

# 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  
2018



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# 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

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

## REGISTERED OFFICE

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

## HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 35, Yanjiang Road  
Shazhuang Tujiang Village  
Shitan Town  
Zengcheng District  
Guangzhou City  
Guangdong Province  
PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Easey Commercial Building  
253–261 Hennessy Road  
Wanchai  
Hong Kong

## Corporate Information (Continued)

### **LEGAL ADVISOR AS TO HONG KONG LAW**

Jennifer Cheung & Co  
Unit 1203  
Unicorn Trade Centre  
127–131 Des Voeux Road Central  
Hong Kong

### **AUDITOR**

PricewaterhouseCoopers  
*Certified Public Accountants*  
22nd Floor, Prince's Building  
Central  
Hong Kong

### **COMPLIANCE ADVISOR**

Kingsway Capital Limited  
7th Floor, Tower 1  
Lippo Centre  
89 Queensway  
Hong Kong

### **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS**

Conyers Trust Company (Cayman) Limited  
Cricket Square, Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

### **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

Tricor Investor Services Limited  
Level 22  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

### **COMPANY WEBSITE**

[www.jtfoil.com](http://www.jtfoil.com)

# Chairman's Statement

Dear shareholders,

We welcome the new year in this beautiful spring season. On behalf of JTF International Holdings Limited (the "Company"), I hereby present our 2018 work report for your consideration:

I. Review of our work in 2018:

2018 was a year full of market volatility and uncertainties for the world economy. Besides the incessant small scale wars, various trade disputes affected the whole world. In particular the trade conflicts between the People's Republic of China (the "PRC") and the United States of America seriously affected the world economy. Enterprises, large or small, all struggled in difficult situations for survival. The Company is also affected. However, in these adverse conditions the Board and all staff of the Company took prompt measures to adjust our business direction. We expanded the domestic market, extended product range, strengthened internal management, reduced costs and expenses, and worked more closely with large corporations including several largest state-owned oil companies in the PRC to expand our product mix, and emphasised on integrity of our service. These led to a new level of the Company's revenue and profit.

For the year, our revenue was approximately RMB1,907,885,000, representing a growth of approximately 9.6% as compared to last year; and profit was approximately RMB28,967,000, representing an increase of approximately 145.3% as compared to last year. We consider it a satisfactory result for our shareholders.

II. Arrangement for major works in 2019:

2019 will be a challenging year for the Company to progress to more mature expansion, stable development, innovation and reform. This year's works will focus on expansion of business scale, maintenance and upgrading of old facilities, and we will consider provision of share incentive and implementation of various systems and reward schemes as appropriate to encourage staff to contribute to achieving better results. The Company will promptly analyse market conditions and actively look for development direction according to changes in the domestic and overseas markets. We will strive to raise the Company's production, operations, management and capital usage to a new level.

In this regard, we will persist our philosophy of stable development and vigorously explore the market in order to enable the Company to achieve scale, standardisation and professionalism so as to further enhance our corporate influence, improve regulatory framework, raise the operational efficiency of capital and enhance corporate vitality.

While striving to achieve our annual objectives, the Company will remain vigilant in avoiding various operation risks in our endeavour to reward our shareholders with better results.

## Chairman's Statement (Continued)

### III. Company's development plan or outlook:

With the support and endorsement of various levels of governments and organisations, the Company had made some achievements in the past. We shall double our efforts, work harder and practically in order to further adapt to changes in the market. We have to be innovative in business direction, product and operational structure, network planning, distribution method and employee incentive system. Also, we will enhance our management standard and improve management model so as to strengthen our core competitiveness for sustainable and healthy development.

Thank you.

**Xu Ziming**

*Chairman*

Hong Kong, 6 March 2019

# Management Discussion and Analysis

## BUSINESS REVIEW

The Group is a wholesaler of oil and other petrochemical products based in Guangdong Province, 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 sells 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 2018, the Group's gross profit margin increased to approximately 4.7% from approximately 3.4% for the year ended 31 December 2017, which was mainly attributable to (i) our ability to negotiate higher gross profit margin for our refined oil products; and (ii) the shift of our product mix further to gasoline products (i.e. refined oil) with a relatively higher gross profit margin than fuel oil and other petroleum products for the year ended 31 December 2018.

On 24 August 2018, Zengcheng City Jintaifung Fuel Co., Ltd. ("JTF (PRC)") received a decision on tax treatment issued by the Eastern District Investigation Bureau of the Guangzhou Municipal Office of the State Administration of Taxation (廣州市國家稅務局東區稽查局) (the "Decision") in relation to certain value added tax ("VAT") invoices (the "VAT Invoices") from a supplier (the "Supplier") for oil purchased in May 2016. The Decision stated that the VAT Invoices were subsequently found to be irregularly issued by the Supplier and hence JTF (PRC) was no longer allowed to deduct the input VAT of RMB6,563,522.83 from its output VAT (the "VAT Credit"). JTF (PRC) subsequently paid RMB6,563,522.83 for the disallowed VAT Credit and RMB2,549,928.62 for overdue interests (the "VAT Payment") in August 2018 to the relevant tax authority pursuant to the Decision.

JTF (PRC) is considering the steps to be taken to seek compensation from the Supplier. No action has yet been taken by JTF (PRC) against the Supplier in respect of the VAT Payment and the possibility of recovering the same cannot be ascertained as at the date of this report. Hence full provision for the VAT Payment was made for the year ended 31 December 2018.

## 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 value-added tax of the PRC.



## Management Discussion and Analysis (Continued)

For the year ended 31 December 2018, the Group's total revenue amounted to approximately RMB1,907,885,000, representing an increase of approximately 9.6% over the year ended 31 December 2017. The increase was mainly attributable to the increase in revenue from the sale of our refined oil by approximately RMB289,707,000, which was partially offset by decrease in revenue from the sale of fuel oil and other petrochemical products by approximately RMB8,849,000 and approximately RMB113,722,000 respectively.

The following table sets forth the breakdown of the Group's revenue by products in total revenue, volume and average selling price for the two years ended 31 December 2018:

	2018			2017		
	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	1,226,924	192,731	6,366	937,217	190,690	4,915
Fuel oil	416,947	119,259	3,496	425,796	150,870	2,822
Other petrochemical products	262,281	48,154	5,447	376,003	81,909	4,590
Subtotal — sales of goods	1,906,152	360,144		1,739,016	423,469	
2. Service income						
Refined oil	—	—	—	830	5,831	142
Fuel oil	1,733	11,500	151	—	—	—
Other petrochemical products	—	—	—	849	7,986	106
Subtotal — service income	1,733	11,500		1,679	13,817	
Total	1,907,885	371,644		1,740,695	437,286	

Note: Average selling price is arrived at by dividing the total revenue by the total sales volume for the relevant 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 two years ended 31 December 2018 were approximately RMB1,818,354,000 and RMB1,681,247,000 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 for the year ended 31 December 2018 was in line with our increase in revenue for such year.

## Management Discussion and Analysis (Continued)

The following table sets forth the components of our cost of sales by product type for the two years ended 31 December 2018:

	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
Refined oil	<b>1,165,149</b>	905,784
Fuel oil	<b>401,127</b>	408,301
Other petrochemical products	<b>252,078</b>	367,162
<b>Total</b>	<b>1,818,354</b>	1,681,247

### 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 two years ended 31 December 2018:

	<b>2018</b>		2017	
	<b>Gross profit</b>	<b>Gross profit</b>	Gross profit	Gross profit
	<b>RMB'000</b>	<b>margin</b>	RMB'000	margin
1. Sales of goods				
Refined oil	<b>61,775</b>	<b>5.0%</b>	31,433	3.4%
Fuel oil	<b>15,820</b>	<b>3.8%</b>	17,495	4.1%
Other petrochemical products	<b>10,203</b>	<b>3.9%</b>	8,841	2.4%
Subtotal — sales of goods	<b>87,798</b>	<b>4.6%</b>	57,769	3.3%
2. Service income	<b>1,733</b>	<b>N.A.</b>	1,679	N.A.
<b>Total</b>	<b>89,531</b>	<b>4.7%</b>	59,448	3.4%

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) increased from approximately 3.3% for the year ended 31 December 2017 to approximately 4.6% for the year ended 31 December 2018. The increase was mainly attributable to the increase in contribution from refined oil generally with higher gross profit margin than that of fuel oil for the year ended 31 December 2018 as compared to the previous year, which was a result of the Group's strategy to continue to expand our gasoline market.

## Management Discussion and Analysis (Continued)

### Other (losses)/gains — net

Other (losses)/gains — net decreased by approximately RMB3,696,000 from gain of approximately RMB316,000 for the year ended 31 December 2017 to loss of approximately RMB3,380,000 for the year ended 31 December 2018, which was mainly attributable to the full provision made for the VAT Payment and partially offset by government grants totalling RMB6,000,000 from local government authorities of the PRC in recognition of our successful listing on GEM of the Stock Exchange.

### Distribution expenses

Distribution expenses decreased by approximately RMB1,063,000 or 4.5% to approximately RMB22,554,000 for the year ended 31 December 2018 from approximately RMB23,617,000 for the year ended 31 December 2017. Operating lease expenses and handling charges were the largest components in the Group's distribution expenses structure and mainly represented expenses for the leases of our oil depots. The decrease in distribution expenses was primarily due to the decrease in oil depot handling charges.

### Administrative expenses

Administrative expenses increased by approximately RMB1,598,000 or 11.1% to approximately RMB16,042,000 for the year ended 31 December 2018 from approximately RMB14,444,000 for the year ended 31 December 2017. The increase was primarily due to (i) the increase of staff costs of approximately RMB3,478,000; (ii) the increase of provision for impairment of trade receivables of approximately RMB3,505,000; (iii) the increase of auditor's remuneration of approximately RMB714,000; and (iv) the increase of other expenses including professional fees, traveling expenses, entertainment expenses and office sundry expenses totalling approximately RMB4,002,000, which were partially offset by the decrease in listing expenses included in other expenses of approximately RMB10,597,000.

### Finance income — net

Finance income — net increased from approximately RMB168,000 for the year ended 31 December 2017 to approximately RMB571,000 for the year ended 31 December 2018 mainly due to the increase in foreign exchange gains.

### Profit before income tax

The Group's profit before income tax increased by approximately RMB26,255,000 from approximately RMB21,871,000 for the year ended 31 December 2017 to approximately RMB48,126,000 for the year ended 31 December 2018 primarily due to the increase in revenue and gross profit margin as described above.

### Income tax expense

Income tax expense increased by approximately RMB9,095,000 to approximately RMB19,159,000 for the year ended 31 December 2018 from approximately RMB10,064,000 for the year ended 31 December 2017, 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 increased by approximately RMB17,160,000 to approximately RMB28,967,000 for the year ended 31 December 2018 from a profit of approximately RMB11,807,000 for the year ended 31 December 2017 primarily due to the increase in revenue and gross profit margin as described above.

