金泰能源
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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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL RESULTS ANNOUNCEMENT AND THE ANNUAL REPORT OF THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2020

Reference is made to the annual results announcement (the "**Annual Results Announcement**") of Jintai Energy Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") for the year ended 31 December 2020 dated 31 March 2021 and the annual report of the Group for the year ended 31 December 2020 (the "**2020 Annual Report**") published on 27 April 2021. Capitalised terms used in this announcement shall have the same meanings as those defined in the 2020 Annual Report unless otherwise defined herein.

THE IMPAIRMENT LOSS

The Board would like to provide further information in relation to the impairment loss on the amount due from Disposal Group A (i.e. Chuang Hui Group Limited (創惠集團有限公司) ("**Chuang Hui**") together with its subsidiary) with the amount of approximately HK$428.5 million. Fully Sino Industrial Limited ("**Fully Sino**") was a direct wholly-owned subsidiary of Chuang Hui, Yuhua Energy Holdings Group (Fujian) Co., Ltd.* ("**Yuhua Fujian**") (裕華能源控股集團(福建)有限公司) was a direct wholly-owned subsidiary of Fully Sino, Yuhua Dongshan Energy Co., Ltd.* ("**Yuhua Dongshan**") (裕華東山能源有限公司), Yuhua Energy (China) Co., Ltd.* ("**Yuhua China**") (裕華能源(中國)有限公司) and Yuhua Energy (Xiamen) Co., Ltd.*("**Yuhua Xiamen**") (裕華能源(廈門)有限公司) were direct wholly-owned subsidiaries of Yuhua Fujian, and Yuhua (Shanghai) Trading Co., Ltd.*("**Yuhua Shanghai**") (裕華(上海)貿易有限公司) was a direct wholly-owned subsidiary of Yuhua Xiamen.

Since Fully Sino was an indirect wholly-owned subsidiary of the Company before its disposal, the loans to Fully Sino in the amount of HK$424.9 million for the financial support of its operations was an inter-company financial support and mainly provided by the Company. Those funding was transferred from the Company to Fully Sino and accumulated before the year of 2018. Further, the loans provided to Fully Sino were used in the operation of Yuhua Fujian and Yuhua Xiamen. The above loans to Fully Sino were unsecured, interest free and repayable on demand.

During the year ended 31 December 2018, the supplier of the Disposal Group A, Shanghai Baota Petrochemical Co., Ltd. ("**Baota**"), had materially delayed in delivery and failed to comply with the terms and conditions of supply contracts, and the Board also noted the news about the liquidity problem of Baota. In view of the above, the Board unanimously agreed to make provision amounting to approximately RMB241.9 million in the financial year ended 31 December 2018, representing 50% of the prepayment amount, and the remaining balance of RMB241.9 million in the financial year ended 31 December 2019, totalling RMB483.8 million. Regarding the impairment of trade and other receivables in the Disposal Group A, please refer to the section headed "Corporate Governance Report" on page 23 of the annual report 2018.

Further, approximately HK$1.3 million and HK$2.0 million of the amount due from the disposed company, Yuhua China was also impaired in the year ended 31 December 2018 and 2019 respectively. Those funding in the total amount approximately HK$3.3 million was transferred from the Company to Yuhua China and accumulated before the year of 2018. The amount was impaired due to net liabilities and low cash level of Yuhua China.

Due to the significant amount of impairment of the prepayment in the Disposal Group A, as well as the low cash level, significant amount of bank loan and net liabilities of the Disposal Group A, the repayment capability of the Disposal Group A is low. Therefore, the impairment of the amount due from Disposal Group A was provided. Such factors, events and circumstances leading to the impairment were not anticipated when the Company provided financial support to the Disposal Group A. The Board also assessed it was fair and reasonable to fully impair the significant amount of approximately HK$424.9 million due from Fully Sino for the year ended 31 December 2018.

Financial impact of the treatment of impairment loss due to the disposal of the Disposal Group A

At an individual company's level, the subject inter-company loan balance was fully impaired by the Company on the one hand while fully credited back by the borrowing subsidiary of the Company (subsequently the Disposal Group A) on the other hand during the financial year ended 31 December 2018 and 31 December 2019, the end result of which in the Group's consolidated financial statements level was that such impairment and credit back between the Company and the borrowing subsidiary of the Company were fully set-off against each other as at 31 December 2018 and 31 December 2019, and in substance, leaving no financial impact to the Group's consolidated financial statements for the years ended 31 December 2018 and 31 December 2019 respectively.

