JTF INTERNATIONAL HOLDINGS LIMITED

金泰豐國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8479

ANNUAL REPORT 2017

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Contents

Corporate Information

EXECUTIVE DIRECTORS

Mr. Xu Ziming *(Chairman)*
Ms. Huang Sizhen
Mr. Choi Sio Peng

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan William
Mr. Tsui Hing Shan
Mr. Kan Siu Chung

AUDIT COMMITTEE

Mr. Chan William *(Chairman)*
Mr. Tsui Hing Shan
Mr. Kan Siu Chung

REMUNERATION COMMITTEE

Mr. Tsui Hing Shan *(Chairman)*
Mr. Chan William
Mr. Kan Siu Chung

NOMINATION COMMITTEE

Mr. Kan Siu Chung *(Chairman)*
Mr. Chan William
Mr. Tsui Hing Shan

COMPLIANCE OFFICER

Mr. Choi Sio Peng

COMPANY SECRETARY

Mr. Ng Ka Chai

AUTHORISED REPRESENTATIVES

Mr. Choi Sio Peng
Mr. Ng Ka Chai

PRINCIPAL BANKERS

Wing Lung Bank Limited
Bank of Dongguan Co., Ltd.

REGISTERED OFFICE

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Corporate Information (Continued)

LEGAL ADVISOR AS TO HONG KONG LAW

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Certified Public Accountants
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Central
Hong Kong

COMPLIANCE ADVISOR

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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COMPANY WEBSITE

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Chairman's Statement

Dear shareholders,

On behalf of the board of directors of JTF International Holdings Limited (the "Company"), I am pleased to present to all shareholders the annual report of the Company and its subsidiaries (the "Group") for the year ended 31 December 2017.

The year of 2017 was a challenging year for the Group's operation. The progress in the development of new international energy sources and the shift of the U.S. from the largest oil importer to an exporter drove the V-shape price trend of international crude oil (US WTI crude oil), and resulted in a weak market condition with prolonged downward adjustment. The business and profit of the Company were seriously affected by such conditions, as its bargaining power, demand from customers etc. fluctuated along with external market conditions.

Facing the dual pressure of the ever-changing market conditions and keen competition in its business environment, the Group's management, with their extensive market experience, led the operation teams to successfully develop the business of the Group's three major products (fuel oil, refined oil and petrochemical products) steadily. At the same time, with its match trade sales model, the Group avoided the risk of a weak market with gradual downturn adjustment in the first half of the year. While maintaining close business relationship with our existing large state-owned enterprise customers, the Group had effectively developed new channels for new business customers and suppliers. Such new suppliers and customers provided the Group with more stable business opportunities, thus improving the overall profitability of the Group.

As a result of the concerted efforts of our staff, we recorded sales in the amount of RMB1,740,695,000 for the year, representing an increase of 56% as compared to last year, and profit after taxation (excluding expenses of listing) of RMB22,882,000, representing an increase of 7% as compared to last year, demonstrating the sustainable and healthy development of the business of the Company.

The year of 2018 is a year that the Group stepped onto a new platform. The Company became a public listed company after its successful listing on GEM of the Stock Exchange of Hong Kong. While such change has offered us opportunities and favorable conditions for development, it also brings us under the spotlight of the public as well as our shareholders, pushing us to consider how to better handle the severe challenges of unstable factors in the external market conditions. We need to strengthen our sense of responsibility for development, be aware of potential adverse conditions and take a more proactive approach for future development, consolidate our advantageous resources as soon as possible and enhance our competitiveness. For this year's works, the board of directors plans to take the following steps:

In terms of management, in accordance with relevant legal requirements and based on the Group's own characteristics, we will improve the management system and operation logistics, research for new management method in order to improve the work efficiency of employees and to manage the performance of departments.

For our business, on the basis of maintaining the match the trade sales model for our business, we shall be flexible and alert, closely follow market demand for products and changes in profit from time to time in order to sustain development of the Group's business. Meanwhile, with the help of the regional operation network of large state-owned enterprise customers, we will strengthen cooperation and expand business outside the Guangdong region to increase the scale of the Group's development, business and profitability.

Chairman's Statement (Continued)

To realise our plans, the Company will use the proceeds raised from the listing to renovate the Group's own oil depot in Zengcheng, and actively liaise with relevant government departments for approval of the application for expansion of the wharf in the oil depot in Zengcheng. In addition, we will streamline our procurement and sales teams, improve staff training and equipment, seize opportunity for development, and expand sales of products in demand in the market in order to achieve growth in revenue and profit, to lay a solid foundation for the long-term development of the Group and to safeguard the interests of our shareholders.

Despite the arduous task for the coming year, members of the board of directors are full of confidence for the future. Upholding our philosophy of being pragmatic, dedicated and flexible in response to market changes, all staff of the Group will make their best efforts for the long-term development of the Company and the interests of shareholders!

Xu Ziming
Chairman

Hong Kong, 19 March 2018

Management Discussion and Analysis

BUSINESS REVIEW

The Group is a wholesaler of oil and other petrochemical products based in Guangdong Province, the People's Republic of China (the "PRC"). The oil products of the Group can be broadly categorised into (i) fuel oil; (ii) refined oil; and (iii) other petrochemical products. Oil and petrochemical products of the Group are primarily used as fuel in marine vessels, transportation vehicles, and machinery equipment, for retail sale at gas stations and as raw materials in refining process for oil refineries. The Group also sell blended fuel oil according to customers' specifications in order to meet their different needs and application requirements.

Currently, our wholesale business operations are primarily based in three oil depots in Zengcheng and Panyu in Guangzhou and Gaolan Port Economic Zone in Zhuhai within the Pearl River Delta region of Guangdong Province, the PRC, where our oil depots store and trade different types of oil products. All of our Group's products are sold in the PRC with primary focus in Guangdong Province.

For the year ended 31 December 2017, the Group's gross profit margin decreased to approximately 3.4% from approximately 4.8% for the year ended 31 December 2016, which was mainly attributable to (i) the shift of our product mix as a result of our Group's development into other petrochemical product and gasoline markets since 2015 and the second quarter of 2016, respectively pursuant to our Group's business strategy to reduce reliance on the fuel oil market and to capture additional demands of gasoline and other petrochemical products; and (ii) our Group's fuel oil products achieved relatively high gross profit margin during 2016 due to a directive issued by the Ministry of Transport of the PRC to tighten and control maritime bunker pollutant emission in regions including the Pearl River Delta and Yangtze River Delta, which such move created a short-term shortage of qualified fuel oil supply (i.e. low sulphur content fuel oil) in the region and the Group was able to charge a higher margin during 2016.

During the year ended 31 December 2017, the demand from our oil retailer customers (i.e. marine refuelling and gas stations operators) for our diesel products had increased, which were mainly in large order quantities, enabling us to trade through the matched trade sales model. Thus in July and October 2017, we leased two additional storage tanks with maximum storage capacity of 5,000 m^3 and 3,000 m^3 respectively at Panyu, Guangzhou, Guangdong Province, the PRC ("Panyu Oil Depot") for the storage and trading of diesel. In October 2017, we leased an additional storage tank with maximum storage capacity of 5,000 m^3 at Panyu Oil Depot for the storage of fuel oil to cope with the increase in demand.

RESULTS OF OPERATIONS

Revenue

The Group derived its revenue from sales of (i) fuel oil, (ii) refined oil and (iii) other petrochemical products. Revenue principally represents the net value of goods sold after deduction of 17% value-added tax of the PRC.

For the year ended 31 December 2017, the Group's total revenue amounted to approximately RMB1,740,695,000, representing an increase of approximately 56% over the year ended 31 December 2016. The increase was mainly attributable to the increase in revenue from the sale of our refined oil and other petrochemical products by approximately RMB443,324,000 and approximately RMB266,395,000 respectively, which was partially offset by decrease in revenue from the sales of fuel oil by approximately RMB80,589,000.

Management Discussion and Analysis (Continued)

The following table sets forth, for the years ended 31 December 2017 and 2016, the breakdown of the Group's revenue by products in total revenue, volume and average selling price:

	2017			2016		
	Total revenue RMB'000	Total sales volume Tonnes	Average selling price (Note) RMB	Total revenue RMB'000	Total sales volume Tonnes	Average selling price (Note) RMB
1. Sales of goods						
Refined oil	**937,217**	**190,690**	**4,915**	493,893	119,933	4,118
Fuel oil	**425,796**	**150,870**	**2,822**	506,385	205,172	2,468
Other petrochemical products	**376,003**	**81,909**	**4,590**	109,608	28,145	3,894
Subtotal — sales of goods	**1,739,016**	**423,469**		1,109,886	353,250	
2. Service income						
Refined oil	**830**	**5,831**	**142**	—	—	—
Fuel oil	**—**	**—**	**—**	1,883	13,644	138
Other petrochemical products	**849**	**7,986**	**106**	4,799	39,672	121
Subtotal — service income	**1,679**	**13,817**		6,682	53,316	
Total	**1,740,695**	**473,286**		1,116,568	406,566	

Note: Average selling prices represent the revenue for the year divided by the total sales volume for the year.

Cost of sales

Our Group's cost of sales mainly includes the cost of fuel oil, refined oil and other petrochemical products, which is measured on a moving weighted average basis. Our cost of sales for the years ended 31 December 2017 and 2016 were approximately RMB1,681,247,000 and RMB1,062,532,000, respectively. The purchase cost for our trading products is subject to the purchase prices offered by our suppliers, which are influenced by, among other things, the relative oil price quoted in the market. The increase of our cost of sales during the year ended 31 December 2017 was in line with our increase in revenue during the year.

Management Discussion and Analysis (Continued)

The following table sets forth, for the years ended 31 December 2017 and 2016, the components of our cost of sales by product type:

	2017 RMB'000	2016 RMB'000
Refined oil	**905,784**	478,660
Fuel oil	**408,301**	477,145
Other petrochemical products	**367,162**	106,727
Total	**1,681,247**	1,062,532

Gross profit and gross profit margin

The following table sets forth a breakdown of our gross profit and gross profit margin by product type for the years ended 31 December 2017 and 2016:

		2017		2016	
		Gross profit RMB'000	Gross profit margin	Gross profit RMB'000	Gross profit margin
1.	Sales of goods				
	Refined oil	**31,433**	**3.4%**	15,233	3.1%
	Fuel oil	**17,495**	**4.1%**	29,240	5.8%
	Other petrochemical products	**8,841**	**2.4%**	2,881	2.6%
	Subtotal — sales of goods	**57,769**	**3.3%**	47,354	4.3%
2.	Service income	**1,679**	**N.A.**	6,682	N.A.
Total		**59,448**	**3.4%**	54,036	4.8%

With the adoption of cost plus pricing policy together with our relatively conservative matched trade sales model, our Group was generally able to pass on any increase in product costs to our customers.

The Group's overall gross profit margin (excluding for service income) decreased from approximately 4.8% for the year ended 31 December 2016 to approximately 3.4% for the year ended 31 December 2017. The decrease was mainly attributable to (i) the decrease in gross profit margin of fuel oil from approximately 5.8% for the year ended 31 December 2016 to approximately 4.1% for the year ended 31 December 2017; and (ii) the increase in contribution from refined oil and other petroleum products trade where its gross profit margin was generally lower than that of fuel oil for the year ended 31 December 2017 as compared to the same period in 2016, which was a result of the Group's strategy to develop the gasoline and other petrochemical product markets.

Management Discussion and Analysis (Continued)

Other gains/(losses) — net

Other gains/(losses) — net increased by approximately RMB404,000 from loss of approximately RMB88,000 for the year ended 31 December 2016 to gain of approximately RMB316,000 for the year ended 31 December 2017, mainly attributable to the increase of net foreign exchange gain on payables.

Distribution expenses

Distribution increased by approximately RMB2,463,000 or 12% to approximately RMB23,617,000 for the year ended 31 December 2017 from approximately RMB21,154,000 for the year ended 31 December 2016. Operating lease expense and handling charge were the largest component in the Group's distribution expense structure and mainly represented the lease of our oil depots. The increase in distribution expense was primarily due to the increase in operating lease expense as a result of the lease of our oil depot at Gaolan Port Economic Zone in Zhuhai, Guangdong Province, the PRC since September 2016.

Administrative expenses

Administrative expenses increased by approximately RMB10,149,000 or 236% to approximately RMB14,444,000 for the year ended 31 December 2017 from approximately RMB4,295,000 for the year ended 31 December 2016. The increase was primarily due to the increase of legal and professional fees of approximately RMB8,523,000 mainly as a result of the Group's preparation for listing of the shares of the Company on GEM during the year.

Finance income — net

Finance income — net increased from approximately RMB46,000 for the year ended 31 December 2016 to approximately RMB168,000 for the year ended 31 December 2017 mainly due to the increase in bank interest income.

Profit before income tax

The Group's profit before income tax decreased by approximately RMB6,674,000 from approximately RMB28,545,000 for the year ended 31 December 2016 to approximately RMB21,871,000 for the year ended 31 December 2017 primarily due to the substantial increase in administrative expenses as described above.

Income tax expense

Income tax expense increased by approximately RMB434,000 to approximately RMB10,064,000 for the year ended 31 December 2017 from approximately RMB9,630,000 for the year ended 31 December 2016, mainly due to the increase in taxable profit from the Group's operation in the PRC.

Profit for the year

The Group's profit for the year decreased by approximately RMB7,108,000 to approximately RMB11,807,000 for the year ended 31 December 2017 from a profit of approximately RMB18,915,000 for the year ended 31 December 2016 primarily due to the substantial increase in administrative expenses as described above.

Management Discussion and Analysis (Continued)

The Group's net profit for the year ended 31 December 2017 was RMB3,807,000 higher than the forecast profit of not less than RMB8,000,000 as stated in the section headed "Financial Information — Profit Forecast for the year ending 31 December 2017" of the prospectus of the Company dated 29 December 2017. It is mainly attributable to (i) a higher actual sales revenue in refined oil and fuel oil than the forecast for two months from 1 November 2017 to 31 December 2017 due to more sales order received mainly from our major customers; and (ii) a higher gross profit margin from refined oil during 1 November 2017 to 31 December 2017 due to the increase in market price of refined oil resulted that our customers in general more pressured to lock up their purchase price and hence reduced their comparative bargaining power. Due to the cost plus pricing policy and matched trade sales model, the Group is comparative less affected in such scenario. The effects of increased revenue and gross profits margin are partially offset by increase in listing expense than as estimated in the forecast profit.

LIQUIDITY AND FINANCIAL RESOURCES

The following table summarises the Group's consolidated statement of cash flows:

	For the year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Net cash generated from operating activities	**4,432**	57,928
Net cash generated from/(used in) investing activities	**163**	(326)
Net cash generated from/(used in) financing activities	**3,040**	(42,643)
Net increase in cash and cash equivalents	**7,635**	14,959

For the year ended 31 December 2017, the Group had net cash generated from operating activities of approximately RMB4,432,000, which was mainly attributable to net increase in working capital from operations.

For the year ended 31 December 2017, the Group had net cash generated from investing activities of approximately RMB163,000, which consisted mainly of interest income from bank deposit.