## Management Discussion and Analysis (Continued)

### LIQUIDITY AND FINANCIAL RESOURCES

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

	For the year ended	
	31 December	
	2018	2017
	RMB'000	RMB'000
Net cash (used in)/generated from operating activities	<b>(23,743)</b>	4,432
Net cash (used in)/generated from investing activities	<b>(12,838)</b>	163
Net cash generated from financing activities	<b>39,450</b>	3,040
Net increase in cash and cash equivalents	<b>2,869</b>	7,635

For the year ended 31 December 2018, the Group had net cash used in operating activities of approximately RMB23,743,000, which was mainly attributable to net decrease in working capital from operations.

For the year ended 31 December 2018, the Group had net cash used in investing activities of approximately RMB12,838,000, which consisted mainly of purchases of property, plant and equipment.

For the year ended 31 December 2018, the Group had net cash generated from financing activities of approximately RMB39,450,000, which consisted mainly of the proceeds of the placing and public offering of shares of the Company in January 2018.

As at 31 December 2018 and 31 December 2017, the Group had cash and cash equivalents of approximately RMB26,699,000 and RMB23,566,000 respectively.

#### Net current assets

As at 31 December 2018, the Group's net current assets amounted to approximately RMB170,790,000, representing an increase of approximately RMB50,661,000 as compared with approximately RMB120,129,000 as at 31 December 2017. The increase was primarily due to the changes in working capital and the resulting year end balance represented a snapshot of our working capital position as at 31 December 2018.

#### Borrowings and gearing ratio

Our Group did not have any borrowings during the year ended 31 December 2018 (31 December 2017: Nil).

We monitor our 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 2018 (31 December 2017: Nil).

## Management Discussion and Analysis (Continued)

### Capital commitment

As at 31 December 2018, the Group had capital commitments amounted to approximately RMB1,518,000 (31 December 2017: Nil).

### Capital structure

As at 31 December 2018, 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 2018 (31 December 2017: Nil).

### Contingent liabilities

The Group did not have any material contingent liabilities as at 31 December 2018 (31 December 2017: Nil).

## FOREIGN EXCHANGE RISK

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

At 31 December 2018, the Group's major non-RMB denominated assets and liabilities included trade and other receivables, cash and cash equivalents and trade and other payables, which were denominated in Hong Kong dollars. Fluctuation of the exchange rate of RMB against Hong Kong dollars could affect the Group's results of operations.

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

The carrying amounts of the Group's foreign currency denominated financial assets and liabilities at 31 December 2018 are presented in Notes 18, 19 and 22 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 2018, the Group had 34 full time employees who were directly employed by our Group in the PRC and 2 full-time employees in Hong Kong. For the year ended 31 December 2018, our total staff costs (including the directors' remuneration) were approximately RMB7,395,000 (2017: RMB3,163,000).

Our Group considers employees valuable assets and are vital to our success. We recruit employees mainly based on our business strategies, operational requirements, expected staff turnover, and corporate structure and management. Employees' remunerations are determined on the basis of their qualifications, positions and seniority. We review the performance of the employees annually and award salary increment, bonuses and promotions base on their performance.

The Group has established various welfare plans including the provision of basic medical insurance, unemployment insurance and other relevant insurance for employees in the PRC pursuant to the PRC rules and regulations and the existing policy requirements of the local government. The Group makes contributions to statutory mandatory provident fund scheme for 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 2018, gasoline sales accounted for approximately 60.7% of our total revenue (2017: 49.9%). 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 largest state-owned oil companies in the PRC, 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 were listed on GEM of the Stock Exchange on 17 January 2018 (the "Listing Date"). The Company intends that the net proceeds of the Company's placing and public offering of a total of 105,000,000 shares (the "Share Offer") (after deducting related underwriting fees and listing expenses) of approximately RMB20,803,000 be applied according to the percentage allocation described under the section headed "Future Plans and Use of Proceeds" of the prospectus of the Company dated 29 December 2017 (the "Prospectus"). An analysis of the progress of the implementation plans up to 31 December 2018 is set out below:

Business strategies as stated in the Prospectus	Implementation plan	Implementation progress as at 31 December 2018
(1) Upgrading of the wharf berth capability at Zengcheng Oil Depot	Conducting project planning and filing registration documents with relevant government authorities, including construction approval, environmental impact assessment, safety pre-evaluation and construction planning permit.	The Group is negotiating with relevant government authorities in relation to the specific requirements in relation to the upgrading of wharf berth capability.
	Conducting project design, including construction survey and construction drawing design.	The Group has engaged a contractor to perform works on refurbishment of certain parts of wharf infrastructures. The main design works for upgrading wharf berth capability is to be completed in around mid-2019, and after relevant government authorities endorse the design works, construction works will commence thereafter.
(2) Refurbishment and enhancement of oil tanks, pipelines and other oil depot facilities at Zengcheng Oil Depot	Conducting project planning and filing registration documents with relevant government authorities, including construction approval, environmental impact assessment, safety pre-evaluation and construction planning permit.	The Group is working together with contractor on design work to prepare for application for government approvals.
	Conducting project design, including construction survey and construction drawing design.	The Group has engaged a contractor to perform works on refurbishment of oil tanks, pipelines and other oil depot facilities. Refurbishment works for pipelines and certain oil depot facilities and equipments works are in progress.

## Management Discussion and Analysis (Continued)

Use of the net proceeds of the Share Offer up to 31 December 2018 was as follows:

	<b>Net proceeds to be applied in the percentage allocation stated in the Prospectus</b>	<b>Amount of net proceeds used as at 31 December 2018</b>	<b>Unutilised net proceeds as at 31 December 2018</b>
	RMB'000	RMB'000	RMB'000
(1) Upgrading of the wharf berth capability at Zengcheng Oil Depot	11,038	1,080	9,958
(2) Refurbishment of oil tanks, pipelines and other oil depot facilities at Zengcheng Oil Depot	9,765	6,702	3,063
<b>Total</b>	<b>20,803</b>	<b>7,782</b>	<b>13,021</b>

### EVENT AFTER THE YEAR END DATE

There is no material subsequent event undertaken by the Company or by the Group after 31 December 2018 and up to the date of this report.

### FINAL DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2018.



# Biographical Details of Directors and Senior Management

## EXECUTIVE DIRECTORS

**Mr. Xu Ziming (徐子明) (“Mr. Xu”)**, aged 54, is an executive Director, the Chairman of our Board and a controlling shareholder of the Company. He has about 19 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 brokerage 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 Shizhen 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 (黃四珍) (“Ms. Huang”)**, aged 54, is an executive Director, the managing director of the Company and a controlling shareholder of the Company. Ms. Huang has about 19 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 brokerage 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 (徐小平) (“Mr. Choi”)**, aged 37, is an executive Director of the Company. 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 10 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.

## Biographical Details of Directors and Senior Management (Continued)

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Chan William (陳沛衡) (“Mr. Chan”)**, aged 40, 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 18 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.

**Mr. Tsui Hing Shan (徐興珊) (“Mr. Tsui”)**, aged 39, 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 (靳紹聰) (“Mr. Kan”)**, aged 37, 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 (北京市凌怡科技公司), a subsidiary of PetroChina Company Limited (中國石油天然氣股份有限公司), a company listed on the Main Board of the Stock Exchange (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.

## Biographical Details of Directors and Senior Management (Continued)

### SENIOR MANAGEMENT

**Mr. Liu Fa Long (劉發龍) (“Mr. Liu”)**, aged 39, was appointed in 1 January 2005 as finance manager of our Group responsible for our accounting and financial management. He has over 13 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 (高雷) (“Mr. Gao”)**, aged 42, 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 8 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 (鄧範芝) (“Mr. Deng”)**, aged 37, 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 (吳家齊) (“Mr. Ng”)**, aged 36, 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 9 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.

From 17 January 2018 (the date of commencement of dealings in share of the Company on GEM of the Stock Exchange) ("Listing Date") to 31 December 2018 ("Relevant Period"), the Company had complied with the requirements set out in the Corporate Governance Code (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").

## 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 have confirmed that they have complied with the required standard of dealings throughout the Relevant Period.

## 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.

The Board is also responsible for ensuring the adequacy of resources, qualifications and experience of staff of the Company's accounting, internal audit and financial reporting functions, and their training programmes and budget.

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), 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 the 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.

## Corporate Governance Report (Continued)

During the year ended 31 December 2018, the Audit Committee had held five meetings since the Listing Date. A summary of the work performed by the Audit Committee is listed below:

- reviewed the Group's annual financial statements for the year ended 31 December 2017, quarterly financial statements for the three months ended 31 March 2018 and the nine months ended 30 September 2018 and interim financial statements for the six months ended 30 June 2018, 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, risk management and internal control systems covering all material controls, including financial, operational and compliance controls. In particular, the review has considered the adequacy of resources, qualifications and experience of staff of the Company's accounting, internal audit and financial reporting functions, and their training programmes and budget.

### 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), Mr. Chan William and Mr. Kan Siu Chung.

The primary responsibilities of the Remuneration Committee include, among others, (i) making recommendations to the Board on the 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 the Board's corporate goals and objectives; and (iii) making recommendations to the 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.

During the year ended 31 December 2018, the Remuneration Committee had held one meeting to review the remuneration package of the Directors 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), Mr. Chan William and Mr. Tsui Hing Shan.

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

## Corporate Governance Report (Continued)

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.

During the year ended 31 December 2018, the Nomination Committee had held one meeting to review the Board's composition, structure and size, and was of the opinion that the Board consisted of members with different gender, age, cultural and education background, professional experience, skills and knowledge. No new director had been appointed during the year.

### **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.

The Board has reviewed the Company's compliance with the CG Code for the year ended 31 December 2018 and other legal and regulatory requirements.

### **BOARD MEETINGS AND GENERAL MEETING**

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 each 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.

In addition to regular Board meetings, the chairman of the Board had met with the independent non-executive Directors without the presence of other executive Directors during the year ended 31 December 2018.

The Board is regularly provided with brief reports containing balanced and comprehensive evaluation on the Group's performance, status and prospects to keep it abreast of the Group's affairs and facilitate the Directors' performance of their obligations under the relevant requirements of the GEM Listing Rules.

During the year ended 31 December 2018, the Company had held an annual general meeting.

