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
2020

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

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

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

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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
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Cayman Islands

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Shazhuang Tujiang Village
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Guangdong Province
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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Corporate Information (Continued)

LEGAL ADVISOR AS TO HONG KONG LAW

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AUDITOR

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Central
Hong Kong

COMPLIANCE ADVISOR

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Lippo Centre
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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 54
Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY WEBSITE

www.jtfoil.com

Chairman's Statement

Dear shareholders:

Ringing out the year of the Mouse and ringing in the new year of the Ox, the year 2020 witnessed tensions and turmoil. On behalf of JTF International Holdings Limited (the "Company", together with its subsidiaries, the "Group"), I present our work report for the year 2020:

1. Business review for 2020

   The year 2020 was a remarkable year for the world as a whole. At the beginning of the year, affected by the outbreak of COVID-19 Pandemic, the oil product market in China experienced a "cold winter", and the market hot events such as the historical negative value of international crude oil, the phased blocking of gasoline and diesel demand, and the restriction on retail prices of refined oil were not adjusted for many times due to floor price control, which had a significant impact on the refined oil market in China and intensified the competition in the industry. In addition, the domestic economy continued to face downward pressure due to sluggish global economy, shrinking international trade and investment, volatility in international financial markets and restrictions on international travel. During this challenging period, as we were under considerable operating pressure, the operation team of the Group carefully analyzed the economic situations for the domestic and international markets, and arranged the procurement and sales plan reasonably according to the market demand by leveraging on our collective wisdom, so that the Group maintained total sales volume in 2020 basically as the same in 2019.

   In the first half of 2020, due to the epidemic, our business was greatly affected. Under the leadership of our managing director in the second half of the year, the operating team of the Group sought various upstream suppliers so as to understand the market demand of different products and formulate the corresponding procurement and sales plan accordingly. By leveraging on the advantages of our business model and matched trade model which reduce our risk towards price volatility, our sales performance rebounded. For 2020, the sales volume was approximately 430,000 tonnes, which was basically the same with 2019. For 2020, the gross profit of the Group was approximately RMB69.5 million, representing a decrease of approximately 27.5% as compared to 2019, and our net profit was approximately RMB15.2 million. Our taxation paid for the whole year amounted to approximately RMB27 million.

2. Business Plan for 2021

   Looking forward to 2021, although the global economy will continue to be affected by the epidemic, the domestic situation will be further effectively controlled. The new U.S. government will bring new opportunity to the Sino-US trade situation, and the domestic economy will gradually achieve positive growth. Meanwhile, 2021 is also the first year of national supply side and demand side reform. The Group believes that the domestic economy is expected to achieve stable and upward development, and the demand for refined oils will be expanded. The Board of the Company will seize the development opportunities and adopt the following strategies:

Chairman's Statement (Continued)

A. **Focus on improving our annual sales volume and net profit while maintain our business model.** The existing "matched trade sales model" business model of the Group can effectively reduce our operational risks. Even though the refined oil industry was greatly affected by the COVID-19 Pandemic in 2020, the marketing team of the Company has overcome difficulties and achieved a flat sales volume in 2020. In 2021, the Group will strengthen its marketing team, strive to break through the sales volume of the previous year and improve the net profit of the year;

B. **Optimize the team to strengthen coordination and strive to achieve high-quality operation level.** Firstly, we will improve the management of sales team of refined oil to enhance the quality and efficiency of marketing activities. For refined oil sales, we will strive to build a high-quality marketing network, develop high-quality customers, implement high-quality marketing strategies, and provide high-quality services. Secondly, we will focus on improving the turnover rate of the working capital of the Company. Due to the impact of the COVID-19 Pandemic, the turnover of working capital in 2020 was 3.64 times, representing a significant decrease as compared with the capital turnover ratio of 9.83 times in the previous year, which shall be resolved by identifying the problems and promoting the Company to improve its working capital level. Thirdly, we will strengthen the optimization of working capital allocation, and the allocation of funds and personnel for efficient warehouse and product management, so as to improve the capital efficiency. Fourthly, we will further strengthen the coordination of various departments and improve the trade efficiency of refined oil;

C. **Increase the expansion of end-user customers of refined oil and improve the gross profit margin of the Group.** In the future market competition of refined oil products, the main competing customers are the end customers, which mean who own the end customers and who own the market. This is also our development direction.

In 2021, the management of the Group will lead all employees to overcome difficulties, seize the general principle of "seeking progress while working to keep performance stable", effectively identify and prevent potential risks, and comprehensively enhance the market competitiveness of the Group.

3. New Year Message from the Chairman

We shall explore aggressively and make our best endeavours to improve ourselves. As there is still a long way to go, we need to pick up our paces. All staff of the Group will work more diligently so as to live up to the expectations of our shareholders. We will also improve our overall management standards, strive for new satisfactory results, and achieve success with practices. Lastly, wish all of you stay safe and healthy!

Thank you.

Xu Ziming
Chairman

Hong Kong, 26 February 2021

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) refined oil; (ii) fuel oil; and (iii) other petrochemical products. Oil and petrochemical products of the Group are primarily used as fuel in transportation vehicles, marine vessels, 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 conducted through 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.