For the year ended 31 December 2017, the Group had net cash generated from financing activities of approximately RMB3,040,000, which was primarily attributable to (i) the proceeds from issuing shares to a pre-IPO investor of approximately RMB30,856,000; and (ii) cash advances made by related parties of approximately RMB8,627,000, which was partially offset by the dividends paid to the then shareholder of approximately RMB30,856,000.

As at 31 December 2017 and 31 December 2016, the Group had cash and cash equivalents of approximately RMB23,566,000 and RMB15,955,000 respectively.

Net current assets

As at 31 December 2017, the Group's net current assets amounted to approximately RMB120,129,000, which was an increase of approximately RMB84,889,000 as compared with approximately RMB35,240,000 as at 31 December 2016. The increase was primarily due to the capitalisation of amounts due to related parties of approximately RMB72,210,000. Other changes in working capital and the resulting year end balance represented a snapshot of our working capital position as at 31 December 2017.

Management Discussion and Analysis (Continued)

Borrowings and gearing ratio

Our Group did not have any borrowings during the year ended 31 December 2017 (31 December 2016: Nil).

The Group monitors its capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total bank borrowings less cash and cash equivalents. Total equity represents the "total equity" as shown in the consolidated statements of financial position.

No gearing ratio is presented as the Group had net cash surplus as at 31 December 2017.

Capital commitment

As at 31 December 2017, the Group had no significant capital commitments.

Capital structure

As at 31 December 2017, the capital structure of the Company comprised of its issued share capital and reserves.

Pledged assets

Our Group did not have any assets pledged for security during the year ended 31 December 2017 (31 December 2016: Nil).

Contingent liabilities

The Group did not have any material contingent liabilities as at 31 December 2017 (31 December 2016: Nil).

FOREIGN EXCHANGE RISK

The Group operates in the PRC with most transactions being settled in RMB, except for certain transactions which are settled in foreign currencies.

At 31 December 2017, the Group's major non-RMB denominated assets and liabilities included cash and cash equivalents and accruals for Listing Expenses, which were denominated in HK$. Fluctuation of the exchange rate of RMB against HK$ could affect the Group's results of operations.

The Group currently does not have a foreign currency hedging policy, and manages its foreign currency risk by closely monitor the movement of the foreign currency rates.

The carrying amounts of the Group's foreign currency denominated financial assets and liabilities at 31 December 2017 are presented in note 18 and note 21 of the consolidated financial statements.

The Directors do not consider the foreign exchange rate risks as material to the Group and therefore, did not carry out any financial instruments such as forward currency exchange contracts to hedge the risks.

Management Discussion and Analysis (Continued)

HUMAN RESOURCE

As at 31 December 2017, the Group had 36 full time employees who were directly employed by our Group in the PRC and one full-time employee in Hong Kong. For the year ended 31 December 2017, our total staff costs (including the directors' remuneration) were approximately RMB3,163,000 (2016: RMB2,670,000).

The Group determines remuneration based on each employee's qualifications, position and seniority. Review the performance of the employees was conducted annually to determine on salary increment, bonuses and promotions based on their performance. The Group considers the employees valuable assets and are vital to the Group's success. The recruitment of employees is mainly based on the Group's business strategies, operational requirements, expected stuff turnover and our corporate structure and management.

The Group has established various welfare plans including the provision of basic medical insurance, unemployment insurance and other relevant insurance for employees who are employed by the Group pursuant to the PRC rules and regulations and the existing policy requirements of the local government. The Group has also made contributions to statutory mandatory provident fund scheme for its employees in Hong Kong.

FUTURE PLANS AND PROSPECT

The Group's primary objectives are to continue to expand our scale of operations to achieve business growth and increase our market share in the industry. Since 2016, the trading volume of gasoline has grown significantly. For the year ended 31 December 2017, gasoline sales accounted for approximately 49.9% of our total revenue (2016: 38.9%). As comparing with fuel oil and diesel products, gasoline products have broader end customer base for the general public, the Directors believe that further development into the gasoline market in Guangdong Province, the PRC can enhance our earning capability.

According to 13th Five year plan gasoline retail market development of Guangzhou City, Dongguan City and Huizhou City (2016–2020) (廣州市成品油零售體系「十三五」發展規劃 (2016–2020), (東莞市成品油零售體系「十三五」發展規劃 (2016–2020) and (惠州市成品油零售體系「十三五」發展規劃 (2016–2020)), the cities of Guangzhou, Dongguan and Huizhou, which are close to our oil depot at Zengcheng City, Guangzhou, Guangdong Province, the PRC ("Zengcheng Oil Depot"), will provide a combined market of refined oil consumption estimated at approximately 11,151,300 tonnes, through a network of 1,525 gas stations by 2020. The Group believes that with our experience in the refined oil market and network of established customers including the Three State-owned Giants, the strategically advantageous location of Zengcheng Oil Depot would enable us to attract gas station operators to purchase refined oil from such depot.

Management Discussion and Analysis (Continued)

USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The Company's shares ("Shares") were listed on 17 January 2018 (the "Listing Date") and the proceeds of the placing and public offer of 105,000,000 Shares were received after 31 December 2017. Hence, the implementation plans as stated in the sections headed "Business — Our Business Strategies" and "Future Plans and Use of Process" of the prospectus of the Company dated 29 December 2017 (the "Prospectus") had not commenced during the year ended 31 December 2017. The Company intends that the net proceeds (after deducting related underwriting fees and listing expenses) be applied in the manner as described under the section headed "Future Plans and Use of Proceeds" of the Prospectus. As of the date of this report, the net proceeds have been deposited into bank accounts maintained by the Group in Hong Kong and the PRC as working capital, and progress of the implementation plans are as set out below:

		Implementation progress as at the date of this report
(1)	Upgrading of the wharf berth capability at Zengcheng Oil Depot	Conducting project planning, and preparing information for filing registration necessary to obtain government approval. As at the date of this report, the net proceeds have not been used on the implementation plans.
(2)	Refurbishment of oil tanks, pipelines and other oil depot facilities at Zengcheng Oil Depot	Conducting project planning, preparing information for filing registration necessary to obtain government approval, and locating suitable contractors to undertake the refurbishment work. As at the date of this report, the net proceeds have not been used on the implementation plans.

EVENT AFTER THE YEAR END DATE

(a) Pursuant to the resolutions of the shareholders passed on 20 December 2017, 314,999,000 shares of HK$0.01 each were allotted and issued at par to the then shareholders in proportion to their respective shareholdings as of 20 December 2017 by capitalisation of the sum of HK$3,149,990 standing to the credit of the share premium account of the Company as a result of the placing and public offer of the Company's shares on 17 January 2018.

(b) The Shares were listed on GEM on the Listing Date by way of placing and public offer of a total of 105,000,000 Shares at the offer price of HK$0.5 per share.

Save as the above, there is no other material subsequent event undertaken by the Company or by the Group after 31 December 2017 and up to the date of this report.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Xu Ziming ("Mr. Xu") (徐子明), aged 53, is an executive Director, the Chairman of our Board, and is one of the Controlling Shareholders. He has about 18 years of experience in the wholesale and trading of oil industry in the PRC. Mr. Xu had worked as an accounting supervisor at a branch of the Dongguan Rural Commercial Bank (東莞農村商業銀行) in the PRC from 1983 to 1988 prior to running his own business in various industries between 1989 and 1993. From 1998 to 2004, Mr. Xu engaged in his personal oil product brokage business in Dongguan, the PRC, primarily identifying sources of oil supply and matching buyer and seller for commission/agency fee income. He and Ms. Huang took over Zengcheng City Jin Taifeng Fuel Oil Company Limited (增城市金泰豐燃油有限公司), now a subsidiary of the Group, in December 2004. Mr. Xu is primarily responsible for the Group's overall business and growth strategies, and supervision of key management issues. Mr. Xu was elected as the vice president of the Third Administrative Committee of Dongguan Qingxi Chamber of Commerce (東莞市清溪商會第三屆理事會) in December 2009 by the Dongguan Qingxi Chamber of Commerce (東莞市清溪商會). Mr. Xu is the spouse of Ms. Huang Sizhen.

Ms. Huang Sizhen ("Ms. Huang") (黃四珍), aged 53, is an executive Director, the managing director of the Company, and is one of the Controlling Shareholders. Ms. Huang has about 18 years of experience in the wholesale and trading of oil industry in the PRC. She worked in the cashier department at a branch of the Dongguan Rural Commercial Bank (東莞農村商業銀行) in the PRC from 1983 to 1989 prior to running her own business in various industries with Mr. Xu between 1989 and 1993.

From 1998 to 2004, Ms. Huang assisted Mr. Xu in running his personal oil product brokage business in Dongguan, the PRC, primarily identifying sources of oil supply and matching buyer and seller for commission/agency fee income. She and Mr. Xu took over Zengcheng City Jin Taifeng Fuel Oil Company Limited (增城市金泰豐燃油有限公司), now a subsidiary of the Group, in December 2004. Ms. Huang is primarily responsible for overseeing overall operation and business development of the Group. Ms. Huang is the spouse of Mr. Xu.

Mr. Choi Sio Peng ("Mr. Choi") (徐小平), aged 36, is an executive Director. Mr. Choi obtained a bachelor degree in laws from China University of Political Science and Law (中國政法大學) in July 2004 and a master degree in civil and commercial laws from Tsinghua University (清華大學) in July 2006. He joined the Group in 2007 and has over 9 years of experience in the wholesale and trading of oil industry in the PRC. Mr. Choi is primarily responsible for the general administration and supervision of daily operations of the Group. He is the nephew of Mr. Xu and Ms. Huang.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan William ("Mr. Chan") (陳沛衡), aged 39, was appointed as our independent non-executive Director on 20 December 2017. Mr. Chan is the chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee.

Mr. Chan has over 17 years of experience in auditing, accounting and taxation and is the founder of Wall CPA Limited in April 2016 and since then its managing director. Prior to founding Wall CPA Limited, Mr. Chan had worked in Crowe Horwath (HK) CPA Limited as a senior audit manager from February 2009 to April 2016 and in the assurance department of PricewaterhouseCoopers from December 2003 to February 2009, where he was responsible for various audit, merger and acquisition and initial public offering assignments.

Mr. Chan obtained a bachelor degree in business administration in accounting from Lingnan University in November 2000. Mr. Chan has been an associate member of the Taxation Institute of Hong Kong since September 2010 and is a practising member of The Hong Kong Institute of Certified Public Accountants.

Biographical Details of Directors and Senior Management (Continued)

Mr. Tsui Hing Shan ("Mr. Tsui") (徐興珊), aged 38, was appointed as our independent non-executive Director on 20 December 2017. Mr. Tsui is the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee.

Mr. Tsui is the founder and director of Migo Hong Kong Group Limited (美高香港集團有限公司), a pharmaceutical company, where he has been responsible for the overall business and finance matters since June 2010. Prior to this, he was employed by Deloitte Touche Tohmatsu from September 2002 to June 2010 as audit manager.

Mr. Tsui obtained a bachelor degree of arts in accountancy from The Hong Kong Polytechnic University in November 2002. Mr. Tsui has been a member of the Hong Kong Institute of Certified Public Accountants since July 2007.

Mr. Kan Siu Chung (Mr. Kan") (靳紹聰), aged 36, was appointed as our independent non-executive Director on 13 September 2017. Mr. Kan is the chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee. He is also the chairman of the compliance committee of the Company.

Mr. Kan has been the chief operating officer of Joyzz Tech Co., Ltd. (廣州悅正網絡科技有限公司) since 2015, overseeing the financial, administrative and technical matters of the company. Prior to this, Mr. Kan served as the chief operating officer of Peopro Tech Co., Ltd. (廣州彼博網絡科技有限公司) responsible for various fields including finance, administration and technique from 2011 to 2015. Prior to this, he was employed by Beijing Ling Yi Technology Corporation (北京市淩怡科技公司), a subsidiary of PetroChina Company Limited (中國石油天然氣股份有公司), a company listed on the Main Board (Stock Code: 857), from 2007 to 2009. During his employment there he was assigned to a project responsible for the implementation of the enterprise resource planning system.

Mr. Kan obtained a bachelor degree in computer science and technology from Sun Yat-Sen University (中山大學) in June 2004 and a master degree in software engineering from Tsinghua University (清華大學) in July 2007.

SENIOR MANAGEMENT

Mr. Lin Shu Ping ("Mr. Lin") (林樹平), aged 43, was appointed in 1 April 2016 as assistant general manager of our Group responsible for our daily operation and formulation of business development strategies. Mr. Lin has over 15 years of experience in management and operations in the oil industry.

Prior to joining our Group since 1 April 2016, Mr. Lin worked as an assistant general manager of refined oil department in Zhong Yi Hua Hai Jin Chu Kou Co., Ltd (中藝華海進出口公司), an entity mainly engaged in the importing and trading of oil and petrochemical products, from September 2001 to July 2011, and Guangdong Yun Feng Energy Co., Limited (廣東雲峰能源有限公司), an entity specialising in the trading of refined oil and petrochemical products, from November 2011 to February 2013, and as assistant general manager in Foshan City Zheng Yi Energy Trade Co., Ltd (佛山市正易能源貿易有限公司), a company principally engages in the trading of oil products, from April 2014 to December 2015.

Mr. Lin obtained a bachelor degree in finance from Sun Yat-Sen University (中山大學) in July 1997, and a master degree in business administration from Zhongnan University of Economics and Law (中南財經政法大學) in June 2015.

Biographical Details of Directors and Senior Management (Continued)

Mr. Liu Fa Long ("Mr. Liu") (劉發龍), aged 38, was appointed in 1 January 2005 as finance manager of our Group responsible for our accounting and financial management. He has over 12 years of experience in finance and accounting matters through his time with us.

Mr. Liu obtained a bachelor degree in accountancy from Lantian Zhiye Jishu Xueyuan (藍天職業技術學院) (currently known as Jiangxi University of Technology (江西科技學院)) in July 2001.

Mr. Gao Lei ("Mr. Gao") (高雷), aged 41, was appointed on 1 June 2013 as sales manager of our Group responsible for our day-to-day sales and marketing operation. He has over 7 years experience in sales. Prior to joining our Group in June 2013, Mr. Gao served Guangzhou Hua Hong Oil Co., Ltd (廣州市華鴻油品有限公司), an entity mainly engaged in refining of fuel oil, as a sales manager from July 2012 to June 2013. Before that, Mr. Gao worked in Guangzhou Ke Yu Commerce Co., Ltd (廣州市科煜商貿有限公司), an entity mainly engaged in the trading of oil products, as a sales manager from October 2009 to June 2012.

Mr. Deng Fan Zhi ("Mr. Deng") (鄧範芝), aged 36, was appointed on 1 July 2015 as procurement manager of our Group responsible for our day-to-day procurement. Prior to joining our Group in July 2015, Mr. Deng was employed by Fo Shan Shi San Shui Hai Sheng Dao Lu Cai Liao Co., Ltd (佛山市三水海盛達道路材料有限公司), an entity mainly engaged in refinery, trading and transportation of the oil products, as a general manager and was responsible for overseeing the overall production and operation management of that company from March 2012 to April 2015. Before that, Mr. Deng served Fo Shan Shi Rui Feng Shi Hua Ran Liao Co., Ltd (佛山市瑞豐石化燃料有限公司), an entity specialising in the production, refinery and trade of oil products, as a deputy general manager and was mainly responsible for overseeing the overall production management of that company from October 2003 to March 2012.