## Corporate Governance Report (Continued)

### Directors' attendance records at meetings of the Board and the Board Committees and general meeting

Name of Director	Board meeting	Audit Committee meeting	Nomination Committee meeting	Remuneration Committee meeting	2018AGM
<b>Executive Directors:</b>					
Mr. Xu Ziming	4/4	N/A	N/A	N/A	1/1
Ms. Huang Sizhen	3/4	N/A	N/A	N/A	1/1
Mr. Choi Sio Peng	4/4	N/A	N/A	N/A	1/1
<b>Independent non-executive Directors:</b>					
Mr. Chan William	4/4	5/5	1/1	1/1	1/1
Mr. Tsui Hing Shan	4/4	5/5	1/1	1/1	1/1
Mr. Kan Siu Chung	4/4	5/5	1/1	1/1	1/1

### TRAINING AND CONTINUING DEVELOPMENT FOR DIRECTORS

For the year ended 31 December 2018, all Directors had participated in continuous professional development with respect to directors' duties, relevant programmes and seminars or had perused reading materials and updated information in relation to business and industrial development. The Directors had provided the relevant training records to the 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.

During the year ended 31 December 2018, the trainings attended by each of the Directors are summarised as follows:

	Reading regulatory updates	Attended trainings organised by professional organisations	Attended trainings organised by the Company
<b>Executive Directors:</b>			
Mr. Xu Ziming	✓		✓
Ms. Huang Sizhen	✓		✓
Mr. Choi Sio Peng	✓		✓
<b>Independent non-executive Directors:</b>			
Mr. Chan William	✓	✓	
Mr. Tsui Hing Shan	✓	✓	
Mr. Kan Siu Chung	✓		✓



## Corporate Governance Report (Continued)

### 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.

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.

## Corporate Governance Report (Continued)

### 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. The management provides information and explanation to the Board to enable it to make informed decisions in this connection.

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 2018 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 and reviewing their effectiveness. This responsibility is primarily undertaken by the Audit Committee on its behalf. 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.

##### *Main features of the risk management systems of the Group*

The risk management process of the Group involves, 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 executive Directors and management constitute the ultimate risk management decision-making body and make risk management decisions on major risk matters, including managing the Group's risk matters, directing and coordinating the work of centralised risk management function and specifying risk responsible departments. Each specific risk responsible department is responsible for risk management assessment and responses in relation to its corresponding business activities.

The Board and the management have the responsibility of overseeing the effectiveness of the risk assessment framework and risk management functions. There are established control procedures to identify, assess, control and report for risks including those of business and market risk, compliance risk, financial and treasury risk and operational risk. The management reports to the Audit Committee and the Board regarding the results of the risk management on an annual basis.

## Corporate Governance Report (Continued)

For the year ended 31 December 2018, the management assessed that there were no significant changes in the Group's business, and the existing risk assessment framework, methods and procedures are still applicable to the Group.

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 adversely affects profitability or the 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 ("RMB"). Most of its assets and liabilities are denominated in RMB, except for trade and other receivables, cash and cash equivalents and trade and other payables 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 its 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.

### *Main features of the internal control system of the Group*

The management will report to the Board from time to time as regards findings on the internal control weaknesses and provide remedial action plan to the Board. The management will also follow-up on status of remediation of selected internal control weaknesses which have been reviewed and pointed out by external consultant engaged by the Group.

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 their effectiveness. The Board has engaged an external consultant to conduct an internal control review and assessment for the year ended 31 December 2018. The internal control assessment procedures conducted by the external consultant include a comprehensive system for reviewing and reporting information and findings to the Board and the management, and to assess whether the material controls are sufficient and adequate for the Group.

## Corporate Governance Report (Continued)

Methods used to assess the internal control of the Group include (i) assessing and discussing the entities and processes to be included in the scope of assessment; (ii) reviewing of standard operating policies and procedures; (iii) performing walkthrough procedures on selected operating cycles for selected entities; (iv) enquiring process owners of the key controls (including financial, operational and compliance controls) of the selected scope and entities; and (v) discussing with the management and key process owners on internal control weakness and remediation plan.

The Board reviews the Group's risk management and internal control system on an annual basis. For the year ended 31 December 2018, the Board has reviewed and considered the risk management and internal control systems are effective and adequate. No significant areas of concern that might affect the financial, operational, compliance controls, and risk management functions of the Group were identified. The scope of such review covers the adequacy of resources, qualification and experience of staff of the Group's accounting and financial reporting functions and their attitude against internal control of the Group. The Board will continue to work with the management to discuss and follow-up on the status of remediation of the internal control weaknesses and to monitor the risks of the Group in the coming years.

The Group currently does not have an internal audit department. The Board has reviewed, on an annual basis, the need for an internal audit function and is of the view that in light of the size, nature and complexity of the business of the Group, as opposed to diverting resources to establish a separate internal audit department, it would be more cost effective to appoint external independent professionals to perform independent review of the adequacy and effectiveness of the risk management and internal control systems of the Group. Nevertheless, the Board will continue to review at least annually the need for an internal audit department.

### *Procedure and internal controls for the handling and dissemination of inside information*

The Group has no written policy on handling and dissemination of inside information currently, but certain measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include the following:

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.
- All employees are required to strictly adhere to the employment terms regarding the management of confidential information.

In addition, all employees are required to strictly adhere to the rules and regulations regarding the management of inside information, including that all employees who, because of his/her office or employment, are likely to be in possession of inside information in relation to the Company, are required to comply with the Model Code.

The Group complies with the requirements of the Securities and Futures Ordinance (the "SFO") and the GEM Listing Rules in respect of disclosure of inside information. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in the announcements or circulars of the Company is not false or misleading as to any material fact, or false or misleading through the omission of any material fact and presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

## Corporate Governance Report (Continued)

### Going Concern Assessment

As at 31 December 2018 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 2018, the total remuneration paid or payable to the Company's auditor, PricewaterhouseCoopers, for audit and audit related services amounted to RMB1,314,000.

### SHAREHOLDERS' RIGHTS

The Company communicates to its shareholders through announcements and quarterly, interim and annual reports published on its website at [www.jtfoil.com](http://www.jtfoil.com). Shareholders may put enquiries to the Board through its website at [www.jtfoil.com](http://www.jtfoil.com) or in writing sent to the principal office of the Company at Room 4, 10th Floor, Easey Commercial Building, 253–261 Hennessy Road, Wanchai, Hong Kong. The Directors, company secretary or other appropriate members of senior management of the Company respond to enquiries from shareholders promptly. All shareholders are also encouraged to attend general meetings of the Company to discuss matters relating to the Group. At general meetings of the Company, the Directors answer questions from the shareholders.

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 the Listing Date 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 GEM of the Stock Exchange and the website of the Company.

On behalf of the Board

**Xu Ziming**

*Chairman*

6 March 2019

# Environmental, Social and Governance Report

For the year ended 31 December 2018

## INTRODUCTION

We are pleased to present this Environmental, Social and Governance (“ESG”) Report in accordance with the Environmental, Social and Governance Reporting Guide (“ESG Guide”), as set out in Appendix 20 of the GEM Listing Rules. The information stated in this report covers the period from 1 January 2018 to 31 December 2018 (the “reporting period”) which aligns with the financial year as the 2018 annual report of the Group.

## 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 categorized 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 finalisation 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.

## STAKEHOLDERS ENGAGEMENT AND MATERIALITY

Our approach to stakeholder engagement is designed to ensure that our stakeholders’ perspectives and expectations are fully understood to help define our current and future sustainability strategies.

The Group believes that the interests of all stakeholders must be taken in account in order to strengthen relationship with our shareholders, employees, customers, suppliers, government authorities and the society as a whole.

## Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2018

The Group proactively engaged with the key stakeholder groups in a variety of ways to ensure effective communication of our objective and progress in relation to the following areas of concern.

Major Stakeholder	Major Communication Channels	Major Concerns
Shareholders and Investors	<ul style="list-style-type: none"> <li>• Press release, Corporate Announcements and Circulars</li> <li>• Annual and Interim Reports</li> <li>• Annual General Meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Profitability</li> <li>• Financial Stability</li> <li>• Information Disclosure &amp; Transparency</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Trainings and Team Building Activities</li> <li>• Business Meetings and Briefings</li> <li>• Performance Appraisals</li> </ul>	<ul style="list-style-type: none"> <li>• Compensation &amp; Benefits</li> <li>• Career Development and Training Opportunities</li> <li>• Health &amp; Safety Work Environment</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>• Procurement Meetings</li> <li>• Phone Calls, Conferences, Emails, Site Visit</li> </ul>	<ul style="list-style-type: none"> <li>• Cooperation on Fair Terms Integrity</li> </ul>
Customers	<ul style="list-style-type: none"> <li>• Customer Complaint Hotlines</li> <li>• Meetings and Correspondences</li> </ul>	<ul style="list-style-type: none"> <li>• Quality Products and Services</li> <li>• Privacy Protection</li> </ul>
Public Community	<ul style="list-style-type: none"> <li>• Charitable and Volunteering Activities</li> <li>• Community Interactions</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate Social Responsibilities</li> <li>• Community Investment and Charitable Activities</li> </ul>
Government and Supervisory Institutions	<ul style="list-style-type: none"> <li>• Major Meeting and Policy Consultation</li> <li>• Information Disclosures</li> <li>• Institutional Visits</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance Operation</li> <li>• Corporate Governance</li> <li>• Environmental Protection</li> </ul>

In the year, through a wide range of communication channels, we found that ESG compliance, environmental emissions and community involvement are the major concerns of our stakeholders.



## Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2018

### ENERGY USE AND GREENHOUSE GAS EMISSIONS

The Group pursues to utilize 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 employees. In the procurement of office equipment, we always opt for the model with higher energy efficiency. Employees are also given guidelines reminding them to turn off office equipment and facilities when not in use.

#### 1. Emissions

In view of the Group’s business portfolio, the greenhouse gas (GHG) emission produced by the Group is mainly due to indirect emissions (Scope 2) resulted from the use of electricity for operation of the Group and other indirect emission (Scope 3) resulted from the air travels by employees for business purposes.

The approximate indirect amount (Scope 2 & 3) of carbon dioxide (“CO<sub>2</sub>”) generated from our group are shown in the table below:

GHG Emission	Units	Year ended 31 December		Percentage Increase (+) or Decrease (-)
		2017	2018	
Total GHG emission (Scope 2 & 3)	tonnes	90.08	<b>108.91</b>	+21%
Total GHG emission per floor area	tonnes/m <sup>2</sup>	0.10	<b>0.14</b>	+47%
Total GHG emissions per employee	tonnes/employee	3.27	<b>4.04</b>	+23%

Note: No GHG (Scope 1) emissions were generated from the business of the Group as the logistics are outsourced to third parties.

## Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2018

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

- Lighting should be switched off while employees are off duty; and
- Employees are encouraged to switch off all non-essential items (i.e. computers and photocopiers) during non-office hours.

