owners of the Company	(351,811)	(599,250)	321,803	94,295	**(31,913)**
Non-controlling interests	–	1,121	(7,774)	(20,159)	**(8,872)**
	(351,811)	(598,129)	314,029	74,136	**(40,785)**

	At 31 December				
	2018	2019	2020	2021	**2022**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	664,009	1,702,261	1,725,438	1,028,982	**520,663**
Total liabilities	(601,308)	(2,128,733)	(1,668,898)	(866,623)	**(419,397)**
Shareholders' funds	62,701	(426,472)	56,540	162,359	**101,266**
Equity attributable to owners of the Company	62,701	(427,574)	63,828	190,588	**114,026**
Non-controlling interests	–	1,102	(7,288)	(28,229)	**(12,760)**
	62,701	(426,472)	56,540	162,359	**101,266**

Certain comparative figures have been restated to conform with current year's presentation.