Mr. Ng Ka Chai ("Mr. Ng") (吳家齊), aged 35, was appointed as our financial controller and company secretary on 1 December 2016. He is responsible for internal control, company secretarial and financial reporting matters of our Group, including preparation of financial reports and ensuring our Group's compliance with the GEM Listing Rules and other statutory and regulatory requirements.

Mr. Ng has over 8 years of experience in the audit field. Prior to joining our Group, he worked in Wall CPA Limited from June 2016 to November 2016 as a senior manager. Before that, he served Mabel Chan & Co. and Crowe Horwath (HK) CPA Limited from August 2008 to July 2010 and July 2010 to April 2016 respectively. During his time as an external auditor, Mr. Ng was responsible for various listed companies' audit and internal control review engagements.

Mr. Ng obtained a bachelor degree of business administration from The Chinese University of Hong Kong in July 2004. He has been a member of Hong Kong Institute of Certified Public Accountants since July 2015.

Corporate Governance Report

The Company recognises the importance of good corporate governance in management and internal control procedures so as to achieve accountability.

As the shares of the Company were listed on 17 January 2018 (the "Listing Date"), the Company was not required to comply with the requirements set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 15 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the year ended 31 December 2017. However, the Directors consider that since the Listing Date and up to the date of this report, the Company has complied with all the applicable code provisions set out in the CG Code.

COMPLIANCE WITH THE MODEL CODE BY DIRECTORS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions. Having made specific enquiries with all Directors, all of them confirmed that they have complied with the required standard of dealings throughout since the Listing Date.

BOARD OF DIRECTORS

Function of the Board

The Board is collectively responsible for establishing the Group's strategic goals, leading and monitoring the Group's development and achieving established strategic goals to protect and maximize the interests of the Company and its Shareholders. Apart from its statutory responsibilities, the Board is also required to approve the Group's strategic development plan, key operational initiatives, major investments and funding decisions. It also reviews the Group's financial performance, identifies principal risks of the Group's business and ensures implementation of appropriate systems to manage these risks.

Daily business operations and administrative functions of the Group are delegated to the management.

Board Composition

The Board consists of six Directors, comprising three executive Directors and three independent non-executive Directors. The biographical details of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman and Chief Executive of the Company are separated, with a clear division of responsibilities.

Mr. Xu Ziming serves as the chairman of the Board and is responsible for the leadership of the Board, ensuring its effectiveness in all aspects of its role and for setting its agenda and taking into account any matters proposed by other directors for inclusion in the agenda. Through the Board, he is responsible for ensuring that good corporate governance practices and procedures are followed by the Group. Ms. Huang Sizhen, the managing director of the Company, carries out the responsibility of chief executive officer and is responsible for general management and day-to-day operation of the Group.

Corporate Governance Report (Continued)

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board has met the requirements of Rules 5.05 and 5.05A of the GEM Listing Rules of having a minimum of three independent non-executive Directors (representing more than one-third of the Board) with two of them possessing appropriate professional qualifications and accounting and related financial management expertise.

The Company has received confirmations of independence from Mr. Chan William, Mr. Tsui Hing Shan and Mr. Kan Siu Chung, being all the independent non-executive Directors, in accordance with Rule 5.09 of the GEM Listing Rules. The Board has assessed their independence and concluded that all independent non-executive Directors are independent.

TERM OF APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

All independent non-executive Directors are appointed for a term of three years from the Listing Date.

Each of such appointments is subject to the rotation and retirement provisions in the Articles of Association of the Company.

BOARD COMMITTEES

The Board has established three committees, namely Audit Committee, Remuneration Committee and Nomination Committee (collectively, the "Board Committees"). Each committee has its own written terms of reference and is responsible to make recommendations to the Board. All of the Board Committees are allocated with sufficient resources to discharge their duties.

Audit Committee

The Board established the Audit Committee on 20 December 2017 in compliance with Rule 5.28 of the GEM Listing Rules and adopted the terms of reference set out in the CG Code. Details of the terms of reference of the Audit Committee are set out on the Company's website and the website of the Stock Exchange. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Chan William, chairman of the Audit Committee, Mr. Tsui Hing Shan and Mr. Kan Siu Chung. None of them is a member of the former or existing auditors of the Company.

The primary responsibilities of our Audit Committee include, among others, (i) making recommendations to the Board on the appointment and removal of external auditors and review of the effectiveness of the audit process; (ii) review of the Company's financial information; and (iii) oversight of the Company's financial reporting system, risk management and internal control systems.

The Audit Committee had held two meetings since the Listing Date. A summary of the work performed by the Audit Committee are listed below:

— reviewed the Group's annual financial statements for the year ended 31 December 2017 and the related result announcements, documents and other matters or issues raised by the external auditor of the Company;

— reviewed the terms of engagement of the external auditor of the Company;

— recommended to the Board, for the approval by shareholders, of the re-appointment of the auditor; and

— discussed and confirmed with the management the effectiveness of the Group's financial reporting process and internal control system.

Corporate Governance Report (Continued)

Remuneration Committee

The Board established the Remuneration Committee on 20 December 2017 in compliance with Rules 5.34 to 5.36 of the GEM Listing Rules and adopted the terms of reference set out in the CG Code. Details of the terms of reference of the Remuneration Committee are set out on the Company's website and the website of the Stock Exchange. The Remuneration Committee currently comprises three independent non-executive Directors, namely Mr. Tsui Hing Shan, chairman of the Remuneration Committee, Mr. Chan William and Mr. Kan Siu Chung.

The primary responsibilities of the Remuneration Committee include, among others, (i) making recommendations to our Board on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) reviewing and approving the management's remuneration proposals with reference to our Board's corporate goals and objectives; and (iii) making recommendations to our Board on the remuneration packages of Directors and senior management. The Remuneration Committee is responsible to review and recommend to the Board the remuneration of the Directors and senior management with reference to their respective experiences, responsibilities with the Group and the general market conditions.

Since the Listing Date, the Remuneration Committee had held one meeting to review the remuneration package of the directors of the Company and the senior management of the Group.

Nomination Committee

The Board established the Nomination Committee on 20 December 2017 in compliance with the CG Code and adopted the terms of reference set out in the CG Code. Details of the terms of reference of the Nomination Committee are set out on the Company's website and the website of the Stock Exchange. The Nomination Committee currently comprises three independent non-executive Directors, namely Mr. Kan Siu Chung, chairman of the Nomination Committee, Mr. Chan William and Mr. Tsui Hing Shan.

The primary responsibility of our Nomination Committee is to make recommendations to our Board regarding its structure, size and composition, selection of members of the Board and assessment of the independence of independent non-executive Directors.

When considering the appointment or reappointment of Directors, the Nomination Committee will consider various factors including the background, experience and qualification of the proposed candidate to ensure that he/she possesses the requisite experience, characters and integrity to act as a Director, and other criteria with regard to the benefits of diversity, including but not limited to gender, age, cultural and educational background, or professional experience and taking into account the Group's business model and specific needs. The Nomination Committee will discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption, as set out in the board diversity policy adopted by the Company.

The Nomination Committee has not held any meeting since the Listing Date.

CORPORATE GOVERNANCE FUNCTIONS

The Board has adopted terms of reference for corporate governance functions set out in the CG Code and is responsible for performing the corporate governance duties set out therein.

Corporate Governance Report (Continued)

BOARD MEETINGS

Pursuant to code provision A.1.1 of the CG Code, the Board meets regularly and Board meetings would be held at least four times a year. Additional meetings would be arranged if and when required. Board members are provided with all agenda and adequate information for their review within reasonable time before the meetings. After the meeting, draft minutes are circulated to all Directors for comments before confirmation. Minutes of board meetings and meetings of board committees are kept by the company secretary and are available for inspection by the Directors at all times. Each Director is entitled to seek independent professional advice in appropriate circumstances at the expense of the Company. Directors may participate either in person or through electronic means of communications. Directors are free to contribute and share their views at meetings and major decisions will only be taken after deliberation at Board meetings. Directors who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed will not be counted in the quorum of meeting and will abstain from voting on the relevant resolutions.

TRAINING AND CONTINUING DEVELOPMENT FOR DIRECTORS

On 31 May 2017, all Directors attended a training session on duties as directors of a listed company.

The Company is committed to arranging and funding suitable training to all Directors for their continuous professional development. Each Director is briefed and updated from time to time to ensure that he/she is fully aware of his/her roles, functions, duties and responsibilities under the GEM Listing Rules and applicable legal and regulatory requirements and the governance policies of the Group.

COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Kingsway Capital Limited as its compliance adviser (the "Compliance Adviser"). Pursuant to Rule 6A.23 of the GEM Listing Rules, the Company will consult with and seek advice from the Compliance Adviser on a timely basis in the following circumstances:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

(iii) where the Company proposes to use the proceeds from the share offer of the Company in a manner different from that detailed in the prospectus dated 29 December 2017 or where the business activities, developments or results deviate from any forecast, estimate, or other information in the prospectus; and

(iv) where the Stock Exchange makes an inquiry regarding unusual movements in the price or trading volume of the Company's shares, the possible development of a false market in its shares, or any other matters pursuant to Rule 17.11 of the GEM Listing Rules.

Corporate Governance Report (Continued)

The term of appointment of the Compliance Adviser commenced on the Listing Date and shall end on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of the financial results for the second full financial year commencing after the Listing Date and such appointment shall be subject to extension by mutual agreement. Except for the Compliance Adviser agreement entered into between the Company and the Compliance Adviser, neither the Compliance Adviser nor its Directors, employees or close associates had any interests in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

COMPANY SECRETARY

Company Secretary supports the Board by ensuring good information flow within the Board and that the Board policy and procedures are followed. The Company Secretary is responsible for advising the Board on corporate governance matters and facilitating induction and professional development of the Directors. All Directors have access to the advice and services of the Company Secretary to ensure that the Board procedures and all applicable laws, rules and regulations, are followed.

Mr. Ng Ka Chai was appointed as the Company Secretary of the Company on 1 December 2016. He has complied with all requirements relating to qualifications, experiences and training under the GEM Listing Rules.

ACCOUNTABILITY AND AUDIT

Responsibilities in respect of the Financial Statements

The Directors acknowledge that it is their responsibility to prepare the accounts of the Group and other disclosures required under the GEM Listing Rules and the management will provide information and explanation to the Board to enable it to make an informed assessment of the financial and other Board decisions.

The statement of the independent auditor of the Company about their reporting responsibilities and opinion on the Consolidated Financial Statements for the year ended 31 December 2017 is set out in the section headed "Independent Auditor's Report" of this annual report.

Risk Management and Internal Control

The Board has overall responsibilities for establishing and maintaining appropriate and effective risk management and internal control systems of the Group. The Group's systems of risk management and internal control include a defined management structure with limits of authority, is designed to help achieve business objectives, safeguard assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant legislation and regulations. The systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

In the course of conducting the business of the Group, it is exposed to various types of risks, including business risks, financial risks, operation and other risks. The Board is ultimately responsible for the risk management of the Group and it has delegated to executive management to carry out the risk identification and monitoring procedures. The objectives of the risk management are to enhance the governance and corporate management processes as well as to safeguard the Group against unacceptable levels of risks and losses.

Corporate Governance Report (Continued)

The risk management process of the Group will involve, among others, (i) an annual risk identification and analysis exercise which involves assessment of the consequence and likelihood of risks and the development of risk management plans for mitigating such risks; and (ii) an annual review of the implementation of the risk management plans and fine tuning of the implementation plan when necessary.

The followings are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Market Risk

Market risk is the risk that deteriorates profitability or affects ability to meet business objectives arising from the movement in market prices. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Foreign Exchange Risk

The Group's principal business is located in the PRC and its major transactions are conducted in Renminbi. Most of its assets and liabilities are denominated in Renminbi ("RMB"), except for cash and cash equivalents and certain payables to professional parties that are denominated in Hong Kong dollars ("HK$"). RMB is not freely convertible. There is a risk that the Chinese government may take actions affecting exchange rates which may have a material adverse effect on the Group's net assets, earnings and any dividends it declares if such dividend is to be exchanged or converted into foreign exchange. The Group has not entered into any hedging transactions to manage the potential fluctuation in foreign currencies. The Group does not consider that it has any significant exposure to the risk of fluctuation in the exchange rate between HK$ and RMB.

Liquidity Risk

Liquidity risk is the potential that the Group will be unable to meet its obligations when they fall due because of an inability to obtain adequate funding or liquidate assets. In managing liquidity risk, the Group monitors cash flows and maintains an adequate level of cash and cash equivalent to ensure the ability to finance the Group's operations and reduce the effects of fluctuation in cash flows.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for managing operational risks basically rests with every function at divisional and departmental levels. Key functions in the Group are guided by their standard operating procedures, limits of authority and reporting framework. Our management will identify and assess key operational exposures regularly so that appropriate risk response can be taken.

Corporate Governance Report (Continued)

Although the Group does not maintain an internal audit function, the Board has overall responsibility for the risk management and internal control systems and for reviewing its effectiveness. In preparation for its listing on GEM, an independent internal control consultant was appointed in November 2016 to perform a comprehensive review of our Group's internal control system, including, among other things, controls and procedures of our revenue and receipt cycle, expenses and payment cycle, inventory management, financial reporting, risk management, corporate governance and compliance management. In March and June 2017, we further engaged the independent internal control consultant to conduct additional reviews of our enhanced controls regarding our Group's newly adopted policies and the implementation status of our improved internal control. The internal control consultant did not identify any significant deficiencies in the internal control system of our Group from the effective implementation dates of those measures to the 30 November 2017 on their last review completed on 10 December 2017.

Going Concern Assessment

As at 31 December 2017 and up to the date of this report, the Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements of the Company on a going-concern basis.

INSURANCE ON DIRECTORS' AND OFFICERS' LIABILITIES

The Company has arranged for liability insurance cover to indemnify the Directors and the senior management of the Company. The Board reviews the insurance coverage on an annual basis.

REMUNERATION TO THE COMPANY'S AUDITOR

For the year ended 31 December 2017, the total remuneration paid or payable to the Company's auditor, PricewaterhouseCoopers, for audit and audit related services amounted to RMB600,000.

In addition, PricewaterhouseCoopers was appointed by the Company as the reporting accountant for its initial listing of shares, in relation to which total fees paid or payable to PricewaterhouseCoopers for the year ended 31 December 2017 was RMB4,062,000. RMB3,046,000 of the fees was recorded as administrative expenses for the year ended 31 December 2017 and RMB1,016,000 was accounted for as a deduction in equity upon listing of the Company.

SHAREHOLDERS' RIGHTS

Pursuant to Article 58 of the Articles of Association of the Company, Shareholders holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in the same manner.