The amount of electricity consumption of the Group is shown in the table below:

Electricity Consumption	Units	Year ended 31 December		Percentage Increase (+) or Decrease (-)
		2017	2018	
Total energy consumption	MWh	102,615.00	<b>118,983.00</b>	+16%
Total energy consumption per floor area	MWh/m <sup>2</sup>	111.64	<b>161.31</b>	+44%
Total energy consumption per employee	MWh/employee	3,807.73	<b>4,571.96</b>	+20%
Direct energy consumption	MWh	N/A	<b>N/A</b>	N/A
Indirect energy consumption — Electricity	MWh	102,615.00	<b>118,983.00</b>	+16%

During the reporting period, the total electricity used was 118,983 MWh with an intensity of 161.31 MWh per square foot. This figure represents an increase of 16,368 MWh, or 16%, compared to the total electricity usage for the year ended 31 December 2017. This increase was mainly due to the renovation of Hong Kong and Mainland offices which led to an increase of both water and electricity usage.

The Group will continue to assess and record its greenhouse gas emissions and other environmental data annually and compare it with last year's data to assist the Group in further developing emission reduction targets in the future.

## Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2018

### 3. Water Management

We endeavor 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 behaviors to all employees.

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	Units	Year ended 31 December		Percentage Increase (+) or Decrease (-)
		2017	2018	
Total water consumption	Cubic Meters	2,627.5	<b>2,940.0</b>	+12%

Note: Since the water supply in Hong Kong office is solely controlled by the building management, the data for water usage is not available and therefore is not included in the total water consumption figure in the table above.

### 4. Paper usage and waste management

In order to enhance environment protection, the Group has followed the below energy saving and efficiency measures to promote paperless office:

- Use printers that can print on both sides of the paper
- on-essential items should be used in e-format instead of printing out
- 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.

On the other hand, domestic wastes, including minimal oil residue, are generated through our operation. The Group has entered into contracts in respect of the disposal of the wastes and wastes are cleared on a regular basis.

## Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2018

### RESPECTING OUR PEOPLE

The Group strongly believes that employees are the most valuable asset for its sustainable development.

With this in mind, our goal is to create a harmonious workplace and relationships with our employees. To achieve this goal, the Group focus on four areas: (1) Labor Rights, (2) Fairness & Zero Discrimination, (3) Benefits & Welfare and (4) Occupational Health and Safety (“OHS”). The Group strictly abides by the applicable laws and standards of the jurisdictions in which it operates, and strives to fulfill its responsibilities to employees, respects their legitimate rights and interests, promotes their professional development, improves its working environment and pay attention to the physical and mental health of employees, in order to realise the common development of the Group and its employees.

#### 1. Labor Rights

In line with the local employment laws and relevant provisions of the International Labor Organisation, the Group prohibits the employment of child labor or any other form of forced and illegal labor.

The Group recruits candidates only if the applicant meets the legal age requirements. The Group strictly abides by the relevant labor regulations in the PRC and Hong Kong regarding working hours and holidays to ensure the physical and mental health of all employees.

During the reporting period under review, the Group was not aware of any non-compliance with laws and regulations which have a significant impact on employment and labor practices, or occupational health and safety.

#### 2. Fairness & Zero-Discrimination

The Group is committed to providing a workplace free from any form of discrimination and harassment and provides opportunities to employees with different backgrounds and characteristics so as to build a diversified workforce. As demonstrated in our “Recruitment Management Policy” and “Promotion and Termination Management Policy”, the Group emphasizes a transparent recruitment and employment mechanism. In all employment decisions, including recruitment, promotion and termination, the Group only takes the qualification, experience and performance of candidates or employees relevant to the job function into account. Any form of discrimination against our potential or current employees on the ground of nationality, age, gender, sexual orientation, gender identity, ethnicity, disability, pregnancy, political inclination is strongly prohibited.

The Group also forbids unlawful harassment, harassment and victimization of any type at workplace.

#### 3. Benefit & Welfare

The Group provides a wide range of incentives, including competitive remuneration and benefits packages, which are based on individual performances and qualifications of employees and benchmarked against our industry peers on an annual basis. All of our employees are essentially treated with fair wage, fixed working hours, proper insurance coverage and statutory holidays. In addition, the Group organises various leisure activities, including but not limited to Annual Dinner, Chinese New Year Gathering and Mid-Autumn Lantern Carnival.

## Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2018

During the reporting period, the Group implemented different measures to reduce employee turnover rate, such as strengthening recruitment controls, so that applicants could fully understand the working environment and control of the Group. The Group also strengthened the employees' trainings system to meet the career development requirement of employees at all levels, focused on the work pressure of employees, and expanded the development prospects of the Group so that competitive career platform could be provided to the employees.

In addition, the Group did not involve in any cases of illegality related to employment during the reporting period.

### 4. Occupational Health and Safety

Operating within the oil and petroleum industry, the Group prioritizes occupational health and safety above all else. The Group is committed to deter the occurrence of all kinds of potential safety hazards, incidents and injuries.

To mitigate and contain the risks under our control, the Group encourages our employees at all levels to monitor and report any hazards or potential threats and has established a comprehensive set of policies and procedures to ensure our safety performance conforms to the highest industry standards, including but not limited to the below:

1. *Temporary Power Supply Safety Management Policy*
  - Formulated to strengthen the controls and safety measures over the use of temporary power supply and to avoid electric shock, fire and explosion, and various electrical accidents.
2. *Fire Safety Management Policy*
  - Formulated to ensure arrangements are made in respect of the maintenance of fire safety provision for the relevant premises and that fire safety regulations are strictly enforced to ensure compliance with the national laws and regulations including but not limited to the "Code for Design of Electrical Equipment for Explosive and Fire Hazardous Environments", "Regulations for Electrical Safety Management".
3. *Warehouse and Oil Tank Zone Safety Management Policy*
  - Formulated to ensure all storage items are classified, piled, stored and continuously monitored and are in compliance with the national laws and regulations including but not limited to the "Architectural design code for fire protection".
4. *Hazardous Chemical Safety Management Policy*
  - Formulated to regulate the safety management of use, transportation, distribution, storage and other processes of hazardous chemicals and to ensure compliance with the national laws and regulations including but not limited to the "Fire Control Law of the People's Republic of China", "Regulations on the Safety Management of Chemical Dangerous Goods", "Regulations on the Safe Use of Chemicals in the Workplace", "Dangerous Goods Transportation Rules", "Standards for the Storage and Maintenance of Flammable and Explosive Commodities" and "General Rules for the Storage of Commonly Used Chemical Dangerous Goods".

In addition, the Group also emphasises the importance of cultivating a culture of safety by providing employees with systematic technical and safety related training programs and encouraging the participation of external trainings and seminars to ensure that all of our employees are trained to promptly report the occurrence of any incidents and potential hazards, and to take appropriate measures to avoid damages to themselves and the assets of the Group.

During the reporting period, the Group did not notice any violations of the health and safety laws and regulations in Hong Kong and the PRC.

## Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2018

### SUPPLY CHAIN MANAGEMENT

For many corporations nowadays, outsourcing non-core business processes has become not only the norm, but a key strategy for them to realign their focus on core areas and remain competitive in the industry. However, our Group believes that outsourcing does not mean that a corporation can evade from the responsibilities or risks arising from poor performance of the ESG area. The Group understands that it should play a role in every stage of its products and services throughout its life cycle, and proper management of the supply chain is critical to maintain the Group's reputation, ensure business sustainability and manage operating costs.

Our procurement and resources management processes are continuously being monitored and properly documented. The Group has established a supply chain management system to ensure only suppliers that are able to provide qualified services and products and adhere to the relevant environmental and safety protections standards are selected.

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 licenses register that keep track of the relevant licenses 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 attach great importance to the quality of energy products provided by the Group. Therefore, the Group must maintain good quality in order to maintain its reputation and secure long-term customer support.

As an energy trader, the Group is committed to consistently provide high quality products and services that are in accordance with the requirement and specifications of our customers and complied with the relevant laws and regulations.

Since oil products are classified as dangerous goods under statutory regulations, the Group has paid great attention to ensure safety operation in the process of loading, transportation and storage during the trading process. In accordance with fire protection regulations, the Group properly stores oil products in dedicated warehouses, premises or storage rooms equipped with fire-fighting devices and communication and alarm devices to prevent accidents.

## Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2018

### 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 minimize the potential impact of any incident. The Group has established policies and procedures for operation safety in place and is 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.

### PREVENTING CORRUPT PRACTICES

The Group understands the potential risks to our business from unethical conduct and stands against any form of bribery, extortion, fraud, and has a zero-tolerance policy towards misconduct.

To make this strong commitment within our business, the Group has established the "Anti-Fraud Management Policy" and "Conflict of Interest Management Policy" in accordance with the relevant regulatory laws and standards to promote anti-fraud principles and consistent organizational behaviors by providing guidelines, assigning responsibility for the development of controls and conduct of investigations and facilitates early detection of potential fraud that are against the interests of the Group or our customers. The policies have defined a wide range of terms related to anti-corruption and describe how the terms apply to various situation to ensure compliance.

Whistleblowing channels, as described in the "Whistle Blowing Policy", have been in place for any reporting on the case of anticorruption by employees without any fear of receiving any negative impacts. Suspected non-compliance may be reported to the Audit Committee. Employees found to have breached our standards and be engaged in misconduct will be investigated and may be subject to termination of contract, dismissal, or criminal proceedings.

The Group neither involved in any cases of violations related to corruption, nor any corruption litigation cases related to the Group and the employees during the reporting period.

### ENGAGING OUR COMMUNITY

The Group is committed to exert available resources to support our community and encourage our employees to participate in various charitable and voluntary activities.

The Group will continue to uphold the principle of being responsible for its shareholders and investors, employees, suppliers, customers, public community and will seek further development opportunities to maintain a harmonious relationship with its stakeholders.

# Directors' Report

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2018.

## 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 2018 are set out in the consolidated financial statements on pages 49 to 99 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 2018, the five largest customers in aggregate and the largest customer of the Group accounted for approximately 76.6% and 50.9% respectively of the Group's sales.

For the year ended 31 December 2018, the five largest suppliers in aggregate and the largest supplier of the Group accounted for approximately 82.7% and 40.6% respectively of the Group's purchases.

None of the Directors, their close 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 during the year ended 31 December 2018.



## Directors' Report (Continued)

### **DIRECTORS**

The directors of the Company during the year ended 31 December 2018 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  
Mr. Tsui Hing Shan  
Mr. Kan Siu Chung

In accordance with Articles 84 of the Company's Articles of Association, Mr. Choi Sio Peng and Mr. Kan Siu Chung 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 at 31 December 2018, 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:

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

Save as disclosed herein, as at 31 December 2018, 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 at 31 December 2018, no person (other than the directors or chief executive of the Company disclosed above) 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.

### DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Apart from the material related party transactions set out in Note 26 to the consolidated financial statements, 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 (has the meaning given by section 486 of the Companies Ordinance of Hong Kong) had a material interest, whether directly or indirectly, subsisted at 31 December 2018 or at any time during the reporting period.

## Directors' Report (Continued)

### CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2018, 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 26 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

A directors' and officers' liability insurance is currently in place to protect the directors against potential costs and liabilities arising from claims brought by third parties against the directors.