During the financial year ended 31 December 2020, since the Disposal Group A was being disposed of and became an independent third party to the Group, the amount due from the Disposal Group A (and also the accumulated provision of impairment balance) could no longer be set off in the Group's consolidated financial statements as for the financial year ended 31 December 2020. As a result, the same became a loss to the Group at its consolidated financial statements level.

Referring to the 2020 Annual Report, the gain on disposal of the Disposal Group A was approximately HK$803.14 million while the materialized impairment loss in relation to the loan amount due from the Disposal Group A was approximately HK$428.51 million. The net financial impact from the disposal of the Disposal Group A was a gain of approximately HK$374.63 million.

If the Company, at the time of disposal of the Disposal Group A, chose to waive or sell the receivables to the purchaser of the Disposal Group A, then no impairment loss on such loan amount due from the Disposal Group A would be recorded in the Group's consolidated financial statements for the financial year ended 31 December 2020. On the contrary, the net liabilities of the Disposal Group A would be reduced by the same amount of HK$428.51 million, and the gain on disposal of the Disposal Group A would also be reduced by the same amount accordingly. As a result, the net gain on disposal of the Disposal Group A would still be HK$374.63 million, equivalent to the scenario that the Company kept the receivables by itself. Accordingly, there was no difference in the financial impact to the Group's consolidated financial statements for the year ended 31 December 2020.

Reasons for the trade and other receivables were not sold to the purchaser together with the Disposal Group A

In substance, the Company was satisfactory with the disposal of the Disposal Group A because the Company was able to be released from a net debt to third parties of approximately HK$804.41 million (as disclosed on p.135 of the 2020 Annual Report) even the Company could not recover any amount from the Disposal Group A.

In form, such receivables were not actually "waived" or "sold" because the purchaser of the Disposal Group A, Grand Refine Limited, has generously offered that the Disposal Group A would try its best to repay some, even if not the whole, of such receivables in the event it would be able to achieve a great turnaround in its business and cash flow position after the takeover by the purchaser of the Disposal Group A. As such, the Company considered it appropriate to keep the receivables in its books on the one hand to indicate the chance, no matter how remote it looks, of recovery while maintaining provision of full impairment to truly present its fair value (which could be zero) in the audited financial statement of the Company on the other hand to avoid misleading our shareholders in its financial substance.

Reason for the Company keeping the impaired receivables

The Company actually considered that there is a remote possibility to recover the impaired receivables, in full or in part. As such, the Company has taken a prudent approach and considered it was necessary to maintain the provision for full impairment of the aforesaid receivables from the Disposal Group A in order to disclose the fair recognizable value of the said receivables at the reporting date in the audited financial statements of the Company for the year ended 31 December 2020.

Safeguard of the Company's assets

The Company has already taken into account the adverse financial impact regarding the likelihood of not being able to recover the receivables from the Disposal Group A before entering into the sale and purchase agreement in relation to the disposal of the Disposal Group A with the purchaser, Grand Refine Limited ("**Grand Refine**"). It was because even if the impaired receivables cannot be recovered eventually, the disposal of the Disposal Group A enabled the Company to be released from very substantial amount of net liabilities due to third parties. The Group would also be able to record a one-off gain of approximately RMB374.63 million (as disclosed on page 8 of the 2020 Annual Report, calculated from gain on the disposal of the Disposal Group A in the amount approximately HK$803.14 million partially offset by the impairment loss of the receivables due from the Disposal Group A). As such, the Company considered that it has well safeguarded the assets of the Company.

Information on Grand Refine Limited

Grand Refine was the purchaser of the Disposal Group A. Grand Refine and its ultimate beneficial owner, Lin Min Hui, are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Grand Refine was a company designated by a Singapore international debt restructuring advisory firm which was recommended and introduced to the Company through a business friend from a bank in the PRC.