Corporate Governance Report (Continued)

CONSTITUTIONAL DOCUMENTS

The Company adopted its current Memorandum and Articles of Association on 20 December 2017 to comply with the relevant provisions of the GEM Listing Rules. There have been no changes since its adoption to the date of this report.

A copy of the Memorandum and Articles of Association of the Company is posted on the designated website of the GEM of the Stock exchange and the website of the Company.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

Shareholders and public investors may direct their enquiries to the Board to Mr. Ng Ka Chai, the Company Secretary of the Company, by post at Room 4, 10th Floor, Easey Commercial Building, 253-261 Hennessy Road, Hong Kong, by facsimile or via email at the contact information as provided on the website of the Company.

On behalf of the Board

Xu Ziming
Chairman

19 March 2018

Environmental, Social and Governance Report

For the year ended 31 December 2017

INTRODUCTION

We are pleased to present our first Environmental Social and Governance ("ESG") Report of JTF International Holdings Limited ("the Company") and its subsidiaries (collectively referred to as "the Group"), which discloses our practices and performance on sustainable development in a transparent and open manner, in order to increase our stakeholders' confidence and understanding in the Group. This report is prepared in accordance with the requirements set forth in the ESG Reporting Guide under Appendix 20 of the GEM Listing Rules, it presents our major ESG policies, initiatives and performance of the Group for the year ended 31 December 2017 ("the reporting period").

SCOPE OF REPORT

The Group is principally engaged in the wholesale of oil and other petroleum products in the PRC. The oil products that we operate in can be broadly categorised into (i) fuel oil; (ii) refined oil; and (iii) other petrochemical products. The report content is focused mainly on the wholesale of oil and other petroleum products in the PRC, and the Group's Hong Kong headquarter office, which are the areas that represent the majority of the Group's social, environmental and economic impacts. The scope of disclosure will be expanded gradually to cover all of our operations upon further development of the Group's ESG practices and the finalization of our data collection system. ESG data from our vendors or service providers is not included as such data is difficult to verify with available resources.

MATERIALITY ASSESSMENT

Following the discussion with our senior management and operational staff, we have identified the ESG issues relevant to the Group, the identified ESG issues have been assessed by considering their importance to our stakeholders as well as the Group.

ENERGY USE AND GREENHOUSE GAS EMISSIONS

We pursue to utilise energy efficiently and as the major means to reduce our greenhouse gas ("GHG") emission. In order to continuously improve our energy performance and lower our carbon footprint, monitoring our energy usage is crucial. We always look for possible energy-saving opportunities, especially on choosing environmental friendly equipment and facilities of our Group. Apart from the energy saving in operation process, we broaden this idea to the offices and our staff. In the procurement of office equipment, we always opt for the model with higher energy efficiency. Staff are also given guidelines reminding them to turn off office equipment and facilities when not in use.

Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2017

1. Air Emission

Given the Group's business portfolio, there are two main sources of carbon dioxide emissions attributed to the use of electricity and business travel.

Emissions	PRC	HK
Total GHG emissions (tonnes)	88.40	0.56
Total GHG emissions per floor area (tonnes/m²)	0.08	0.01
Total GHG emissions per employee (tonnes/employee)	2.68	0.56
Direct emissions (Scope 1) (tonnes)	N/A	N/A
Indirect emissions (Scope 2) (tonnes)		
— Electricity	88.40	0.56
Indirect emissions (Scope 3) (tonnes)		
— Business travel	1.12	0

2. Use of electricity

Electricity is consumed during daily business operations in our offices through the use of indoor lighting, air-conditioning, functioning of office equipment and equipment related to repair and maintenance etc. The amount of electricity consumption of Hong Kong and China regions are shown in the table below:

Energy consumption	PRC	HK
Total energy consumption (MWh)	101,895.00	720.00
Total energy consumption per floor area (MWh/m²)	97.07	14.57
Total energy consumption per employee (MWh/employee)	3,087.73	720.00
Direct energy consumption (MWh)	N/A	N/A
Indirect energy consumption (MWh)		
— Electricity	101,895.00	720.00

In order to enhance the environment protection and save energy consumption, the Group has established energy saving measures:

- Lighting should be switched off while staff are off duty; and

- Staff are encouraged to switch off all non-essential items (i.e. computers and photocopiers) during non-office hours.

Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2017

3. Water Management

We endeavour to implement an effective water management through efficient water use. Our primary goal is to reduce the water consumption by measuring our water use, inspecting water pipes constantly to prevent any water leakage and promoting water-saving behaviours to all staff. Majority of sewage is arising from rainwater and domestic sewage. We use tributary septic tank for cleaning process that improves wastewater quality before it is discharged to the environment. Bacteria, viruses and parasites, which are harmful to public health, are also removed at this stage. In addition, a grease trap and partition are set at the end of the discharge pipe. All rainwater is discharged through the grease trap and partition. In case of oil leakage or oil discharge, the partition can stop the pipe discharge into the environment and avoid oil spill.

Water consumption	PRC	HK
Total water consumption (cubic meters)	2627.5	N/A(note)

Note: The water supply is solely controlled by the building management. The data for water usage is not available.

4. Paper usage and waste management

In terms of paper consumption, we do encourage staff to be mindful when printing documents and make use of double sided printing where possible. Non-essential items should be used in e-format instead of printing out and any documents that are no longer in use should be shredded and recycled.

An essential part of minimizing impacts on the environment is proper waste management. This process goes both way — in terms of reducing waste production and also handling various types of waste appropriately. To achieve this objective, we have set up a standardized procedure for effective waste management, ensuring compliance with relevant laws and regulations.

The Company generates domestic wastes in operation processes, and minority of the wastes are oily residue. The Group has entered into contracts in respect of the disposal of the wastes and wastes are cleared on a regular basis.

RESPECTING OUR PEOPLE

Our employees, in particular, are whom we profoundly respect as they are the backbone supporting the growth of the Group. With this in mind, it is our goal to create a harmonious workplace and a mutual relationship with our employees. To achieve the goal, we focus on four areas: labour rights, fairness & zero-discrimination, benefits & welfare and occupational health and safety (“OHS”). Under each area, we look closely at not only the national regulations but also other standards to detail our policies, and, ultimately, respect our people.

Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2017

1. Labour Rights

The labour rights of employees on wage, dismissal, working hours and compensation are provided in compliance with relevant regulations. We also ensure our staff work consensually, and disapprove any forced labour behaviour in the Group. We care about the children's right; therefore, we prohibit child labour in all our subsidiaries. In addition, we have procedures in place if we discover child labour in our company.

2. Fairness & Zero-Discrimination

We are committed to providing a fair and non-discriminatory working environment for our employees. Our employment practices do not discriminate on the ground of nationality, age, gender, sexual orientation, gender identity, ethnicity, disability, pregnancy, political inclination, and/or other forms of difference that is unrelated to job requirements. We respect diversity and freedom of association, as well as prohibit any forms of discrimination, harassment and victimisation at workplace. At the same time, to build unity mutual trust, we operate an anonymous whistle-blowing system to encourage the reporting of misconduct while respecting the privacy of the whistle-blowers.

3. Benefit & Welfare

A successful business should maintain a motivated and harmonious environment at work. Our people are essentially treated with fair wage, fixed working hours, proper insurance coverage and statutory holidays. In addition, we organise various leisure activities such as annual dinner, Chinese New Year gathering and Mid-Autumn Lantern Carnival on regular basis. These all together, can give our people' mind a rest from daily stress and re-energised them for upcoming tasks.

4. Occupational Health and Safety

Our Group is subjected to certain PRC laws on occupational health and safety, including but not limited to the Work Safety Law. Our Group is committed to providing employees with a safe and healthy working environment. We have in place safety guidelines and operating manuals setting out safety measures for operation at our oil depots. We also provide our employees with monthly training programmes on work safety to ensure that all of our employees are aware of our safety procedures and policies.

In addition, our Group has set up a safety team which is responsible for: (i) establishing and continually reviewing our safety policies; (ii) implementing safety procedures and systems; (iii) providing induction safety training programs and on-the-job safety trainings to our employees; and (iv) identifying and informing our employees the latest relevant occupational safety laws and regulations of the PRC to ensure compliance by our Group.

Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2017

SUPPLY CHAIN MANAGEMENT

In a globalized economy, business outsourcing is the norm for companies. However, outsourcing does not mean that a company can escape its responsibilities or risks arising from poor ESG performance. The Group understands that we should play a part in every stage of the entire life cycle of its products and services, and the proper management of the supply chain is critical for the Group to maintain its reputation, ensure business sustainability, and manage operating costs.

The Group has established a supply chain management system that bases supplier selection on quality, capability, service, environmental protection and work safety. Before engaging new suppliers, staff members of relevant departments are required to examine their licenses in compliance with article 39 of the Administrative Measures on Refined Oil (《成品油市場管理辦法》) that we only sell any refined oil used for business purpose to any supplier or customer with the qualification to engage in refined oil business and article 37 of the Regulation on Safety Administration of Hazardous Chemicals (《危險化學品安全管理條例》) that we only purchase hazardous chemicals from supplier or customer that obtained the licenses for manufacturing such chemicals or the licenses for trading in such chemicals.

In addition, we have established a policy to maintain and update a licences register that keep track of the relevant licences of our existing and new suppliers and customers, such as their licensing conditions and expiry dates and complete the Supplier Application Form. Only suppliers that meet all the requirements can be selected by the Group as its qualified vendors.

PRODUCT RESPONSIBILITY

For the competition in the current market environment, customers have become increasingly demanding on products and services. The Group understands that customers place much emphasis on the quality of energy products provided by the Group. Therefore, the Group must keep up the good quality in order to maintain its reputation and secure the long-term support of its customers. As an energy trader, the Group ensures that all of the products it purchases and sales comply with laws and regulations.

As oil products are dangerous goods under statutory regulations, the Group pays special attention to safe operations in such processes as loading, transporting and warehousing during trading. The Group properly stores oil products in dedicated warehouses, dedicated premises, or dedicated storage rooms equipped with fire extinguishing installation and communication and alarm devices in accordance with fire control regulations to prevent accidents. Furthermore, the Group provides training in a regular basis.

HEALTH AND SAFETY

Employees must meet our safety standards and requirements. We strive to mitigate risks as far as is technically and financially feasible, and to minimise the potential impact of any incident. The Group has established policies and procedures for operation safety in place and are in compliance with the relevant laws pertaining to health and safety and providing a healthy safe work environment as well as protecting employees from occupational hazards.

Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2017

PREVENTING CORRUPT PRACTICES

The Group stands against any forms of bribery in order to do ethical business. To make this strong commitment within our business, we have established strict rules for all our business partners and employees, which are detailed in our code of conduct and anti-corruption policy. We strictly prohibit our employees, directly or indirectly, from receiving any forms of benefits such as presents and money. We require all suppliers to follow the content stated in the declaration of integrity; otherwise, they will be blacklisted and may be subject to legal prosecution. Whistleblowing channels are also set up for any reporting on the case of anticorruption.

ENGAGING OUR COMMUNITY

Being mindful of giving back to community, the Group has made continuous contribution to the community throughout the years. Supporting the people in need is our prime objective in community investment. In addition, we always encourage our staff to involve in community activities. We support long-term community investment by participate in various activities to fulfil not only the social responsibilities of the Group, but also the good citizenship of everyone.

Directors' Report

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2017.

CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 23 October 2014.

The Company completed the corporate reorganisation (the "Reorganisation") on 20 December 2017 in preparation for its listing on GEM, pursuant to which the Company became the holding company of its current subsidiaries. Details of the Reorganisation are set out in the section headed "History and Development — Reorganisation" of the Company's prospectus dated 29 December 2017 (the "Prospectus").

The shares of the Company were listed on GEM on 17 January 2018 (the "Listing Date") by way of placing and public offer of shares.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. The Company and its subsidiaries (together, the "Group") are principally engaged in the wholesale of fuel oil, refined oil and other petrochemical products in the People's Republic of China (the "PRC").

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, are set out in the section headed "Management Discussion and Analysis" of this annual report. Those discussion and analysis form part of this directors' report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated financial statements on pages 42 to 89 of this annual report. The Directors do not recommend the payment of any dividend for the year.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2017, the five largest customers in aggregate and the largest customer of the Group accounted for approximately 68.2% and 24.4% respectively of the Group's sales.

For the year ended 31 December 2017, the five largest suppliers in aggregate and the largest supplier of the Group accounted for approximately 53.5% and 17.8% of the Group's purchases.

At no time during the year have the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the issued shares of the Company) had any interest in any of these major customers or suppliers.

Directors' Report (Continued)

DIRECTORS

The directors of the Company during the year ended 31 December 2017 and up to the date of this report are:

Executive Directors

Mr. Xu Ziming, Chairman
Ms. Huang Sizhen, Managing director
Mr. Choi Sio Peng

Independent non-executive Directors

Mr. Chan William (appointed on 20 December 2017)
Mr. Tsui Hing Shan (appointed on 20 December 2017)
Mr. Kan Siu Chung (appointed on 13 September 2017)

In accordance with Articles 84 of the Company's Articles of Association, Mr. Xu Ziming and Ms. Huang Sizhen will retire from the board by rotation at the forthcoming annual general meeting and, being eligible, have offered themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for a term of three years from the Listing Date with monthly remuneration at the rate of HK$10,000. Each of them will be entitled to a discretionary bonus and a performance bonus as may be determined by the Remuneration Committee from time to time with reference to the financial performance of the Company and the individual performance of the relevant executive Directors.

Each of the independent non-executive Directors has entered into a service contract with the Company for a term of three years from the Listing Date with monthly remuneration at the rate of HK$8,000.

Directors' Report (Continued)

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

As shares of the Company were listed on GEM on 17 January 2018, the Company was not required to keep any register under Part XV of the Securities and Futures Ordinance (the "SFO") as at 31 December 2017.

As at the Listing Date, the interests of the directors and chief executive of the Company in the share capital of the Company 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 Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors (the "Model Code") were as follows:

Name	Nature of interest	Number of shares	Percentage of shareholding
Thrive Shine Limited	Beneficial owner	170,100,000	40.5%
Mr. Xu Ziming (note 1)	Interest in a controlled corporation	170,100,000	40.5%
Ms. Huang Sizhen (note 1)	Interest of spouse	170,100,000	40.5%
Thrive Era Investments Limited	Beneficial owner	56,700,000	13.5%
Mr. Choi Sio Peng (note 2)	Interest in a controlled corporation	56,700,000	13.5%

Notes:

1. These shares are held by Thrive Shine Limited, a company owned by Mr. Xu Ziming and Ms. Huang Sizhen as to 80% and 20% respectively. Mr. Xu Ziming and Ms. Huang Sizhen are spouses.

2. These shares are held by Thrive Era Investments Limited, a company wholly owned by Mr. Choi Sio Peng.

Save as disclosed herein, as at the Listing Date, none of the directors or chief executive of the Company 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) 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As shares of the Company were listed on GEM on 17 January 2018, the Company was not required to keep any register under Part XV of the SFO as at 31 December 2017. As at the Listing Date, the following persons (not being a director or chief executive of the Company) had interests in the share capital of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name	Nature of interest	Number of shares	Percentage of shareholding
Trophy Plus Global Limited	Beneficial owner	88,200,000	21%
Ms. Kung Sau Kwan (note)	Interest in a controlled corporation	88,200,000	21%

Note: These shares are held by Trophy Plus Global Limited, a company wholly owned by Ms. Kung Sau Kwan.