### COMPETING INTERESTS

None of the controlling shareholders, namely Thrive Shine Limited, Mr. Xu Ziming and Ms. Huang Sizhen, 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 2018 and up to the date of this report.

### 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.

Each of the Covenantors has provided to the Company a written confirmation in respect of the full compliance with the Non-competition Undertakings for the year ended 31 December 2018.

### 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 associates had any interest in relation to the Group as notified to the Company pursuant to rule 6A.32 of the GEM Listing Rules between the Listing Date to 31 December 2018 and up to the date of this annual report.

## Directors' Report (Continued)

### **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 are 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 reporting period.

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

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

### **SHARE CAPITAL**

Details of movements during the year in the share capital of the Company are set out in Note 20 to the consolidated financial statements.

### **RESERVES**

Details of movements in the reserves of the Group and the Company during the year ended 31 December 2018 are set out in the consolidated statement of changes in equity on page 52 and in Note 28(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 2018 amounted to RMB116,470,000.

### **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 between the Listing Date to 31 December 2018 and up to the date of this annual report.

## Directors' Report (Continued)

### **ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS**

The forthcoming annual general meeting of the Company is scheduled to be held on Monday, 27 May 2019 ("2019 AGM"). For determining the entitlement to attend and vote at the 2019 AGM, the register of members of the Company will be closed from Wednesday, 22 May 2019 to Monday, 27 May 2019, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2019 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, 21 May 2019.

### **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 2019 AGM.

By Order of the Board

**Xu Ziming**  
*Chairman*

Hong Kong, 6 March 2019

# 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 49 to 99, which comprise:

- the consolidated statement of financial position as at 31 December 2018;
- 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 2018, 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 ("HKSA") 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.

## 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 18 to the consolidated financial statements.

As at 31 December 2018, the net book value of trade receivables amounted to RMB69,261,000 (after the provision of RMB4,369,000), which approximated 31% of the Group's total assets.

Management performed credit evaluations for the Group's customers and assessed expected credit losses of trade receivables. These assessments were focused on the customers' settlement history and their current ability to pay, and took into account information specific to respective customer as well as pertaining to the economic environment in which the customer operated.

All of these assessments involved significant judgements of management.

We focused on this area because management made subjective judgements over assessing the credit standing of the Group's customers and the estimation of expected credit losses of trade receivables.

With respect to management's credit evaluations for the Group's customers, we understood, evaluated and validated the key controls over credit risk management. Those key controls were related to credit standing of each new customer, identification of events that triggered the provision for impairment of trade receivables and estimation of the expected credit losses.

We obtained management's assessment of expected credit losses of trade receivables and assessed the reasonableness of the key underlying information referenced by management. Where impairment provision was individually made, we checked and assessed whether the impairment provision was properly supported by considering available forward-looking information, the debtors' aging analysis, settlement history and history of bad debt losses.

In respect of receivables of individual customer which had not been identified by management as potentially impaired, we corroborated management's assessment with 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 HKSAAs 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 HKSA's, 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 Ho Chiu Yin, Ivan.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 6 March 2019

## Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December	
		2018 RMB'000	2017 RMB'000
Revenue	6	<b>1,907,885</b>	1,740,695
Cost of sales	7	<b>(1,818,354)</b>	(1,681,247)
<b>Gross profit</b>		<b>89,531</b>	59,448
Other (losses)/gains — net	8	<b>(3,380)</b>	316
Distribution expenses	7	<b>(22,554)</b>	(23,617)
Administrative expenses	7	<b>(16,042)</b>	(14,444)
<b>Operating profit</b>		<b>47,555</b>	21,703
Finance income — net	10	<b>571</b>	168
<b>Profit before income tax</b>		<b>48,126</b>	21,871
Income tax expense	11	<b>(19,159)</b>	(10,064)
<b>Profit for the year</b>		<b>28,967</b>	11,807
Other comprehensive income		—	—
<b>Total comprehensive income for the year</b>		<b>28,967</b>	11,807
<b>Earnings per share</b>			
— Basic and diluted (RMB)	12	<b>7.0 cents</b>	3.9 cents

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

## Consolidated Statement of Financial Position

	Note	31 December 2018 RMB'000	31 December 2017 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	16,262	1,122
Deferred income tax assets	15	1,653	951
Prepayments	17	318	–
		<b>18,233</b>	2,073
<b>Current assets</b>			
Inventories	16	65,753	89,794
Prepayments	17	39,016	40,573
Trade and other receivables	18	72,006	91,985
Cash and cash equivalents	19	26,699	23,566
		<b>203,474</b>	245,918
<b>Total assets</b>		<b>221,707</b>	247,991
<b>EQUITY</b>			
Share capital	20	3,456	–
Other reserves	21	144,980	103,511
Retained earnings		34,508	15,558
<b>Total equity</b>		<b>182,944</b>	119,069

## Consolidated Statement of Financial Position (Continued)

	Note	<b>31 December 2018 RMB'000</b>	31 December 2017 RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities	15	<b>6,079</b>	3,133
<b>Current liabilities</b>			
Trade and other payables	22	<b>18,209</b>	61,975
Contract liabilities	23	<b>6,604</b>	–
Advances from customers		–	59,990
Current income tax liabilities		<b>7,871</b>	3,824
		<b>32,684</b>	125,789
<b>Total liabilities</b>		<b>38,763</b>	128,922
<b>Total equity and liabilities</b>		<b>221,707</b>	247,991

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

The financial statements on pages 49 to 99 were approved by the Board of Directors on 6 March 2019 and were signed on its behalf.

**Xu Ziming**  
Director

**Huang Sizhen**  
Director

## Consolidated Statement of Changes in Equity

	Share capital RMB'000 Note 20	Other reserves				Safety reserves RMB'000 Note 21(c)	Retained earnings RMB'000	Total RMB'000
		Recapitalisation reserves RMB'000	Share premium RMB'000	Capital reserves RMB'000 Note 21(a)	Statutory reserves RMB'000 Note 21(b)			
<b>Balance at 1 January 2017</b>	-	(16,085)	-	240	5,258	4,691	39,163	33,267
Profit for the year	-	-	-	-	-	-	11,807	11,807
Other comprehensive income	-	-	-	-	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	-	-	-	11,807	11,807
Distribution (Note 13)	-	-	-	-	-	-	(30,856)	(30,856)
Deemed contribution by shareholders	-	-	-	60	-	-	1,725	1,785
Issuance of shares to capitalise amounts due to related parties (Note 20(a)(i) and (iii))	-	72,210	-	-	-	-	-	72,210
Issuance of shares to an investor (Note 20(b))	-	-	30,856	-	-	-	-	30,856
Appropriation to safety reserves	-	-	-	-	-	4,248	(4,248)	-
Appropriation to statutory reserves	-	-	-	-	2,033	-	(2,033)	-
<b>Balance at 31 December 2017</b>	-	56,125	30,856	300	7,291	8,939	15,558	119,069
<b>Balance at 1 January 2018</b>	-	56,125	30,856	300	7,291	8,939	15,558	119,069
Profit for the year	-	-	-	-	-	-	28,967	28,967
Other comprehensive income	-	-	-	-	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	-	-	-	28,967	28,967
Capitalisation issue (Note 20(c))	2,592	-	(2,592)	-	-	-	-	-
Shares issued pursuant to the placing and public offering (Note 20(d))	864	-	42,329	-	-	-	-	43,193
Share issuance costs	-	-	(8,285)	-	-	-	-	(8,285)
Appropriation to safety reserves	-	-	-	-	-	6,744	(6,744)	-
Appropriation to statutory reserves	-	-	-	-	3,273	-	(3,273)	-
<b>Balance at 31 December 2018</b>	3,456	56,125	62,308	300	10,564	15,683	34,508	182,944

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

## Consolidated Statement of Cash Flows

	Note	Year ended 31 December	
		2018 RMB'000	2017 RMB'000
<b>Cash flows from operating activities</b>			
Cash (used in)/generated from operations	24	(10,875)	17,085
Income tax paid		(12,868)	(12,653)
<b>Net cash (used in)/generated from operating activities</b>		<b>(23,743)</b>	4,432
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(12,827)	(29)
Interest income on cash deposit		307	192
Prepayments for software		(318)	–
<b>Net cash (used in)/generated from investing activities</b>		<b>(12,838)</b>	163
<b>Cash flows from financing activities</b>			
Proceeds from placing and public offering of shares		43,193	–
Payments of professional fees in respect of the listing		(3,743)	(3,691)
Dividends paid to the then shareholders of the Group	13	–	(30,856)
Proceed from issuing shares to an investor	20(b)	–	30,856
Cash advances made by related parties		–	8,627
Cash advances repaid to related parties		–	(1,896)
<b>Net cash generated from financing activities</b>		<b>39,450</b>	3,040
<b>Net increase in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of the year		23,566	15,955
Exchange differences on cash and cash equivalents		264	(24)
<b>Cash and cash equivalents at end of the year</b>	19	<b>26,699</b>	23,566

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 Company’s shares were listed on GEM of The Stock Exchange of Hong Kong Limited (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 Ziming (“Mr. Xu”) and Ms. Huang Sizhen (“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 6 March 2019.

## 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

(a) *Compliance with HKFRS and HKCO*

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

(b) *Historical cost convention*

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)

(c) *New standards, amendments and interpretations to standards*

The Group has applied the following standards, amendments and interpretations to standards for the first time for their annual reporting period commencing 1 January 2018:

HKAS 28 (amendment)	Annual improvement 2014–2016 cycle
HKFRS 1 (amendment)	Annual improvement 2014–2016 cycle
HKFRS 2 (amendment)	Classification and measurement of share-based payment transactions
HKFRS 15	Revenue from contracts with customers
HKFRS 15 (amendment)	Clarification to HKFRS 15
HKFRS 9	Financial instruments and associated amendments to various other standards
HK(IFRIC) Interpretation 22	Foreign currency transactions and advance consideration
HKAS 40 (amendment)	Transfers of investment property

Save for the impact of adoption of HKFRS 9 and HKFRS 15 disclosed in Note 2.2, the adoption of other amendments and interpretations to standards does not have any significant impact to the results and financial position of the Group.

(d) *New standards, amendments and interpretations to standards not yet adopted*

The following new standards, amendments and interpretations to standards relevant to the Group have been issued but are not effective for the financial year beginning on 1 January 2018 and have not been early adopted by the Group:

		<b>Effective for financial year beginning on or after</b>
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)

(d) *New standards, amendments and interpretations to standards not yet adopted (continued)*

The Group's assessment of the impact about below new standard that is expected to be applicable to the Group is as follows:

**HKFRS 16, Leases**

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

Impact

The Group is a lessee of certain offices, 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 2018, the Group's total non-cancellable operating lease commitments amounted to RMB7,490,000 (Note 25(b)). 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 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.