Actions taken by The Company to recover the Impaired Receivables

After the disposal of the Disposal Group A, the Board has engaged PRC lawyers to liaise with the responsible person of the Singapore international debt restructuring advisory firm and monitor the status of the debt restructuring of the Disposal Group A. To the best knowledge of the Board, as at the date of this announcement, the Board noted that there is a serious difficulty in the recovery of the outstanding receivables as there is no progress on the debt restructuring of the second bank loan of the Disposal Group A. To the best knowledge, information and belief of the Directors, the main reason leading to no progress on the debt restructuring of the Disposal Group A was the absence of improvement in the business performance of the Disposal Group A after the secession of the Disposal Group A from the Group and during the COVID-19 pandemic. The second bank loan was referred to loan between Xiamen Branch of Bank of Communications Limited and several parties including Yuhua Xiamen. If debt restructuring of the second bank loan of the Disposal Group A is not successful, it is difficult for the Disposal Group A to have any further financing for the business operation as well as the repayment of the impaired receivables.

Considerations of the Company before the Disposal of the Disposal Group A

The Board has considered the following issues before the disposal of the Disposal Group A, including but not limited to:

(i) Before the disposal of the Disposal Group A, the Company has discussed with its PRC legal adviser on the likelihood of the recovery of outstanding receivables from the Disposal Group A and the PRC lawyers confirmed that it is unlikely for the Company to recover the said outstanding receivables. Further, the Board was of the view that there was only a minimal disposal value from the disposal of the Disposal Group A after the deduction of the debt of the Disposal Group A.

(ii) During the negotiation with the bank which is responsible for the debt restructuring, the bank had imposed among others, the two main in order to further defer the repayment of the loan and not to treat the loan as default: (i) the Disposal Group A had to repay a certain amount of the outstanding principal of the loan; and (ii) the Company has to provide an additional corporate guarantee to the outstanding loan of the Disposal Group A. If the Company had to satisfy the aforesaid conditions of the bank, the Board is of the view that there was not much economic benefits brought to the Company. Further, if the Disposal Group A remained as part of the Group, any default in loan in the Disposal Group A would bring a negative impact to the Company and create a domino effect to the Company, particularly, the existing loans of the Company may be accelerated and the Company would be difficult in obtain additional financing or the Company would only be able to obtain additional financing on an unfavourable term.

(iii) The Company would not be able to bring future value from the pledge of the assets of the Disposal Group A as the value of the pledged assets of the Disposal Group A was low.

Further actions to be taken by the Group

The Directors will continue to liaise with and monitor the business performance of the Disposal Group A regularly with the of Singapore international debt restructuring advisory firm so as to ensure that there would be certain progress on the debt restructuring plan. In the event of the progress of debt restructuring remain unsatisfactory for a prolonged period of time, the management of the Group will consider taking further actions, including but not limited to taking legal action against the Disposal Group A for the recovery of the impaired receivables and initiating a winding up actions against the Disposal Group A.

Financial impact and operational impact of the Impairment Loss to the Group

The Directors are of the view that the impairment loss due to the disposal of the Disposal Group A would not have any material adverse impact on the business operations and financial of the Group. Since the impairment loss, being the receivables impaired in the prior years, has been offset against the gain from the disposal of the Disposal Group A, the Group has resulted in a substantial net gain. As such, even if the Group is unable to recover any money from Disposal Group A in the subsequent debt restructuring exercise, the Company is of the view that there will be no adverse financial impact to the Group's financial results going forward.

Save as disclosed above, all other information and content set out in the Annual Results Announcement and the 2020 Annual Report remain unchanged and does not affect other information contained in the Annual Results Announcement and the 2020 Annual Report. This supplemental announcement is supplemental to and should be read in conjunction with the Annual Results Announcement and the 2020 Annual Report.

By Order of the Board
Jintai Energy Holdings Limited
Yuan Hongbing
Executive Director and Chief Executive Officer

Hong Kong, 26 October 2021

As at the date of this announcement, the Company has three executive Directors, namely Mr. Chen Jinle (Chairman), Mr. Lin Caihuo and Mr. Yuan Hongbing (Chief Executive Officer), one non-executive Director, namely Mr. Wang Shoulei, and three independent non-executive Directors, namely Mr. Tche Heng Hou Kevin, Mr. Gao Han and Mr. Mak Tin Sang.