Directors' Report (Continued)

Save as disclosed herein, as at the Listing Date, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Apart from the agreements relating to the Reorganisation as set out in the section headed "History and Development — Reorganisation" of the Prospectus, and saved as disclosed in this annual report, there was no transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at 31 December 2017 or at any time during the year.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2017, the Group had not entered into any transactions which need to be disclosed as connected transactions or continuing connected transactions pursuant to Chapter 20 of the GEM Listing Rules. Details of other material related party transactions are set out in note 25 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

PERMITTED INDEMNITY PROVISION

Since shares of the Company were not listed until 17 January 2018, the Company had not maintained a directors' and officers' liability insurance during the year ended 31 December 2017. A directors' and officers' liability insurance is currently in place to protect the directors against potential costs and liabilities arising from claims brought against the directors.

COMPETING INTERESTS

None of the controlling shareholders, namely Thrive Shine Limited, Mr. Xu Ziming and Ms. Huang Sizhen (the "Controlling Shareholders"), the Directors and their respective close associates (as defined in the GEM Listing Rules) is interested in any business apart from the business operated by the Group which competes or is likely to compete, directly or indirectly, with the Group's business during the year ended 31 December 2017 and up to the date of this report.

Directors' Report (Continued)

NON-COMPETITION UNDERTAKINGS

As disclosed in the Prospectus, to protect the Group from any potential competition, Mr. Xu Ziming, Ms. Huang Sizhen , Mr. Choi Sio Peng and Thrive Shine Limited (the "Covenantors") have given non-competition undertakings (the "Non-competition Undertakings") in favour of the Company pursuant to which each of the Covenantors has, among other matters, undertaken with the Company that each of the Covenantors and their respective associates (other than the Group) shall not engage in any business which will or may compete with the business currently and from time to time engaged by the Group. Details of the Non-competition Undertakings were set out in the paragraph headed "Relationship with Controlling Shareholders — Non-competition Undertakings" of the Prospectus.

INTERESTS OF THE COMPLIANCE ADVISER

Save for the compliance adviser agreement between the Company and Kingsway Capital Limited, none of Kingsway Capital Limited, its directors, employees or close associates had any interest in relation to the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and considers all the independent non-executive directors to be independent.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Group had been entered into or existed during the year.

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

As shares of the Company were listed on GEM on 17January 2018, there were no listed securities of the Company during the year ended 31 December 2017. Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities since the Listing Date and up to the date of this report.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in Note 19 to the consolidated financial statements.

Directors' Report (Continued)

RESERVES

Details of movements in the reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity on page 45 and in Note 27(a) to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Pursuant to applicable statutory provisions of the Cayman Islands, the Company's reserves available for distribution to the shareholders of the Company as at 31 December 2017 amounted to RMB90,741,000.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company as at the date of this annual report, the Company has maintained the prescribed public float under the GEM Listing Rules since the Listing Date.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company is scheduled to be held on Monday, 4 June 2018 ("2018 AGM"). For determining the entitlement to attend and vote at the 2018 AGM, the register of members of the Company will be closed from Wednesday, 30 May 2018 to Monday, 4 June 2018, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2018 AGM, all transfer of shares accompanied by the relevant shares certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Tuesday, 29 May 2018.

AUDITOR

PricewaterhouseCoopers retires and, being eligible, has offered themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as auditor of the Company will be proposed at the 2018 AGM.

By Order of the Board

Xu Ziming
Chairman

Hong Kong, 19 March 2018

Independent Auditor's Report

羅兵咸永道

To the Shareholders of JTF International Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of JTF International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 42 to 89, which comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

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 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Independent Auditor's Report (Continued)

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 identified in our audit is recoverability of trade receivables.

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of trade receivables Refer to Note 4(a) (critical accounting estimates and judgements) and Note 17 to the consolidated financial statements. As at 31 December 2017, the net book value of trade receivables amounted to RMB87,335,000 (after the provision of RMB1,130,000), which approximated 35% of the Group's total assets. At each period end, management performed individual credit evaluations on all customers. These evaluations focused on the customer's settlement history and current ability to pay, and took into account information specific to the customer as well as pertaining to the economic environment in which the customer operated. All of these assessments involved significant judgements by management. We focused on this area because management made subjective judgements over assessing the credit standing of the Group's customers, the timing of recognition of impairment of trade receivables and the estimation of the size of any such impairment.	With respect to management's individual credit evaluations for the Group's customers, we understood, evaluated and validated the key controls over credit risk management. Those key controls relate to credit standing of each new customer, identification of events that triggered the provision for impairment of trade receivables and estimation of the impairment provisions. We obtained a breakdown of each individual customer recoverability assessment from management and challenged the key underlying information referenced by management. Where impairment provision was individually made, we checked whether the impairment provision was properly supported by considering the debtors' aging analysis, settlement history, history of bad debt losses and current ability to pay in respect of the relevant customers. In respect of receivables of individual customer which had not been identified by management as potentially impaired, we formed our own judgement as to whether that was appropriate based on the external evidence obtained from our independent research on publicly available information, our examination of the customers' payment records during the current year and subsequent to the year end, as well as the historical collection records. Based on our audit procedures, we were satisfied that management's assessments were consistent with the evidence that we obtained.

Independent Auditor's Report (Continued)

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of 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 AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

Independent Auditor's Report (Continued)

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

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

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

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

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

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

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

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

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

Independent Auditor's Report (Continued)

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

The engagement partner on the audit resulting in this independent auditor's report is Leung Po Wah, Pauline.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19 March 2018

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December 2017 RMB'000	 2016 RMB'000
Revenue	6	**1,740,695**	1,116,568
Cost of sales	7	**(1,681,247)**	(1,062,532)
Gross profit		**59,448**	54,036
Other gains/(losses) — net		**316**	(88)
Distribution expenses	7	**(23,617)**	(21,154)
Administrative expenses	7	**(14,444)**	(4,295)
Operating profit		**21,703**	28,499
Finance income — net	9	**168**	46
Profit before income tax		**21,871**	28,545
Income tax expense	10	**(10,064)**	(9,630)
Profit for the year		**11,807**	18,915
Other comprehensive income		**—**	—
Total comprehensive income for the year		**11,807**	18,915
Earnings per share			
— Basic and diluted (RMB)	11	**3.9 cents**	8.3 cents

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

	Note	As at 31 December 2017 RMB'000	 2016 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**1,122**	1,512
Deferred income tax assets	14	**951**	1,247
		2,073	2,759
Current assets			
Inventories	15	**89,794**	81,196
Prepayments	16	**40,573**	45,304
Trade and other receivables	17	**91,985**	25,885
Cash and cash equivalents	18	**23,566**	15,955
		245,918	168,340
Total assets		**247,991**	171,099
EQUITY			
Share capital	19	**—**	—
Other reserves	20	**103,511**	(5,896)
Retained earnings		**15,558**	39,163
Total equity		**119,069**	33,267

Consolidated Statement of Financial Position (Continued)

	Note	As at 31 December 2017 RMB'000	2016 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	14	**3,133**	4,732
Current liabilities			
Trade and other payables	21	**61,975**	20,151
Amounts due to related parties	25(c)	**—**	67,204
Advances from customers	22	**59,990**	40,635
Current income tax liabilities		**3,824**	5,110
		125,789	133,100
Total liabilities		**128,922**	137,832
Total equity and liabilities		**247,991**	171,099

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The financial statements on pages 42 to 89 were approved by the Board of Directors on 19 March 2018 and were signed on its behalf.

Xu Ziming
Director

Huang Sizhen
Director

Consolidated Statement of Changes in Equity

		Other reserves						
	Share capital RMB'000 Note 19	**Recapitalisation reserves** RMB'000	**Share premium** RMB'000	**Capital reserves** RMB'000 Note 20(a)	**Statutory reserves** RMB'000 Note 20(b)	**Safety reserves** RMB'000 Note 20(c)	**Retained earnings** RMB'000	**Total** RMB'000
Balance at 1 January 2016	—	(26,085)	—	10,000	3,174	2,370	24,653	14,112
Profit and total comprehensive income for the year	—	—	—	—	—	—	18,915	18,915
Appropriation to safety reserves	—	—	—	—	—	2,321	(2,321)	—
Appropriation to statutory reserves	—	—	—	—	2,084	—	(2,084)	—
Deemed contribution by the Controlling Shareholders	—	—	—	240	—	—	—	240
Converted funds from reserves to registered capital of a group company	—	10,000	—	(10,000)	—	—	—	—
Balance at 31 December 2016	—	(16,085)	—	240	5,258	4,691	39,163	33,267
Balance at 1 January 2017	**—**	**(16,085)**	**—**	**240**	**5,258**	**4,691**	**39,163**	**33,267**
Profit and total comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**—**	**11,807**	**11,807**
Appropriation to safety reserves	**—**	**—**	**—**	**—**	**—**	**4,248**	**(4,248)**	**—**
Appropriation to statutory reserves	**—**	**—**	**—**	**—**	**2,033**	**—**	**(2,033)**	**—**
Distribution (Note 12)	**—**	**—**	**—**	**—**	**—**	**—**	**(30,856)**	**(30,856)**
Deemed contribution by shareholders	**—**	**—**	**—**	**60**	**—**	**—**	**1,725**	**1,785**
Issuance of shares to capitalise amounts due to related parties (Note 19(b)(i) and (iii))	**—**	**72,210**	**—**	**—**	**—**	**—**	**—**	**72,210**
Issuance of shares to an investor (Note 19(c))	**—**	**—**	**30,856**	**—**	**—**	**—**	**—**	**30,856**
Balance at 31 December 2017	**—**	**56,125**	**30,856**	**300**	**7,291**	**8,939**	**15,558**	**119,069**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flow

	Note	Year ended 31 December 2017 RMB'000	2016 RMB'000
Cash flows from operating activities			
Cash generated from operations	23	**17,085**	61,520
Income tax paid		**(12,653)**	(3,592)
Net cash generated from operating activities		**4,432**	57,928
Cash flows from investing activities			
Purchases of property, plant and equipment		**(29)**	(384)
Interest income on cash deposit		**192**	58
Net cash generated from/(used in) investing activities		**163**	(326)
Cash flows from financing activities			
Deemed distribution to the then shareholders of the Group		**—**	(51,620)
Prepayments of professional fees in respect of the listing		**(3,691)**	(851)
Dividends paid to the then shareholders of the Group	12	**(30,856)**	—
Proceed from issuing shares to an investor	19(c)	**30,856**	—
Cash advances made by related parties		**8,627**	54,849
Cash advances repaid to related parties		**(1,896)**	(45,021)
Net cash generated from/(used in) financing activities		**3,040**	(42,643)
Net increase in cash and cash equivalents		**7,635**	14,959
Cash and cash equivalents at beginning of the year		**15,955**	1,008
Exchange differences on cash and cash equivalents		**(24)**	(12)
Cash and cash equivalents at end of the year	18	**23,566**	15,955

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

JTF International Holdings Limited (the "Company") was incorporated in the Cayman Islands on 23 October 2014 as an exempted company with limited liability under the Companies Law (Cap.22) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the "Group") are principally engaged in the blending and sale of fuel oil, sale of refined oil and other petrochemicals in the People's Republic of China (the "PRC") (the "Listing Business").

Prior to the group reorganisation (the "Reorganisation"), the Listing Business was carried out by Zengcheng City Jintaifeng Fuel Co., Ltd. ("JTF (PRC)"), a limited liability company incorporated in the PRC, which was wholly owned by JTF (Hong Kong) Limited ("JTF (Hong Kong)"), and ultimately owned as to 60%, 15% and 25% by Mr. Xu Ziming ("Mr. Xu"), Ms. Huang Sizhen ("Ms. Huang") and Mr. Choi Sio Peng ("Mr. Choi"), nephew of Mr. Xu, respectively. In preparation for the listing of the shares of the Company on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing"), the Company and its subsidiaries now comprising the Group underwent the Reorganisation pursuant to which the Company became the holding company of the Listing Business. The Reorganisation was completed on 20 December 2017 and the Company's shares were listed on GEM of the Stock Exchange on 17 January 2018.

The ultimate holding company of the Company is Thrive Shine Limited ("Thrive Shine"), a company incorporated in the British Virgin Islands ("BVI"), which is owned as to 80% and 20% by Mr. Xu and Ms. Huang, respectively. The ultimate controlling party of the Group is Mr. Xu and Ms. Huang (collectively, the "Controlling Shareholders").

The financial statements are presented in Renminbi ("RMB"), unless otherwise stated, and have been approved for issue by the Company's Board of Directors on 19 March 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

Immediately prior to and after the Reorganisation, the Listing Business is controlled by the Controlling Shareholders. The Company and intermediate holding entities do not have any other business at the time of the Reorganisation and the Reorganisation was merely a recapitalisation of the Listing Business with no change in management and the controlling shareholder. Accordingly, the consolidated financial statements of the Group have been prepared on a consolidation basis and is presented using the carrying values of the Listing Business under the Group.

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention.

Notes to the Consolidated Financial Statements (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

2.1.1 New and amended standards adopted by the Group

The following new and amended standards, which were effective on 1 January 2017, have been adopted by the Group in preparing the Company's accountant's report incorporated in the prospectus dated 29 December 2017 and also consistently applied throughout the years ended 31 December 2016 and 2017 in these financial statements.

- Recognition of Deferred Tax Assets for Unrealised Losses — Amendments to HKAS 12; and
- Disclosure initiative — amendments to HKAS 7.

The amendments to HKAS 7 require disclosure of changes in liabilities arising from financing activities, see Note 23(c).

2.1.2 New standards, amendments to existing standards and interpretations not yet adopted

The following new standards, amendments and interpretations to existing standards, which are relevant to the Group, have been issued and are effective for further reporting period and have not been early adopted by the Group.

		Effective for financial year beginning on or after
HKAS 28 (amendment)	Annual improvement 2014–2016 cycle	1 January 2018
HKFRS 1 (amendment)	Annual improvement 2014–2016 cycle	1 January 2018
HKFRS 2 (amendment)	Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 15 (amendment)	Clarification to HKFRS 15	1 January 2018
HKFRS 9	Financial instruments and associated amendments to various other standards	1 January 2018
HK(IFRIC) Interpretation 22	Foreign currency transactions and advance consideration	1 January 2018
HKAS 40 (amendment)	Transfers of investment property	1 January 2018
HK(IFRIC) Interpretation 22	Foreign currency transactions and advance consideration	1 January 2018
HKFRS 16	Leases	1 January 2019
HK(IFRIC) Interpretation 23	Uncertainty over income tax treatments	1 January 2019
HKFRS 10 and HKAS 28 (amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

Notes to the Consolidated Financial Statements (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.2 New standards, amendments to existing standards and interpretations not yet adopted (Continued)

None of these is expected to be relevant or have material impact to the consolidated financial statements of the Group, except the followings:

(a) HKFRS 15, "Revenue from Contracts with Customers" is expected to be adopted by the Group for the financial year beginning on 1 January 2018. HKFRS 15 recognises revenue when a customer obtains control of goods or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the goods or service. The underlying principal is that an entity will recognise revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. This is not the same as transfer of risks and rewards concept as currently adopted by the Group according to HKAS 18, "Revenue". Entities with transactions that involve variable considerations, selling multiple goods or services in a single arrangement, license arrangements or where the performance by an entity and payment by its customer might occur at significantly different times are expected to be significantly affected by the new revenue recognition principle of HKFRS 15. The directors of the Company are now assessing the impact of HKFRS 15 to the Group's revenue recognition. It is not expected that adoption of HKFRS 15 will lead to significant changes to the Group's existing revenue recognition policy.