Date of adoption by the Group

HKFRS 16 is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

## Notes to the Consolidated Financial Statements (Continued)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 *Financial Instruments* and HKFRS 15 *Revenue from Contracts with Customers* on the Group's consolidated financial statements.

(a) *Impact on the financial statements*

The Group applied the modified retrospective approach to adopt HKFRS 9 and HKFRS 15 without restating comparative information. The reclassifications and the adjustments arising from the new accounting policies are therefore not reflected in the consolidated statement of financial position as at 31 December 2017, but are recognised in the opening consolidated statement of financial position on 1 January 2018.

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more detail below.

Consolidated statement of financial position (extract)	31 December 2017		1 January 2018
	As originally presented	HKFRS 15	Restated
	RMB'000	RMB'000	RMB'000
<b>Current liabilities</b>			
Advances from customers	59,990	(59,990)	–
Contract liabilities	–	59,990	59,990

(b) *HKFRS 9 Financial Instruments*

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 by the Group resulted in changes in accounting policies. The new accounting policies are set out in Note 2.8.

(i) Classification and measurement

On 1 January 2018 (the date of initial application of HKFRS 9), the Group has financial assets mainly in the category of loans and receivables, which are measured at amortised cost. Accordingly, the new standard does not affect the classification and measurement of these financial assets. There is also no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 *Financial Instruments: Recognition and Measurement* and have not been changed.

## Notes to the Consolidated Financial Statements (Continued)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.2 Changes in accounting policies (Continued)

(b) *HKFRS 9 Financial Instruments (continued)*

(ii) Impairment of financial assets

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under HKAS 39. The Group's financial assets which are subject to new ECL model of HKFRS 9 mainly include trade and other receivables.

The Group applies the HKFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for trade receivables. Impairment of other receivables are measured as either 12-month ECL or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition.

The Group established ECL model based on historical settlement records, past experience and available forward-looking information. The Group has reviewed its financial assets and has not identified any significant impact as at 1 January 2018 from the adoption of ECL model.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

(c) *HKFRS 15 Revenue from Contracts with Customers*

The Group has adopted HKFRS 15 *Revenue from Contracts with Customers* from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in HKFRS 15, comparative figures have not been restated. Based on the Group's assessment, there was no material impact to the consolidated financial statements of the Group upon the adoption of HKFRS 15. The new accounting policies are set out in Note 2.19 below.

The effects of the adoption of HKFRS 15 are as follows:

**Presentation of contract liabilities**

Deposits received from customers in advance which were previously presented as advances from customers are reclassified as contract liabilities.

## Notes to the Consolidated Financial Statements (Continued)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.3 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

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

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

#### 2.4 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)

#### 2.5 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 at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

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 (losses)/gains — net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary 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 and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

(c) *Group companies*

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary 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)

#### 2.6 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. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. 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, net of their residual values, over their estimated useful lives as follows:

Storage facilities and leasehold improvements	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 (losses)/gains — net" in the profit or loss.

Assets under construction are stated at cost. Costs include construction and acquisition costs. No provision for depreciation is made on assets under construction until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to property and equipment and depreciated in accordance with the policy as stated above.

The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

#### 2.7 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.

## Notes to the Consolidated Financial Statements (Continued)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.8 Financial assets

(a) *Classification*

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

(b) *Recognition and derecognition*

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

(c) *Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

(d) *Impairment of financial assets*

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 18 for further details. For other receivables, the Group applies either 12-month ECL or lifetime expected losses method, depending on whether there has been a significant increase in credit risk since initial recognition.



## Notes to the Consolidated Financial Statements (Continued)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.8 Financial assets (Continued)

(e) *Accounting policies applied until 31 December 2017*

The Group has applied HKFRS 9, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Until 31 December 2017 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.

- **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.
- **Impairment**  
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.

## Notes to the Consolidated Financial Statements (Continued)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.8 Financial assets (Continued)

(e) *Accounting policies applied until 31 December 2017 (continued)*

- Impairment (continued)

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.

#### 2.9 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.

#### 2.10 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.

## Notes to the Consolidated Financial Statements (Continued)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(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*

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

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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

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

## 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 management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the 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 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 occur until the products have been shipped to the specified location, control of the products has 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 "contract liabilities" under current liabilities.

(b) *Service income*

Service income is recognised when the related services are rendered.

#### 2.20 Subsidy income

Subsidy income from the government are recognised at their fair value where there is a reasonable assurance that the subsidy income will be received and the group will comply with all attached conditions.

#### 2.21 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.

#### 2.22 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.

#### 2.23 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

## 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 2018, the Group's major non-RMB denominated assets and liabilities included trade and other receivables, cash and cash equivalents and trade and other payables, 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, Note 19 and Note 22. At 31 December 2018, 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 2018 ranged from 0.13% to 1.10%. 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 (Continued)

#### 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 2018, 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 2018 and 31 December 2017 were as follows:

	<b>31 December 2018 RMB'000</b>	31 December 2017 RMB'000
Cash at banks:		
— Big four commercial banks (Note (i))	<b>9,311</b>	5,752
— Other listed banks	<b>5,420</b>	86
— Other unlisted commercial banks (Note (ii))	<b>11,953</b>	17,723
	<b>26,684</b>	23,561

(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 2018, the top five debtors of the Group contributed to approximately 96% of the Group's total trade receivables (2017: 95%).

## Notes to the Consolidated Financial Statements (Continued)

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Financial risk factors (Continued)

##### 3.1.2 Credit risk (Continued)

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 18.

##### 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.

<b>Contractual maturities of financial liabilities</b>	<b>Within 1 year RMB'000</b>	<b>Total contractual cash flows RMB'000</b>	<b>Carrying amount liabilities RMB'000</b>
<b>31 December 2018</b>			
Trade and other payables (excluding accrual for staff costs, allowances and other tax payables)	<b>14,617</b>	<b>14,617</b>	<b>14,617</b>
<b>31 December 2017</b>			
Trade and other payables (excluding accrual for staff costs, allowances and other tax payables)	60,886	60,886	60,886

## Notes to the Consolidated Financial Statements (Continued)

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 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 2018 (2017: same).

#### 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.

## Notes to the Consolidated Financial Statements (Continued)

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal 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 expected credit losses of trade and other receivables. 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.

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.

## Notes to the Consolidated Financial Statements (Continued)

### 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 refined oil 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 the PRC, and the Group's revenue for the years ended 31 December 2018 and 2017 were attributable to the market in the PRC.

As at 31 December 2018 and 2017, the Group's non-current assets were mainly located in the PRC.

### 6 REVENUE

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Sales of goods:		
— Refined oil	1,226,924	937,217
— Fuel oil	416,947	425,796
— Other petrochemical products	262,281	376,003
	<b>1,906,152</b>	1,739,016
Service income	1,733	1,679
	<b>1,907,885</b>	1,740,695

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

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Customer A	971,145	425,464
Customer B	193,615	275,601
Customer C	N/A*	254,174

Note\*: The revenue of this customer is less than 10% of the Group's revenue for the year ended 31 December 2018.

## Notes to the Consolidated Financial Statements (Continued)

### 7 EXPENSES BY NATURE

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Changes in inventories	24,041	(8,598)
Fuel oil, refined oil and other petrochemical products purchased	1,766,231	1,680,633
Transportation expenses	32,673	14,493
Operating lease expenses and handling charges	13,317	13,976
Staff costs (including directors' emoluments) (Note 9)	7,395	3,163
Changes in provision for impairment of trade receivables (Note 18)	3,239	(266)
Taxes and surcharges	1,578	1,360
Auditor's remuneration	1,314	600
Depreciation (Note 14)	503	419
Other expenses	6,659	13,528
Total cost of sales, distribution expenses and administrative expenses	1,856,950	1,719,308

### 8 OTHER LOSSES/(GAINS) — NET

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Non-deductible value-added tax ("VAT") and surcharges (Note (a))	9,113	—
Subsidy income (Note (b))	(6,000)	—
Others	267	(316)
	3,380	(316)

- (a) In August 2018, the Group received a decision on tax treatment issued by the Eastern District Investigation Bureau of the Guangzhou Municipal Office of the State Administration of Taxation, pursuant to which certain VAT invoices received by the Group from a supplier in respect of purchases of oil in May 2016 were subsequently found to be irregularly issued by the supplier and therefore the Group was no longer allowed to deduct the corresponding input VAT from the output VAT. The Group has made the payments of the VAT and the related overdue surcharges totaling approximately RMB9,113,000 according to the aforementioned decision and charged them to profit and loss accounts for the year ended 31 December 2018.
- (b) During the year ended 31 December 2018, the Group received subsidy income from local government authorities of the PRC in recognition of successfully listing its shares on GEM of the Stock Exchange.

## Notes to the Consolidated Financial Statements (Continued)

**9 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)**

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Salaries, wages, bonuses, welfare and other benefits	6,913	2,766
Contributions to employee social security plans	482	397
	<b>7,395</b>	<b>3,163</b>

**(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 2018 and 2017 were presented as below:

	Salaries, wages, bonuses, welfare and other benefits	Contributions to employee social security plans	Total
	RMB'000	RMB'000	RMB'000
<b>For the year ended 31 December 2018</b>			
<i>Executive directors:</i>			
Mr. Xu	1,010	17	1,027
Ms. Huang (i)	1,010	17	1,027
Mr. Choi Sio Peng ("Mr. Choi")	974	5	979
<i>Independent non-executive directors:</i>			
Mr. Chan William (i)	78	–	78
Mr. Tsui Hing Shan (i)	78	–	78
Mr. Kan Siu Chung (i)	78	–	78
	<b>3,228</b>	<b>39</b>	<b>3,267</b>

## Notes to the Consolidated Financial Statements (Continued)

**9 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)****(a) Directors' and chief executive's emoluments (Continued)**

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

Note:

- (i) 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 were effective after the shares of the Company commence dealing on the Stock Exchange on 17 January 2018, they did not receive any emoluments in their capacity as the Company's directors during the year ended 31 December 2017.

Except for disclosed above, during the years ended 31 December 2018 and 2017, the directors did not receive or were entitled to receive any fees, salaries and other emoluments from the Company or its subsidiaries undertaking.



## Notes to the Consolidated Financial Statements (Continued)

### 9 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

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

During the years ended 31 December 2018 and 2017:

- 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 3 directors (2017: nil), whose emoluments are reflected in the analysis presented above. The emoluments of the remaining 2 individuals (2017: 5) during the year are as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Salaries, wages, bonuses, welfare and other benefits	720	1,023
Contributions to employee social security plans	82	150
	<b>802</b>	<b>1,173</b>

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

	Year ended 31 December	
	2018	2017
Number of individuals falls in the emolument bands from nil to HK\$1,000,000	2	5

During the year ended 31 December 2018, 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 (2017: same).