(b) HKFRS 9, "Financial instruments" is expected to be adopted by the Group for the financial year beginning on 1 January 2018. The major changes to the existing policies adopted by the Group include:

- *Changes on classification and measurement of financial assets and liabilities*
  HKFRS 9 replaces the multiple classification and measurement models for financial assets in HKAS 39 with a single model that has three classification categories: amortised cost, fair value through other comprehensive income and fair value through profit and loss. The classification and measurement of financial liabilities under HKFRS 9 remains the same as in HKAS 39 except where an entity has chosen to measure a financial liability at fair value through profit or loss.

  The directors of the Company do not expect the changes on the classification and measurement models introduced by HKFRS 9 would have material impact on the Group's existing financial assets and liabilities, as they mainly comprised loans and receivables and financial liabilities at amortised costs as determined under HKAS 39 (Note 2.7), which are similar to the financial assets and liabilities measured at amortised cost under HKFRS 9, and are expected to continuously be initially recognised at fair value and subsequently measured at amortised cost.

Notes to the Consolidated Financial Statements (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.2 New standards, amendments to existing standards and interpretations not yet adopted continued)

(b) (Continued)

- *Changes on the impairment model*
  HKFRS 9 introduces a new, forward-looking, expected credit loss impairment model. The new rules mean that entities will have to record a day one loss equal to the 12-month expected credit loss on initial recognition of financial assets. HKFRS 9 contains a "three stages" approach which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest method. Where there has been a significant increase in credit risk, impairment is measured using lifetime expected credit loss rather than 12-month expected credit loss. The model includes operational simplifications for trade receivables. For trade receivables that do not contain a significant financing component, the loss allowance should be measured at initial recognition and throughout the life of the receivable at an amount equal to lifetime expected credit loss.

  The directors of the Company expect the new impairment model introduced by HKFRS9 will generally result in earlier recognition of losses compared to the current incurred loss model of HKAS 39 (Note 2.9).

(c) HKFRS 16, "Leases"

The Group is a lessee of certain office, land and oil tanks which are currently classified as operating leases. The Group's current accounting policy for such leases is to record the operating lease expenses in the Group's consolidated statement of comprehensive income for the current year with the disclosure of related operating lease commitments. As at 31 December 2017, the Group's total non-cancellable operating lease commitments amounted to RMB11,580,000 (Note 24). HKFRS 16 provides new provisions for the accounting treatment of leases which no longer allows lessees to recognise leases outside of the consolidated statement of financial position. Instead, all non-current leases must be recognised in the form of assets (for the right of use) and financial liabilities (for the payment obligations) in the Group's consolidated statements of financial position. Short- term leases of less than twelve months and leases of low-value assets are exempt from such reporting obligation. The new standard will therefore result in a derecognition of prepaid operating leases, increase in right-of-use assets and increase in lease liabilities in the consolidated statement of financial position. In the consolidated statements of comprehensive income, as a result, the annual operating lease expenses under otherwise identical circumstances will decrease, while depreciation of right-of-use of assets and interest expense arising from the lease liabilities will increase. The new standard is not expected to apply until the financial year beginning on or after 1 January 2019.

Notes to the Consolidated Financial Statements (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.2 New standards, amendments to existing standards and interpretations not yet adopted (Continued)

(c) HKFRS 16, "Leases" (Continued)

The directors consider that the adoption of the new standard will have significant impact on the financial position of the Group as the related right-of-use assets and lease liabilities will be recognised upon adoption of the new standard on 1 January 2019. However, the impact to the financial performance of the Group will be minimal as the impact of amortisation of the right-of-use assets and unwinding the discount of the related payable will not be materially different from the operating lease charges that would have been recognised under the current standard.

2.2 Subsidiaries

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

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

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

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

2.3 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 ("CODM"), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that makes strategic decisions.

Notes to the Consolidated Financial Statements (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the consolidated statements of comprehensive income within "finance income-net". All other foreign exchange gains and losses are presented in profit or loss as "other gains/(losses) — net".

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

(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 balance sheet presented are translated at the closing rate at the date of that balance sheet;

(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.

Notes to the Consolidated Financial Statements (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

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. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

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

Storage facilities	20 years
Office equipment and motor vehicles	5 years

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised as "other gains/(losses) — net" in the profit or loss.

2.6 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed 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 to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Financial assets

(a) Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the consolidated statements of financial position.

Notes to the Consolidated Financial Statements (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Financial assets (Continued)

(b) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.8 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position when there is 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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.9 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit or loss.

Notes to the Consolidated Financial Statements (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Inventories and prepayments for inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of inventories comprises purchasing cost, transportation cost and other direct costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable distribution expenses and relevant taxes.

Prepayments for inventories are amounts paid to suppliers while the inventories are yet to be received by the Group in the ordinary course of business. Prepayments for inventories are stated at the lower of purchasing cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable distribution expenses, other direct costs and relevant taxes. The prepayments for which the future economic benefit is the receipt of goods, consequently are expected to be realised in the normal operating cycle of the business, and are classified as current assets. If not, they are presented as non-current assets.

2.11 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables are expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.12 Cash and cash equivalents

In the consolidated statements of cash flows, cash and cash equivalents include cash in hand and deposits held at call with banks with maturing date of less than 3 months.

2.13 Share capital

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

2.14 Trade and other payables and amounts due to related parties

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables and amounts due to related parties are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables and amounts due to related parties are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Notes to the Consolidated Financial Statements (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the 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.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its 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

Inside basis differences

Deferred income tax is recognised, 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, the deferred income tax is 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 substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

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.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Notes to the Consolidated Financial Statements (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Employee benefits

(a) Social security obligations

Pursuant to the relevant regulations of the PRC governments, the subsidiary of the Group that was established in Mainland China has participated in employee social security plans, including pension, medical, housing and other welfare benefits, organised and administered by the governmental authorities (the "Schemes"), whereby the PRC subsidiary is required to contribute certain percentages of the salaries of their employees, as agreed by local municipal governmental authorities, to the Schemes to fund their social security benefits. The local municipal governmental authorities undertake to assume the social security benefits of those employees of the Group. Contributions under the Schemes are charged to profit or loss as incurred.

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme ("the MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, the group company in Hong Kong (the employer) and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The monthly contributions of each of the group company and its employees are subject to a cap of Hong Kong dollar ("HK$") 1,500 and thereafter contributions are voluntary.

(b) Bonus plan

Provisions for bonus plan due wholly within twelve months after the end of the reporting period are recognised where contractually obliged or where there is a past practice that has created a constructive obligation.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

Notes to the Consolidated Financial Statements (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Equity-settled share-based payment arrangement

Equity-settled share-based payment arrangements of the Group represent arrangements between the Company (or another group entity or any shareholder of any group entity) and counter parties in which the identifiable considerations received (if any) by the Group are less than the fair values of the equity instruments granted or liabilities incurred as other considerations (i.e. unidentifiable goods or services) have been (or will be) received by the Group.

The Group measures the goods or services received (or to be received), and the corresponding increase in equity, directly, at the fair value of the goods or services received (or to be received), unless that fair value cannot be estimated reliably. If the Group cannot estimate reliably the fair value of the goods or services received, the Group measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted or liability incurred.

If the equity instruments granted vest immediately, the counterparty is not required to complete a specified period of service before becoming unconditionally entitled to those equity instruments. In the absence of evidence to the contrary, the Group presumes that services rendered by the counterparty as consideration for the equity instruments have been received. In this case, on grant date the Group recognises the services received in full, with a corresponding increase in equity.

If the equity instruments granted do not vest until the counterparty completes a specified period of service, the Group presumes that the services to be rendered by the counterparty as consideration for those equity instruments will be received in the future, during the vesting period. The Group accounts for those services as they are rendered by the counterparty during the vesting period, with a corresponding increase in equity.

2.18 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Notes to the Consolidated Financial Statements (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied or service rendered, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

(a) Sales of goods

Sales of goods are recognised when a group entity has delivered products to the customers, the customers have full discretions to sell the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery does not occurs until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customers, and either the customers have accepted the products in accordance with the sales contracts, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Deposits and installment payments on sales of goods received prior to the date of revenue recognition are included in the consolidated statements of financial position as "advances from customers" under current liabilities.

(b) Service income

Service income is recognised when the related services are rendered.

2.20 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

2.21 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) whereby the Group acts as a lessee are charged to the profit or loss on a straight-line basis over the period of the lease.

2.22 Dividend distribution

Dividend distribution to the group company's owners is recognised as a liability in the group company's statement of financial position in the period in which the dividends are approved by the group company's owners or directors, where appropriate. Such dividend will be eliminated in the Group's consolidated statements of financial position if the owners of the group company are also group companies, otherwise, the dividend distribution is not eliminated and will be recognised as a liability in the Group's consolidated statements of financial position.

Notes to the Consolidated Financial Statements (Continued)

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow 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. Risk management is carried out by the financial department under policies approved by the board of directors.

3.1.1 Market risk

(a) Foreign exchange risk

The Group operates in the PRC with most transactions being settled in RMB, except for certain transactions which are settled in foreign currencies.

As at 31 December 2017, the Group's major non-RMB denominated assets and liabilities included cash and cash equivalents and accruals for listing expenses, which were denominated in HK$. Fluctuation of the exchange rate of RMB against HK$ could affect the Group's results of operations.

The Group currently does not have a foreign currency hedging policy, and manages its foreign currency risk by closely monitor the movement of the foreign currency rates.

The carrying amounts of the Group's foreign currency denominated financial assets and liabilities at the respective balance sheet dates are presented in Note 18 and Note 21. At 31 December 2017, the Group has no significant foreign currency risk.

(b) Cash flow interest rate risk

Other than deposits held in banks, the Group does not have other significant interest bearing assets and liabilities.

The annual interest rates of the Group's deposits held in banks throughout the year ended 31 December 2017 ranged from 0.30% to 0.35%. The Group's cash at banks were held at variable rates and exposed the Group to cash flow interest rate risk.

Notes to the Consolidated Financial Statements (Continued)

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors (Continued)

3.1.2 Credit risk

The Group's maximum exposure to credit risk in relation to financial assets is the carrying amounts of trade and other receivables and cash and cash equivalents.

As at 31 December 2017, all of the Group's bank deposits were deposited with financial institutions incorporated in Mainland China or Hong Kong. Management believes that these financial institutions are of high credit quality and does not have significant credit risk. The Group's bank deposits as at 31 December 2017 and 31 December 2016 were as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Cash at banks:		
— Big four commercial banks (Note (i))	**5,752**	66
— Other listed banks	**86**	837
— Other unlisted commercial banks (Note (ii))	**17,723**	15,036
	23,561	15,939

(i) Big four commercial banks include Industrial and Commercial Bank of China, China Construction Bank, Agricultural Bank of China and Bank of China.

(ii) Other unlisted commercial banks include Bank of Dongguan and Guangzhou Rural Commercial Bank. Both banks are located in Mainland China, by which management does not expect any loss arising from non-performance.

As at 31 December 2017, the top five debtors of the Group contributed to approximately 95% of the Group's total trade receivables (2016: 92%).

All of the Group's trade and other receivables have no collateral. However, the Group has policies in place to ensure that sales are made to customers with appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group assesses the credit quality of each customer by taking into account its financial position, past experience and other factors. Credit limits are reviewed on periodic basis, and the finance department is responsible for such monitoring procedures. In determining whether provision for impairment of receivables is required, the Group takes into consideration the future cash flows, ageing status and the likelihood of collection. In this regard, the directors are satisfied that the risks of impairment are monitored and adequate provision, if any, has been made in the consolidated financial statements. Further quantitative disclosures in respect of trade and other receivables are set out in Note 17.

Notes to the Consolidated Financial Statements (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.3 Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group expects to fund its future cash flow needs through internally generated cash flows from operations and borrowings from financial institutions.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year RMB'000
31 December 2017	
Trade and other payables (excluding accrual for staff costs, allowances and other tax payables)	**60,886**
Amounts due to related parties	**—**
	60,886
31 December 2016	
Trade and other payables (excluding accrual for staff costs, allowances and other tax payables)	18,742
Amounts due to related parties	67,204
	85,946

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to owners, return capital to owners, or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total bank borrowings less cash and cash equivalents. Total equity represents the "total equity" as shown in the consolidated statements of financial position.

No gearing ratio is presented as the Group had net cash surplus as at 31 December 2017 (2016: same).

Notes to the Consolidated Financial Statements (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation

Financial instruments carried at fair value or where fair value was disclosed can be categorised by level of the inputs to valuation techniques used to measure fair value. The inputs are categorised into three levels within a fair value hierarchy as follows:

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

(ii) 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).

(iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The carrying amounts of the Group's financial assets include cash and cash equivalents, trade and other receivables. The carrying amounts of the Group's financial liabilities include trade and other payables and amounts due to related parties. Their carrying values approximate their fair values due to the short maturities.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments 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 to the actual results. The estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as below.

(a) Impairment of receivables

The Group records impairment of receivables based on an assessment made by management on the recoverability of trade and other receivables. Provisions are applied where events or changes in circumstances indicate that the balances may not be collectible. Impairment assessment requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact both the carrying value of trade and other receivables and the impairment charge in the period in which such estimate has been changed.

(b) Write-down of inventories and prepayments for inventories

The Group's trading activities of petrochemical products are subject to the risk of volatility of crude oil price. The crude oil price is affected by a wide range of global and domestic factors that are beyond the control of the Group, which results in critical accounting estimates by the management when determining the net realisable value of inventories and prepayments for inventories.

Notes to the Consolidated Financial Statements (Continued)

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Write-down of inventories and prepayments for inventories (Continued)

Even if the Group has made the estimate of net realisable value of inventories and prepayments for inventories and write down the carrying amounts of inventories and prepayments for inventories to their net realisable value, there is a possibility that changes in market conditional will alter the result.

(c) Income taxes and deferred taxation

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

5 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company.

The Group principally engages in the blending and sale of fuel oil, sale of diesel, gasoline and other petrochemicals in the PRC. Management reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. The CODM considers that there is only one operating segment which is used to make strategic decisions.

The major operating entity of the Group is domiciled in Mainland China, and the Group's revenue for the years ended 31 December 2017 and 2016 were derived in Mainland China.

As at 31 December 2017 and 2016, all of the non-current assets were located in Mainland China.

Notes to the Consolidated Financial Statements (Continued)

6 REVENUE

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Sales of goods:		
— Refined oil	**937,217**	493,893
— Fuel oil	**425,796**	506,385
— Other petrochemical products	**376,003**	109,608
	1,739,016	1,109,886
Service income	**1,679**	6,682
	1,740,695	1,116,568

Revenue from transactions with external customers amounting to 10% or more of the Group's revenue are as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Customer A	**425,464**	N/A*
Customer B	**275,601**	414,448
Customer C	**254,174**	N/A*
Customer D	**N/A***	154,515

Note*: The revenue of the particular customer is less than 10% of the Group's revenue for the particular year.

Notes to the Consolidated Financial Statements (Continued)

7 EXPENSES BY NATURE

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Changes in inventories	**(8,598)**	(41,439)
Fuel oil, refined oil and other petrochemical products purchased	**1,680,633**	1,095,578
Transportation expenses	**14,493**	15,128
Operating lease expenses and handling charges	**13,976**	10,800
Listing expenses	**11,075**	2,552
Staff costs (including directors' emoluments) (Note 8)	**3,163**	2,670
Taxes and surcharges	**1,360**	1,107
Auditor's remuneration	**600**	10
Depreciation (Note 13)	**419**	399
Changes in provision for impairment of trade receivables (Note 17)	**(266)**	267
Other expenses	**2,453**	909
Total cost of sales, distribution expenses and administrative expenses	**1,719,308**	1,087,981

8 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Salaries, wages, bonuses, welfare and other benefits	**2,766**	2,292
Contributions to employee social security plans	**397**	378
	3,163	2,670

Notes to the Consolidated Financial Statements (Continued)

8 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

(a) Directors' and chief executive's emoluments

The emoluments of individual director of the Company paid/payable by the Group during the years ended 31 December 2017 and 2016 were presented as below:

	Salaries, wages, bonuses, welfare and other benefits	Contributions to employee social security plans	Total
	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2017			
Executive directors:			
Mr. Xu (i)	**21**	**11**	**32**
Ms. Huang (i)	**21**	**7**	**28**
Mr. Choi (i)	**—**	**—**	**—**
Independent non-executive directors			
Mr. Chan William (i)	**—**	**—**	**—**
Mr. Tsui Hing Shan (i)	**—**	**—**	**—**
Mr. Kan Siu Chung (i)	**—**	**—**	**—**
	42	**18**	**60**
For the year ended 31 December 2016			
Executive directors:			
Mr. Xu (i)	—	10	10
Ms. Huang (i)	—	—	—
Mr. Choi (i)	—	—	—
	—	10	10

Note:

(i) Mr. Xu, Ms. Huang and Mr. Choi were appointed as executive directors of the Company on 23 October 2014. Ms. Huang also carries out the responsibility of chief executive officer.

Mr. Chan William (陳沛衡), Mr. Tsui Hing Shan (徐興珊) and Mr. Kan Siu Chung (靳紹聰) were appointed as independent non-executive directors of the Company on 20 December 2017, 20 December 2017 and 13 September 2017, respectively. As their service agreements would only be effective after the shares of the Company commence dealing on the Stock Exchange on 17 January 2018, the independent non-executive directors therefore did not receive any emoluments in their capacity as the Company's directors during the year ended 31 December 2017.

Notes to the Consolidated Financial Statements (Continued)

8 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

(a) Directors' and chief executive's emoluments (Continued)

Except for disclosed above, during the years ended 31 December 2017 and 2016, the directors did not receive or were entitled to receive any fees, salaries and other emoluments from the Company or its subsidiaries undertaking. No emoluments in respect of directors' services to the Group or its fellow subsidiaries of the Company during the years ended 31 December 2017 and 2016 had been paid/made, directly or indirectly, to the directors.

During the years ended 31 December 2017 and 2016:

— no retirement benefits, payments or benefits in respect of termination of directors' services had been paid/made, directly or indirectly, to the directors;

— no consideration had been provided to or receivable by third parties for making available directors' services;

— no loans, quasi-loans or other dealings had been provided in favour of the directors, their controlled bodies corporate and connected entities;

— no directors of the Company had a material interest, directly or indirectly in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of each of the year or at any time during each of the year.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included no directors (2016: nil). The emoluments of these individuals of the Group during the years ended 31 December 2017 and 2016 are as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Salaries, wages, bonuses, welfare and other benefits	**1,023**	639
Contributions to employee social security plans	**150**	88
	1,173	727

Notes to the Consolidated Financial Statements (Continued)

8 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

(b) Five highest paid individuals (Continued)

The emoluments of these individuals of the Group fall within the following bands:

	Year ended 31 December	
	2017	2016
Number of individuals falls in the emolument bands from nil to HK$1,000,000	**5**	5

During the year ended 31 December 2017, no emolument was paid by the Group to any of the five highest paid individuals above as an inducement to join, upon joining the Group, leave the Group or as compensation for loss of office (2016: same).

(c) Senior management's emoluments by band

The senior management's (excluding the directors and the five highest paid individuals) emoluments fell within the following bands:

	Year ended 31 December	
	2017	2016
Number of individuals falls in the emolument bands from nil to HK$1,000,000	**1**	2

9 FINANCE INCOME — NET

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
— Interest income on bank deposits	**192**	58
— Net foreign exchange losses on cash and cash equivalent	**(24)**	(12)
Finance income — net	**168**	46

Notes to the Consolidated Financial Statements (Continued)

10 INCOME TAX EXPENSE

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and accordingly, is exempted from the Cayman Islands income tax.

No provision for Hong Kong profits tax was provided as the Group did not have assessable profit in Hong Kong for the year ended 31 December 2017 (2016: same). The profit of the group company in Hong Kong is mainly derived from dividend income from its subsidiary, which is not subject to Hong Kong profits tax.

The income tax provision of the Group in respect of its operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profit for the year ended 31 December 2017 (2016: same).

Pursuant to the Enterprise Income Tax Law of the PRC (the "EIT Law") and the Implementation Rules of the EIT Law, the EIT is unified at 25% for all types of entities, effective from 1 January 2008. The standard tax rate of the Group's PRC entities was 25% for the year ended 31 December 2017 (2016: 25%).

According to the EIT Law and the Implementation Rules, starting from 1 January 2008, a withholding income tax of 10% is levied on the immediate holding company outside the PRC when its PRC subsidiary declares dividends out of profits earned after 1 January 2008. A lower 5% withholding income tax rate may be applied when the immediate holding company of the PRC subsidiary is established in Hong Kong and fulfils requirements under the tax treaty arrangements between the relevant authorities of Mainland China and Hong Kong. The applicable withholding income tax rates of the group company in Hong Kong was 10% for the year ended 31 December 2017 (2016: 10%).

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Current income tax:		
— PRC enterprise income tax	**7,939**	7,429
— PRC withholding income tax	**3,428**	—
	11,367	7,429
Deferred income tax:		
— PRC enterprise income tax	**296**	326
— PRC withholding income tax	**(1,599)**	1,875
	(1,303)	2,201
	10,064	9,630

Notes to the Consolidated Financial Statements (Continued)

10 INCOME TAX EXPENSE (Continued)

Income tax expense on the Group's profit before income tax differs from the theoretical amounts that would arise using the tax rates applicable to the profit or loss of the consolidated entities is as follows:

.	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Profit before income tax	**21,871**	28,545
Tax calculated at tax rates applicable to profit in the respective tax jurisdictions	**8,098**	7,719
Tax effect of:		
— Tax loss for which no deferred tax assets was recognised	**107**	9
— Expenses not deductible for tax purposes	**30**	27
— PRC withholding income tax of a group company in Mainland China	**1,829**	1,875
Income tax expense	**10,064**	9,630

11 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares in issue during the years ended 31 December 2017 and 2016. Capitalisation issue of 314,999,000 shares to the then shareholders of the Company as of 20 December 2017 (Note 28(a)) has been taking into accounts in determining the weighted average number of ordinary shares.

	Year ended 31 December	
	2017	2016
Profit for the year (RMB'000)	**11,807**	18,915
Weighted average number of ordinary shares in issue	**299,534,795**	226,800,000
Basic earnings per share (RMB)	**3.9 cents**	8.3 cents

Diluted earnings per share is equal to basic earnings per share as there was no potential diluted shares outstanding for the reporting period.

12 DIVIDENDS

There were no dividends paid or payable by the Company in respect of the year ended 31 December 2017 (2016: nil). On 23 February 2017, dividend of approximately RMB30,856,000 was declared by JTF (Hong Kong), a subsidiary of the Company, to its then shareholder.

Notes to the Consolidated Financial Statements (Continued)

13 PROPERTY, PLANT AND EQUIPMENT

	Storage facilities RMB'000	Office equipment and motor vehicles RMB'000	Total RMB'000
At 1 January 2016			
Cost	8,876	168	9,044
Accumulated depreciation	(6,713)	(115)	(6,828)
Accumulated impairment	(689)	—	(689)
Net book amount	1,474	53	1,527
Year ended 31 December 2016			
Opening net book amount	1,474	53	1,527
Additions	40	344	384
Depreciation charges	(337)	(62)	(399)
Closing net book amount	1,177	335	1,512
At 31 December 2016			
Cost	8,916	512	9,428
Accumulated depreciation	(7,050)	(177)	(7,227)
Accumulated impairment	(689)	—	(689)
Net book amount	1,177	335	1,512
Year ended 31 December 2017			
Opening net book amount	**1,177**	**335**	**1,512**
Additions	**—**	**29**	**29**
Depreciation charges	**(338)**	**(81)**	**(419)**
Closing net book amount	**839**	**283**	**1,122**
At 31 December 2017			
Cost	**8,916**	**541**	**9,457**
Accumulated depreciation	**(7,388)**	**(258)**	**(7,646)**
Accumulated impairment	**(689)**	**—**	**(689)**
Net book amount	**839**	**283**	**1,122**

Notes to the Consolidated Financial Statements (Continued)

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Depreciation expenses have been charged to the profit or loss as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Distribution expenses	**358**	347
Administrative expenses	**61**	52
	419	399

(b) As at 31 December 2017, the costs of fully depreciated property, plant and equipment were RMB103,000 (2016: RMB97,000).

14 DEFERRED INCOME TAX

(a) The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Deferred income tax assets:		
— to be recovered after more than 12 months	**951**	1,086
— to be recovered within 12 months	**—**	161
	951	1,247
Deferred income tax liabilities:		
— to be recovered after more than 12 months	**(3,133)**	(4,732)
Deferred income tax liabilities — net	**(2,182)**	(3,485)

Notes to the Consolidated Financial Statements (Continued)

14 DEFERRED INCOME TAX (Continued)

(a) (Continued)

The gross movements on the deferred income tax are as follows:

	Year ended 31 December 2017 RMB'000	2016 RMB'000
At beginning of the year	**(3,485)**	(1,284)
Tax credited/(charged) to profit or loss	**1,303**	(2,201)
At end of the year	**(2,182)**	(3,485)

(b) The movements in deferred income tax assets and liabilities for the years ended 31 December 2017 and 2016, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Deferred income tax assets				Deferred income tax liabilities	
	Temporary difference on					
	Bad debt provision RMB'000	Inventories/ prepayments written-down RMB'000	Depreciation and impairment RMB'000	Payroll accruals RMB'000	PRC withholding income tax on unremitted retained earnings of the group company in Mainland China RMB'000	Total RMB'000
At 1 January 2016	282	648	408	235	(2,857)	(1,284)
Tax credited/(charged) to profit or loss	67	(487)	84	10	(1,875)	(2,201)
At 31 December 2016	349	161	492	245	(4,732)	(3,485)
At 1 January 2017	**349**	**161**	**492**	**245**	**(4,732)**	**(3,485)**
Tax (charged)/credited to profit or loss	**(66)**	**(161)**	**(22)**	**(47)**	**1,599**	**1,303**
At 31 December 2017	**283**	**—**	**470**	**198**	**(3,133)**	**(2,182)**

Notes to the Consolidated Financial Statements (Continued)

15 INVENTORIES

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Refined oil	**36,029**	28,984
Fuel oil	**25,111**	18,188
Other petrochemical products	**28,654**	34,024
	89,794	81,196

During the year ended 31 December 2017, the cost of inventories recognised as expenses and included in "cost of sales" in profit and loss amounted to RMB1,680,426,000 (2016: RMB1,062,226,000). There is no write-down of inventory during the year ended 31 December 2017 (2016: write-down of inventories of RMB644,000).

16 PREPAYMENTS

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Prepayments for inventories	**36,001**	44,453
Prepayments for listing expenses	**4,542**	851
Prepayments for rental expenses	**30**	—
Total	**40,573**	45,304

Notes to the Consolidated Financial Statements (Continued)

17 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Trade receivables	**88,465**	16,268
Less: provision for impairment of trade receivables	**(1,130)**	(1,396)
Trade receivables — net	**87,335**	14,872
Deductible value-added-tax ("VAT") (Note (e))	**3,813**	10,459
Deposits and others	**837**	554
Trade and other receivables	**91,985**	25,885

(a) As of 31 December 2017, ageing analysis of trade receivables (net of provision of RMB1,130,000) (2016: RMB1,396,000) based on the dates when the trade receivables are recognised is as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Less than 30 days	**57,765**	10,534
31 days to 180 days	**29,357**	2,670
Over 180 days	**213**	1,668
	87,335	14,872

The Group's sales are usually made on credit terms of 0 to 30 days counted from the dates when the trade receivables are recognised.

Notes to the Consolidated Financial Statements (Continued)

17 TRADE AND OTHER RECEIVABLES (Continued)

(a) (Continued)

As at 31 December 2017, trade receivables of RMB87,170,000 (2016: RMB7,197,000) were past due but not impaired. These related to a number of independent customers for whom there were no recent history of default. The ageing analysis of these trade receivables based on the dates when they are recognised is as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Less than 30 days	**57,600**	2,859
31 days to 180 days	**29,357**	2,670
Over 180 days	**213**	1,668
	87,170	7,197

As at 31 December 2017, trade receivables of RMB1,130,000 (2016: RMB1,396,000) were impaired and provisions were made as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
At 1 January	**1,396**	1,129
Provision for impairment of trade receivables	**368**	479
Reversal	**(634)**	(212)
At end of the year	**1,130**	1,396

The ageing of these impaired receivables is as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Over 180 days	**1,130**	1,396

Notes to the Consolidated Financial Statements (Continued)

17 TRADE AND OTHER RECEIVABLES (Continued)

(b) The trade and other receivables as at 31 December 2017 were all denominated in RMB (2016: same).

(c) As at 31 December 2017, the carrying amounts of each class of trade and other receivables mentioned above represented the Group's maximum exposure to credit risk. The Group did not hold any collateral as security (2016: same).

(d) The carrying amounts of each class of trade and other receivables mentioned above approximated to their fair value due to their short maturities as at 31 December 2017 (2016: same).

(e) Amounts represent unutilised input VAT deductible from output VAT of future sales.