## Notes to the Consolidated Financial Statements (Continued)

### 9 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

#### (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	
	2018	2017
Number of individuals falls in the emolument bands from nil to HK\$1,000,000	3	1

### 10 FINANCE INCOME — NET

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
— Interest income on bank deposits	307	192
— Net foreign exchange gains/(losses) on cash and cash equivalent	264	(24)
Finance income — net	571	168

### 11 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 2018 (2017: 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 2018 (2017: 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 2018 (2017: 25%).

## Notes to the Consolidated Financial Statements (Continued)

### 11 INCOME TAX EXPENSE (Continued)

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 Group has accrued withholding tax provision at 10% withholding income tax rate for the year ended 31 December 2018 (2017: 10%).

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Current income tax:		
— PRC enterprise income tax	16,915	7,939
— PRC withholding income tax	—	3,428
	16,915	11,367
Deferred income tax:		
— PRC enterprise income tax	(702)	296
— PRC withholding income tax	2,946	(1,599)
	2,244	(1,303)
	19,159	10,064

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	
	2018	2017
	RMB'000	RMB'000
Profit before income tax	48,126	21,871
Tax calculated at tax rates applicable to profit in the respective tax jurisdictions	13,619	8,098
Tax effect of:		
— Tax loss for which no deferred tax assets was recognised	303	107
— Expenses not deductible for tax purposes	2,291	30
— PRC withholding income tax of a group company	2,946	1,829
Income tax expense	19,159	10,064

## Notes to the Consolidated Financial Statements (Continued)

### 12 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 2018 and 2017. Capitalisation issue of 314,999,000 shares to the then shareholders of the Company as of 20 December 2017 (Note 20(c)) was accounted for in determining the weighted average number of ordinary shares.

	<b>Year ended 31 December</b>	
	<b>2018</b>	2017
Profit for the year (RMB'000)	<b>28,967</b>	11,807
Weighted average number of ordinary shares in issue	<b>415,397,260</b>	299,534,795
Basic earnings per share (RMB)	<b>7.0 cents</b>	3.9 cents

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

### 13 DIVIDENDS

There were no dividends paid or payable by the Company in respect of the year ended 31 December 2018 (2017: nil). On 23 February 2017, dividends of approximately RMB30,856,000 were declared by JTF (Hong Kong) Limited ("JTF (Hong Kong)"), a subsidiary of the Company, to its then shareholder.

## Notes to the Consolidated Financial Statements (Continued)

**14 PROPERTY, PLANT AND EQUIPMENT**

	<b>Storage facilities and leasehold improvements</b> RMB'000	<b>Office equipment and motor vehicles</b> RMB'000	<b>Assets under construction</b> RMB'000 Note (c)	<b>Total</b> RMB'000
<b>At 1 January 2017</b>				
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
<b>Year ended 31 December 2017</b>				
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
<b>At 31 December 2017</b>				
Cost	8,916	541	–	9,457
Accumulated depreciation	(7,388)	(258)	–	(7,646)
Accumulated impairment	(689)	–	–	(689)
Net book amount	839	283	–	1,122
<b>Year ended 31 December 2018</b>				
Opening net book amount	839	283	–	1,122
Additions	–	227	15,416	15,643
Transfers	5,345	–	(5,345)	–
Depreciation charges	(403)	(100)	–	(503)
Closing net book amount	5,781	410	10,071	16,262
<b>At 31 December 2018</b>				
Cost	14,261	768	10,071	25,100
Accumulated depreciation	(7,791)	(358)	–	(8,149)
Accumulated impairment	(689)	–	–	(689)
Net book amount	5,781	410	10,071	16,262

## Notes to the Consolidated Financial Statements (Continued)

### 14 PROPERTY, PLANT AND EQUIPMENT (Continued)

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

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Distribution expenses	369	358
Administrative expenses	134	61
	<b>503</b>	419

- (b) As at 31 December 2018, the costs of fully depreciated property, plant and equipment were RMB103,000 (2017: RMB103,000).
- (c) As at 31 December 2018, assets under construction mainly included refurbishment of oil tanks, pipelines and other oil depot facilities.

### 15 DEFERRED INCOME TAX

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

	31 December	31 December
	2018	2017
	RMB'000	RMB'000
Deferred income tax assets:		
— to be recovered after more than 12 months	1,653	951
Deferred income tax liabilities:		
— to be recovered after more than 12 months	(6,079)	(3,133)
Deferred income tax liabilities — net	<b>(4,426)</b>	(2,182)

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

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
At beginning of the year	(2,182)	(3,485)
Tax (charged)/credited to profit or loss	(2,244)	1,303
At end of the year	<b>(4,426)</b>	(2,182)

## Notes to the Consolidated Financial Statements (Continued)

**15 DEFERRED INCOME TAX (Continued)**

- (b) The movements in deferred income tax assets and liabilities for the years ended 31 December 2018 and 2017, 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				PRC withholding income tax on unremitted retained earnings of the group company in Mainland China and others	
	Bad debt provision RMB'000	Inventories written-down RMB'000	Depreciation and impairment RMB'000	Payroll accruals RMB'000	Mainland China and others RMB'000	Total RMB'000
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)
At 1 January 2018	<b>283</b>	–	<b>470</b>	<b>198</b>	<b>(3,133)</b>	<b>(2,182)</b>
Tax credited/(charged) to profit or loss	<b>809</b>	–	<b>(21)</b>	<b>(57)</b>	<b>(2,975)</b>	<b>(2,244)</b>
At 31 December 2018	<b>1,092</b>	–	<b>449</b>	<b>141</b>	<b>(6,108)</b>	<b>(4,426)</b>

## Notes to the Consolidated Financial Statements (Continued)

### 16 INVENTORIES

	<b>31 December 2018 RMB'000</b>	31 December 2017 RMB'000
Refined oil	<b>58,590</b>	36,029
Fuel oil	<b>4,935</b>	25,111
Other petrochemical products	<b>2,228</b>	28,654
	<b>65,753</b>	89,794

During the year ended 31 December 2018, the cost of inventories recognised as expenses and included in “cost of sales” in profit and loss amounted to RMB1,817,244,000 (2017: RMB1,680,426,000). There was no write-down of inventory during the year ended 31 December 2018 (2017: same).

### 17 PREPAYMENTS

	<b>31 December 2018 RMB'000</b>	31 December 2017 RMB'000
Prepayments for inventories	<b>38,706</b>	36,001
Prepayments for listing expenses	–	4,542
Others	<b>628</b>	30
Total prepayments	<b>39,334</b>	40,573
Less: non-current portion of prepayments	<b>(318)</b>	–
Current portion of prepayments	<b>39,016</b>	40,573



## Notes to the Consolidated Financial Statements (Continued)

**18 TRADE AND OTHER RECEIVABLES**

	<b>31 December 2018 RMB'000</b>	31 December 2017 RMB'000
Trade receivables	<b>73,630</b>	88,465
Less: provision for impairment of trade receivables	<b>(4,369)</b>	(1,130)
Trade receivables — net	<b>69,261</b>	87,335
Deposits and others	<b>2,118</b>	837
Deductible VAT (Note (e))	<b>627</b>	3,813
Trade and other receivables	<b>72,006</b>	91,985

- (a) As of 31 December 2018, ageing analysis of trade receivables (net of provision of RMB4,369,000) (2017: RMB1,130,000) based on the dates when the trade receivables are recognised is as follows:

	<b>31 December 2018 RMB'000</b>	31 December 2017 RMB'000
Less than 30 days	<b>55,850</b>	57,765
31 days to 180 days	<b>13,058</b>	29,357
Over 180 days	<b>353</b>	213
	<b>69,261</b>	87,335

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)

### 18 TRADE AND OTHER RECEIVABLES (Continued)

(a) (Continued)

As at 31 December 2018, trade receivables of RMB48,271,000 (2017: RMB87,170,000) 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:

	<b>31 December 2018 RMB'000</b>	31 December 2017 RMB'000
Less than 30 days	<b>34,860</b>	57,600
31 days to 180 days	<b>13,058</b>	29,357
Over 180 days	<b>353</b>	213
	<b>48,271</b>	87,170

As at 31 December 2018, trade receivables of RMB4,369,000 (2017: RMB1,130,000) were impaired and provisions were made as follows:

	<b>Year ended 31 December</b>	
	<b>2018 RMB'000</b>	2017 RMB'000
At 1 January	<b>1,130</b>	1,396
Provision for impairment of trade receivables	<b>3,410</b>	368
Reversal	<b>(171)</b>	(634)
At end of the year	<b>4,369</b>	1,130

The ageing of these impaired receivables is as follows:

	<b>31 December 2018 RMB'000</b>	31 December 2017 RMB'000
31 days to 180 days	<b>3,410</b>	–
Over 180 days	<b>959</b>	1,130
	<b>4,369</b>	1,130

## Notes to the Consolidated Financial Statements (Continued)

### 18 TRADE AND OTHER RECEIVABLES (Continued)

(b) Trade and other receivables were denominated in:

	<b>31 December 2018 RMB'000</b>	31 December 2017 RMB'000
— RMB	<b>71,691</b>	91,985
— HK\$	<b>315</b>	—
	<b>72,006</b>	91,985

(c) As at 31 December 2018, 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 (2017: 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 2018 (2017: same).

(e) Amounts represent unutilised input VAT which can be used to offset output VAT for future sales.

### 19 CASH AND CASH EQUIVALENTS

	<b>31 December 2018 RMB'000</b>	31 December 2017 RMB'000
Cash at banks and cash on hands denominated in:		
— RMB	<b>21,280</b>	23,480
— HK\$	<b>5,419</b>	86
	<b>26,699</b>	23,566

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)

## 20 SHARE CAPITAL

		Number of ordinary shares	Nominal value of ordinary shares HK\$	Equivalent nominal value of ordinary shares RMB
Issued and fully paid:				
<b>Year ended 31 December 2017</b>				
Balance as at 1 January 2017		100	1	1
Issue shares to capitalise amounts due to related parties and acquire shares of a group company	(a)	620	6	6
Issue shares to an investor	(b)	280	3	2
Balance as at 31 December 2017		1,000	10	9
<b>Year ended 31 December 2018</b>				
Balance as at 1 January 2018		1,000	10	9
Capitalisation issue	(c)	314,999,000	3,149,990	2,592,000
Shares issued pursuant to the placing and public offering	(d)	105,000,000	1,050,000	864,000
Balance as at 31 December 2018		420,000,000	4,200,000	3,456,009

- (a) (i) On 6 March 2017, JTF (Hong Kong) issued 996 shares to the Company and the Company in turn issued 464 shares and 155 shares to Thrive Shine and Thrive Era Investments Limited, a company wholly owned and controlled by Mr. Choi, to capitalise the loans of approximately RMB52,316,000 and RMB12,992,000 payable by JTF (Hong Kong) to the Controlling Shareholders and Mr. Choi, respectively.
- (ii) On 19 December 2017, the Company acquired four 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, as a swap the Company issued 0.5 share to Thrive Shine (as directed by Gold Pledge). The agreed consideration for acquisition of the four shares of JTF (Hong Kong) is HK\$409,000 (equivalent to RMB346,000).
- (iii) On 20 December 2017, JTF (Hong Kong) issued 10 shares to the Company and the Company in turn issued 0.5 share to Thrive Shine (as directed by Mr. Choi) as a consideration for settlement of amounts due to Mr. Choi by the Group of approximately RMB6,902,000.