18 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Cash at banks and cash on hands denominated in:		
— RMB	**23,480**	15,118
— HK$	**86**	161
— US dollar	**—**	676
	23,566	15,955

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of Mainland China are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

Notes to the Consolidated Financial Statements (Continued)

19 SHARE CAPITAL

	Note	Number of ordinary shares	Share capital HK$
Authorised:			
Ordinary share of HK$0.01 each at 23 October 2014 (date of incorporation), 31 December 2017 and 2016	(a)	38,000,000	380,000
Issued and fully paid:			
As at 1 January 2016 and 31 December 2016		100	1
Issue shares to capitalise amounts due to related parties and acquire shares of a group company	(b)	620	6
Issue shares to an investor	(c)	280	3
As at 31 December 2017		1,000	10

(a) The Company was incorporated on 23 October 2014 with an authorised share capital of 38,000,000 ordinary shares of HK$0.01 each.

(b) (i) On 6 March 2017, JTF (Hong Kong) issued 996 shares to the Company at total consideration of approximately RMB65,308,000, which was satisfied by assignment of loans of approximately RMB52,316,000 and RMB12,992,000 payable by JTF (Hong Kong) to the Controlling Shareholders and Mr. Choi, respectively, to the Company. Simultaneously, the Company issued 464 Shares and 155 shares to Thrive Shine and Thrive Era Investments Limited, a company wholly owned and controlled by Mr. Choi, respectively, to capitalise these loans payable to the Controlling Shareholders and Mr. Choi.

(ii) On 19 December 2017, the Company acquired 4 shares of JTF (Hong Kong) from Gold Pledge Holdings Limited ("Gold Pledge"), a company owned by Mr. Xu, Ms. Huang and Mr. Choi as to 60%, 15% and 25%, respectively, at consideration of HK$409,000 (equivalent to RMB346,000), to be settled by the issue of 0.5 share by the Company to Thrive Shine (as directed by Gold Pledge).

(iii) On 20 December 2017, JTF (Hong Kong) issued 10 shares to the Company and the Company in turn issued 0.5 share as consideration to Thrive Shine (as directed by Mr. Choi) for settlement of amounts due to Mr. Choi by the Group of approximately RMB6,902,000.

(c) On 6 March 2017, Trophy Plus Global Limited, which is wholly owned by Ms. Kung Sau Kwan, an independent third party, subscribed for 280 newly issued shares of the Company at cash consideration of approximately RMB30,856,000.

Notes to the Consolidated Financial Statements (Continued)

20 OTHER RESERVES

	Recapitalisation reserves RMB'000	Share premium RMB'000	Capital reserves RMB'000	Statutory reserves RMB'000 Note (b)	Safety reserves RMB'000 Note (c)	Total RMB'000
At 1 January 2016	(26,085)	—	10,000	3,174	2,370	(10,541)
Appropriation to safety reserves	—	—	—	—	2,321	2,321
Appropriation to statutory reserves	—	—	—	2,084	—	2,084
Deemed contribution by the Controlling Shareholders (Note (a))	—	—	240	—	—	240
Converted funds from reserves to registered capital of a group company	10,000	—	(10,000)	—	—	—
At 31 December 2016	(16,085)	—	240	5,258	4,691	(5,896)
At 1 January 2017	**(16,085)**	**—**	**240**	**5,258**	**4,691**	**(5,896)**
Appropriation to safety reserves	**—**	**—**	**—**	**—**	**4,248**	**4,248**
Appropriation to statutory reserves	**—**	**—**	**—**	**2,033**	**—**	**2,033**
Deemed contribution by the Controlling Shareholders (Note (a))	**—**	**—**	**60**	**—**	**—**	**60**
Issuance of shares to capitalise amounts due to related parties (Note 19 (b)(i) and (iii))	**72,210**	**—**	**—**	**—**	**—**	**72,210**
Issuance of shares to an investor (Note 19(c))	**—**	**30,856**	**—**	**—**	**—**	**30,856**
At 31 December 2017	**56,125**	**30,856**	**300**	**7,291**	**8,939**	**103,511**

Notes to the Consolidated Financial Statements (Continued)

20 OTHER RESERVES (Continued)

(a) Capital reserves

JTF (PRC) occupies a piece of land and an office building located in Zengcheng City, Guangdong Province ("Zengcheng Property") owned by the Controlling Shareholders. The Controlling Shareholders have waived the operating lease expenses of RMB60,000 and RMB240,000 for the years ended 31 December 2017 and 2016, respectively, which were deemed as contributions by the Controlling Shareholders to the Group (Note 25(b)).

(b) Statutory reserves

In accordance with the PRC Company Law and the articles of association of the Group's PRC subsidiary, the Group's PRC subsidiary is required to appropriate 10% of its profits after tax, as determined in accordance with relevant accounting principles generally accepted in the PRC and other applicable regulations, to the statutory reserve until such reserve reaches 50% of its registered capital. The appropriation to the reserve must be made before any distribution of dividends to equity holders of the PRC subsidiary. The statutory reserve can be used to offset previous years' losses, if any, and part of the statutory reserve can be capitalised as the PRC subsidiary's capital provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of its capital.

(c) Safety reserves

Pursuant to certain regulations issued by the Ministry of Finance and the State Administration of Work Safety of the PRC, the Group's PRC subsidiary is required to set aside an amount to safety reserve at progressive rates from 0.5% to 4% of the total revenue from the sales of hazardous chemical since 14 February 2012. The reserve can be utilised for the spending in improvements and maintenances of work safety on the Group's daily operations, which are considered expenses in nature and charged to the profit and loss as incurred.

Notes to the Consolidated Financial Statements (Continued)

21 TRADE AND OTHER PAYABLES

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Trade payables (Note (a))	**48,316**	14,828
Accruals for listing expenses	**9,566**	612
Accruals for operating lease expenses and handling charges	**2,256**	3,136
Accrual for staff costs and allowances	**976**	1,313
Other payables	**748**	166
Other tax payables	**113**	96
Trade and other payables	**61,975**	20,151

(a) The ageing analysis of trade payables based on the date when the trade payables being recognised is as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Less than 30 days	**41,108**	13,022
31 to 180 days	**7,208**	1,637
Over 180 days	**—**	169
	48,316	14,828

(b) Trade and other payables were denominated in:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
— RMB	**53,155**	20,151
— HK$	**8,820**	—
	61,975	20,151

(c) The fair values of trade and other payables approximated their carrying amounts at 31 December 2017 due to their short-term maturities (2016: same).

Notes to the Consolidated Financial Statements (Continued)

22 ADVANCES FROM CUSTOMERS

Advances from customers represent cash received from customers in advance for which the goods are yet to be delivered.

23 CASH FLOW INFORMATION

(a) Cash generated from operations

Reconciliation of profit before income tax to cash generated from operations is as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Profit before income tax	**21,871**	28,545
Adjustments for:		
— Depreciation (Note 13)	**419**	399
— Changes of provision for impairment of trade receivables	**(266)**	267
— Finance income — net	**(168)**	(46)
	21,856	29,165
Changes in working capital:		
— Inventories	**(8,598)**	(41,439)
— Trade and other receivables	**(65,834)**	(9,307)
— Prepayments	**8,422**	63,296
— Trade and other payables	**41,884**	16,644
— Advances from customers	**19,355**	3,161
Cash generated from operations	**17,085**	61,520

(b) Non-cash transactions

(i) Operating lease expenses included in other payables of RMB60,000 for the year ended 31 December 2017 were waived by the Controlling Shareholders (2016: RMB240,000) (Note 25(b)).

(ii) Amounts due to related parties amounted to RMB65,308,000 and RMB6,902,000 were capitalised during the year ended 31 December 2017 (Note 19(b)).

(iii) Shareholder's loan amounting to RMB1,725,000 included in amounts due to related parties was waived by Mr. Choi during year ended 31 December 2017.

Notes to the Consolidated Financial Statements (Continued)

23 CASH FLOW INFORMATION (Continued)

(c) Net debt reconciliation

The following section sets out an analysis of net debt and the movements in net debt for each of the periods presented. Net debt analysed for cash flow purpose is represented liabilities arising from financing activities, which included amounts due to related parties during the years ended 31 December 2017 and 2016.

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Cash and cash equivalents	**23,566**	15,955
Less: amounts due to related parties (Note 25(c))	**—**	(67,204)
Net cash/(debt)	**23,566**	(51,249)

	Other assets — cash	Liabilities from financing activities — amounts due to related parties	Total
	RMB'000	RMB'000	RMB'000
Net debt as at 1 January 2016	1,008	(108,996)	(107,988)
Cash flows	14,959	41,792	56,751
Foreign exchange adjustments	(12)	—	(12)
Net debt as at 31 December 2016	15,955	(67,204)	(51,249)
Cash flows	7,635	(6,731)	904
Foreign exchange adjustments	(24)	—	(24)
Capitalisation and waive of amounts due to related parties	—	73,935	73,935
Net cash as at 31 December 2017	23,566	—	23,566

Notes to the Consolidated Financial Statements (Continued)

24 COMMITMENTS

Operating leases commitments — group companies as lessee

The Group's future minimum lease payments under non-cancellable operating leases were as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Within one year	**4,944**	240
Later than one year but no later than five years	**1,866**	240
Over five years	**4,770**	—
	11,580	480

25 RELATED PARTY TRANSACTIONS

(a) The directors of the Company are of the view that the following parties that had transactions or balances with the Group are related parties:

Name	**Relationship**
Mr. Xu and Ms. Huang	The Controlling Shareholders and directors of the Company
Mr. Choi	Shareholder and director of the Company

(b) Transactions with related parties

Apart from the disclosure in Note 8, the Group had the following transactions with related parties. The transaction amounts disclosed represent the transactions with relevant parties during the periods when those parties were related parties of the Group.

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Operating lease expenses		
— The Controlling Shareholders	**330**	240

For the year ended 31 December 2017, RMB330,000 was recognised as operating lease expenses according to the lease agreement with the Controlling Shareholders (2016: RMB240,000). Operating lease expenses payables amounting to RMB240,000 and RMB60,000 as at 31 December 2016 and 31 March 2017, respectively, were waived by the Controlling Shareholders (Note 20(a)).

Notes to the Consolidated Financial Statements (Continued)

25 RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Prepayments for rental expenses		
— The Controlling Shareholders	**30**	—
Amounts due to related parties		
— The Controlling Shareholders	**—**	54,116
— Mr. Choi	**—**	13,088
	—	67,204

Amounts due to related parties are denominated in RMB, unsecured, interest-free, repayable on demand and non-trade.

(d) Key management compensations

Key management includes directors (executive and non-executive), managers of key operating departments and the company secretary. The compensation paid or payable to key management for employee services for the years ended 31 December 2017 and 2016 were as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Salaries, wages, bonuses, welfare and other benefits	**981**	539
Contributions to employee social security plans	**140**	68
	1,121	607

Notes to the Consolidated Financial Statements (Continued)

26 PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the principal subsidiaries of the Company at 31 December 2017 are set out below.

Name	Place and date of incorporation/ establishment	Issued and paid-in capital/registered capital	Attributable equity interest	Principal activities and place of operations
JTF (Hong Kong)	27 September 2012, Hong Kong	HK$4 and RMB72,210,355	100%	Investment holding in Hong Kong
JTF (PRC)	6 July 1998, the PRC	RMB80,000,000	100%	Blending and sale of fuel oil, sale of diesel, gasoline, and other petrochemical products in Mainland China

Notes to the Consolidated Financial Statements (Continued)

27 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	Note	As at 31 December 2017 RMB'000	2016 RMB'000
ASSETS			
Non-current assets			
Investment in a subsidiary		**72,556**	—
Amounts due from a subsidiary		**30,856**	—
		103,412	—
Current assets			
Trade and other receivables		**—**	88
Prepayments		**4,598**	851
		4,598	939
Total assets		**108,010**	939
EQUITY			
Share capital		**—**	—
Other reserves	(a)	**103,412**	—
Accumulated losses	(a)	**(12,671)**	(2,373)
Total equity		**90,741**	(2,373)
LIABILITIES			
Current liabilities			
Trade and other payables		**9,616**	612
Amounts due to subsidiaries		**7,653**	2,604
Amounts due to related parties		**—**	96
		17,269	3,312
Total liabilities		**17,269**	3,312
Total equity and liabilities		**108,010**	939

The statement of financial position of the Company was approved by the Board of Directors on 19 March 2018 and was signed on its behalf.

Xu Ziming
Director

Huang Sizhen
Director

Notes to the Consolidated Financial Statements (Continued)

27 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(a) Reserve movement of the Company

	Other reserves RMB'000	Accumulated losses RMB'000
At 1 January 2016	—	(66)
Loss for the year	—	(2,307)
As at 31 December 2016	—	(2,373)
At 1 January 2017	**—**	**(2,373)**
Loss for the year	**—**	**(10,298)**
Issuance of shares to capitalise amounts due to related parties and acquire shares of a group company during the Reorganisation (Note 19(b))	**72,556**	**—**
Issuance of shares to an investor (Note 19(c))	**30,856**	**—**
As at 31 December 2017	**103,412**	**(12,671)**

28 SUBSEQUENT EVENTS

(a) Capitalisation issue

Pursuant to the resolutions of the shareholders passed on 20 December 2017, 314,999,000 shares of HK$0.01 each were allotted and issued at par to the then shareholders in proportion to their respective shareholdings as of 20 December 2017 by capitalisation of the sum of HK$3,149,990 standing to the credit of the share premium account of the Company as a result of the placing and public offer of the Company's shares on 17 January 2018.

(b) The Listing

The Company's shares were listed on GEM of the Stock Exchange on 17 January 2018 by way of placing and public offer of a total of 105,000,000 shares at an offer price of HK$0.5 per Share.

Financial Summary

A summary of the published results and assets and liabilities of the Group for the last three financial years, as extracted from the Company's audited consolidated financial statements for the year ended 31 December 2017 contained in this annual report, and the prospectus dated 29 December 2017, is set out below:

RESULTS

	2015 RMB'000	2016 RMB'000	**2017** **RMB'000**
Revenue	626,298	1,116,568	**1,740,695**
Cost of sales	(603,700)	(1,062,532)	**(1,681,247)**
Gross profit	22,598	54,036	**59,448**
Other gains/(losses) — net	(4)	(88)	**316**
Distribution expenses	(11,153)	(21,154)	**(23,617)**
Administrative expenses	(847)	(4,295)	**(14,444)**
Operating profit	10,594	28,499	**21,703**
Finance income — net	46	46	**168**
Profit before income tax	10,640	28,545	**21,871**
Income tax expense	(3,300)	(9,630)	**(10,064)**
Profit for the year attributable to the owners of the Company	7,340	18,915	**11,807**
ASSETS AND LIABILITIES			
Non-current assets	3,100	2,759	**2,073**
Current assets	165,359	168,340	**245,918**
Non-current liabilities	(2,857)	(4,732)	**(3,133)**
Current liabilities	(151,490)	(133,100)	**(125,789)**
Net assets	14,112	33,267	**119,069**
Total equity attributable to the owners of the Company	14,112	33,267	**119,069**