## Notes to the Consolidated Financial Statements (Continued)

### 20 SHARE CAPITAL (Continued)

- (b) 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 a cash consideration of approximately RMB30,856,000.
- (c) Pursuant to the shareholders resolutions passed on 20 December 2017, 314,999,000 shares of HK\$0.01 each of the Company were allotted and issued at par to the then shareholders in proportion to their respective shareholdings as of 20 December 2017. Following the placing and public offer of the Company's shares on 17 January 2018, the sum of HK\$3,149,990 (equivalent to RMB2,592,000) standing to the credit of the share premium account of the Company was capitalised.
- (d) 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.

### 21 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 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 20(a)(i) and (iii))	72,210	–	–	–	–	72,210
Issuance of shares to an investor (Note 20(b))	–	30,856	–	–	–	30,856
At 31 December 2017	56,125	30,856	300	7,291	8,939	103,511
At 1 January 2018	<b>56,125</b>	<b>30,856</b>	<b>300</b>	<b>7,291</b>	<b>8,939</b>	<b>103,511</b>
Appropriation to safety reserves	–	–	–	–	<b>6,744</b>	<b>6,744</b>
Appropriation to statutory reserves	–	–	–	<b>3,273</b>	–	<b>3,273</b>
Capitalisation issue (Note 20(c))	–	<b>(2,592)</b>	–	–	–	<b>(2,592)</b>
Shares issued pursuant to the placing and public offering (Note 20(d))	–	<b>42,329</b>	–	–	–	<b>42,329</b>
Share issuance costs	–	<b>(8,285)</b>	–	–	–	<b>(8,285)</b>
At 31 December 2018	<b>56,125</b>	<b>62,308</b>	<b>300</b>	<b>10,564</b>	<b>15,683</b>	<b>144,980</b>

## Notes to the Consolidated Financial Statements (Continued)

### 21 OTHER RESERVES (Continued)

#### (a) Capital reserves

The Group leased a piece of land and an office building located in Zengcheng City, Guangdong Province ("Zengcheng Property") from the Controlling Shareholders. The Controlling Shareholders have waived the operating lease expenses of RMB60,000 for the year ended 31 December 2017, which were deemed as contributions by the Controlling Shareholders to the Group.

#### (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 0.2% 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)

**22 TRADE AND OTHER PAYABLES**

	<b>31 December 2018 RMB'000</b>	31 December 2017 RMB'000
Trade payables (Note (a))	<b>8,410</b>	48,316
Accruals for staff costs and allowances	<b>3,446</b>	976
Accruals for construction projects	<b>2,816</b>	–
Accruals for operating lease expenses and handling charges	<b>926</b>	2,256
Accruals for listing expenses	–	9,566
Other payables	<b>2,465</b>	748
Other tax payables	<b>146</b>	113
	<b>18,209</b>	61,975

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

	<b>31 December 2018 RMB'000</b>	31 December 2017 RMB'000
Less than 30 days	<b>8,410</b>	41,108
31 to 180 days	–	7,208
	<b>8,410</b>	48,316

(b) Trade and other payables were denominated in:

	<b>31 December 2018 RMB'000</b>	31 December 2017 RMB'000
— RMB	<b>15,500</b>	53,155
— HK\$	<b>2,709</b>	8,820
	<b>18,209</b>	61,975

(c) The fair values of trade and other payables approximated their carrying amounts at 31 December 2018 due to their short-term maturities (2017: same).

## Notes to the Consolidated Financial Statements (Continued)

### 23 CONTRACT LIABILITIES

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

### 24 CASH FLOW INFORMATION

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

Reconciliation of profit before income tax to cash (used in)/generated from operations is as follows:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Profit before income tax	48,126	21,871
Adjustments for:		
— Depreciation (Note 14)	503	419
— Changes of provision for impairment of trade receivables	3,239	(266)
— Finance income — net	(571)	(168)
	51,297	21,856
Changes in working capital:		
— Inventories	24,041	(8,598)
— Trade and other receivables	16,740	(65,834)
— Prepayments	(2,985)	8,422
— Trade and other payables	(46,582)	41,884
— Contract liabilities	(53,386)	19,355
Cash (used in)/generated from operations	(10,875)	17,085

#### (b) Non-cash transactions

- (i) Amounts due to related parties of RMB65,308,000 and RMB6,902,000 were capitalised during the year ended 31 December 2017 (Note 20(a)).
- (ii) A shareholder loan of RMB1,725,000 included in amounts due to related parties was waived by Mr. Choi during the year ended 31 December 2017.



## Notes to the Consolidated Financial Statements (Continued)

### 24 CASH FLOW INFORMATION (Continued)

#### (c) Net debt reconciliation

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

	Other assets — cash RMB'000	Liabilities from financing activities — amounts due to related parties RMB'000	Total RMB'000
Net debt as at 1 January 2017	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
Cash flows	2,869	—	2,869
Foreign exchange adjustments	264	—	264
Net cash as at 31 December 2018	26,699	—	26,699

### 25 COMMITMENTS

#### (a) Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities was as follows:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Property, plant and equipment	1,200	—
Intangible assets	318	—

## Notes to the Consolidated Financial Statements (Continued)

### 25 COMMITMENTS (Continued)

#### (b) Operating leases commitments — group companies as lessee

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

	<b>31 December 2018</b>	31 December 2017
	<b>RMB'000</b>	RMB'000
Within 1 year	<b>913</b>	4,944
Later than 1 year but no later than 5 years	<b>2,167</b>	1,866
Over 5 years	<b>4,410</b>	4,770
	<b>7,490</b>	11,580

### 26 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:

<b>Name</b>	<b>Relationship</b>
Mr. Xu and Ms. Huang	The Controlling Shareholders and directors of the Company

#### (b) Transactions with related parties

Apart from the disclosure in Note 9, 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.

	<b>Year ended 31 December</b>	
	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
Operating lease expenses		
— The Controlling Shareholders	<b>360</b>	330

For the year ended 31 December 2018, RMB360,000 was recognised as operating lease expenses according to the lease agreement with the Controlling Shareholders (2017: RMB330,000).

## Notes to the Consolidated Financial Statements (Continued)

### 26 RELATED PARTY TRANSACTIONS (Continued)

#### (c) Balances with related parties

	<b>31 December 2018</b>	31 December 2017
	<b>RMB'000</b>	RMB'000
Prepayments for rental expenses — The Controlling Shareholders	<b>30</b>	30

#### (d) Key management compensations

Key management includes directors (executive and non-executive), managers of key operating departments and the company secretary. Compensation for key management other than those compensation for directors as disclosed in Note 9 is as follows:

	<b>Year ended 31 December</b>	
	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
Salaries, wages, bonuses, welfare and other benefits	<b>1,322</b>	981
Contributions to employee social security plans	<b>188</b>	140
	<b>1,510</b>	1,121

### 27 PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the principal subsidiaries of the Company at 31 December 2018 are set out below.

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

## Notes to the Consolidated Financial Statements (Continued)

**28 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY**

	Note	31 December 2018 RMB'000	31 December 2017 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in a subsidiary		72,556	72,556
Amounts due from a subsidiary		50,856	30,856
		<b>123,412</b>	103,412
<b>Current assets</b>			
Cash and cash equivalents		3,947	–
Prepayments		280	4,598
		<b>4,227</b>	4,598
<b>Total assets</b>		<b>127,639</b>	108,010
<b>EQUITY</b>			
Share capital		3,456	–
Other reserves	(a)	134,864	103,412
Accumulated losses	(a)	(18,394)	(12,671)
<b>Total equity</b>		<b>119,926</b>	90,741
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Other payables		2,733	9,616
Amounts due to subsidiaries		4,980	7,653
		<b>7,713</b>	17,269
<b>Total liabilities</b>		<b>7,713</b>	17,269
<b>Total equity and liabilities</b>		<b>127,639</b>	108,010

The statement of financial position of the Company was approved by the Board of Directors on 6 March 2019 and was signed on its behalf.

**Xu Ziming**  
Director

**Huang Sizhen**  
Director

## Notes to the Consolidated Financial Statements (Continued)

**28 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)****(a) Reserve movement of the Company**

	<b>Other reserves</b>	<b>Accumulated losses</b>
	RMB'000	RMB'000
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 (Note 20(a))	72,556	–
Issuance of shares to an investor (Note 20(b))	30,856	–
As at 31 December 2017	103,412	(12,671)
At 1 January 2018	<b>103,412</b>	<b>(12,671)</b>
Loss for the year	–	<b>(5,723)</b>
Capitalisation issue (Note 20(c))	<b>(2,592)</b>	–
Shares issued pursuant to the placing and public offering (Note 20(d))	<b>42,329</b>	–
Share issuance costs	<b>(8,285)</b>	–
As at 31 December 2018	<b>134,864</b>	<b>(18,394)</b>

## Financial Summary

A summary of the published results and assets and liabilities of the Group for the last four financial years is set out below:

	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000
Revenue	626,298	1,116,568	1,740,695	<b>1,907,885</b>
Cost of sales	(603,700)	(1,062,532)	(1,681,247)	<b>(1,818,354)</b>
<b>Gross profit</b>	22,598	54,036	59,448	<b>89,531</b>
Other (losses)/gains — net	(4)	(88)	316	<b>(3,380)</b>
Distribution expenses	(11,153)	(21,154)	(23,617)	<b>(22,554)</b>
Administrative expenses	(847)	(4,295)	(14,444)	<b>(16,042)</b>
<b>Operating profit</b>	10,594	28,499	21,703	<b>47,555</b>
Finance income — net	46	46	168	<b>571</b>
<b>Profit before income tax</b>	10,640	28,545	21,871	<b>48,126</b>
Income tax expense	(3,300)	(9,630)	(10,064)	<b>(19,159)</b>
<b>Profit for the year attributable to the owners of the Company</b>	7,340	18,915	11,807	<b>28,967</b>
<b>ASSETS AND LIABILITIES</b>				
Non-current assets	3,100	2,759	2,073	<b>18,233</b>
Current assets	165,359	168,340	245,918	<b>203,474</b>
Non-current liabilities	(2,857)	(4,732)	(3,133)	<b>(6,079)</b>
Current liabilities	(151,490)	(133,100)	(125,789)	<b>(32,684)</b>
<b>Net assets</b>	14,112	33,267	119,069	<b>182,944</b>
<b>Total equity attributable to the owners of the Company</b>	14,112	33,267	119,069	<b>182,944</b>