The outbreak of COVID-19 Pandemic since January 2020 has adversely affected economic activities and transportations in China. In an attempt to control the outbreak of the disease, the PRC government imposed lockdown measures on various PRC cities since January 2020 and ordered nationwide postponement of business operations following the Chinese New Year holidays until early February 2020. As our Group's major operating entity is domiciled in China and the revenue is solely derived from the market in China, the COVID-19 Pandemic has direct impact on the Group's revenue and financial performance. As economic activities were almost brought to a halt in China from January 2020 to March 2020, the number of sales contracts that we entered into dropped significantly during such period. However, as economic activities started to resume generally in late March to early April, the Group gradually entered into relatively more sales contracts since then. In particular, the Group's revenue is mainly derived from customers in Guangdong Province where economic activities have largely resumed by the second quarter of 2020, and we managed to maintain the total sales volumes of 2020 remained almost the same as previous year.

Meanwhile, drastic fall in international crude oil prices during the period also adversely affected the profitability of the Group. Although the Group adopts a cost plus pricing policy, we are still exposed to the risk of oil price fluctuation. In early 2020, the prices of oil dropped drastically following the outbreak of COVID-19 Pandemic and; the general market conditions were worsened throughout the entire year of 2020. As customers were very sensitive to the prices of the oil products, the Group's ability to increase the selling prices as compared to purchase costs was limited. As a result, the Group's gross profit margin (excluding service income) dropped from approximately 4.2% for the year ended 31 December 2019 to approximately 3.9% for the current year.

To mitigate the effects stemmed from the abovementioned adverse economic environment and COVID-19 Pandemic, in 2020 the Group opted for more outport trades, for which we do not have to maintain inventory, and at the same time reducing transportation and storage activities. Outport trade contributed approximately RMB27,750,000 to our gross profit and accounted for approximately 39.8% of the total sales volumes of 2020.

As a result of the decrease in gross profit margin (excluding for service income) and the increase in proportion of outport trade in our business activities, the Group's gross profit decreased by approximately RMB26,356,000 or 27.5% for the year ended 31 December 2020 comparing with 2019.

Management Discussion and Analysis (Continued)

RESULTS OF OPERATIONS

Revenue

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

For the year ended 31 December 2020, the Group's total revenue amounted to approximately RMB1,100,262,000, representing a decrease of approximately 48.6% over the year ended 31 December 2019. The decrease was mainly attributable to the reasons stated in the subsection headed "Business Review" above.

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 2020:

		2020			2019	
	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	**728,805**	**154,138**	**4,728**	1,790,014	315,289	5,677
Fuel oil	**164,441**	**47,799**	**3,440**	258,651	67,566	3,828
Other petrochemical products	**179,266**	**57,143**	**3,137**	86,770	17,793	4,877
Subtotal — sales of goods	**1,072,512**	**259,080**		2,135,435	400,648	
2. Service income						
Refined oil	**25,664**	**145,815**	**176**	6,098	29,937	204
Fuel oil	**1,259**	**11,254**	**112**	–	–	–
Other petrochemical products	**827**	**13,957**	**59**	–	–	–
Subtotal — service income	**27,750**	**171,026**		6,098	29,937	
Total	**1,100,262**	**430,106**		2,141,533	430,585	

Note: Average selling price is arrived at by dividing the total revenue by the total sales volume for the relevant year.

Management Discussion and Analysis (Continued)

Cost of sales

Our Group's cost of sales mainly includes the cost of refined oil, fuel oil and other petrochemical products, which is measured on a moving weighted average basis. Our cost of sales for the years ended 31 December 2020 and 2019 were approximately RMB1,030,811,000 and RMB2,045,726,000 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 prices quoted in the market. The decrease of our cost of sales for the year ended 31 December 2020 was in line with our decrease in revenue for such year.

The following table sets forth the components of our cost of sales by product type for the two years ended 31 December 2020:

	2020	2019
	RMB'000	RMB'000
Refined oil	**700,954**	1,710,959
Fuel oil	**156,886**	250,544
Other petrochemical products	**172,971**	84,223
Total	**1,030,811**	2,045,726

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 2020:

		2020		2019	
		Gross profit	**Gross profit margin**	Gross profit	Gross profit margin
		RMB'000		RMB'000	
1.	Sales of goods				
	Refined oil	**27,851**	**3.8%**	79,055	4.4%
	Fuel oil	**7,555**	**4.6%**	8,107	3.1%
	Other petrochemical products	**6,295**	**3.5%**	2,547	2.9%
	Subtotal — sales of goods	**41,701**	**3.9%**	89,709	4.2%
2.	Service income	**27,750**	**N.A.**	6,098	N.A.
Total		**69,451**	**6.3%**	95,807	4.5%

Management Discussion and Analysis (Continued)

The Group's overall gross profit margin (excluding for service income) decreased slightly from approximately 4.2% for the year ended 31 December 2019 to approximately 3.9% for the year ended 31 December 2020. The decrease was mainly due to the reasons as stated in "Business Review" above.

Other gains/(losses) — net

Other gains/(losses) — net change from losses of approximately RMB825,000 for the year ended 31 December 2019 to gains of approximately RMB1,418,000 for the year ended 31 December 2020 was mainly due to the liquidated damages compensation received from a supplier.

Distribution expenses

Distribution expenses decreased by approximately RMB4,605,000 or 18.3% to approximately RMB20,570,000 for the year ended 31 December 2020 from approximately RMB25,175,000 for the year ended 31 December 2019. The decrease in distribution expenses was primarily due to the decrease in transportation expenses as a result of decrease in sales.

Administrative expenses

Administrative expenses increased by approximately RMB8,328,000 or 67.3% to approximately RMB20,699,000 for the year ended 31 December 2020 from approximately RMB12,371,000 for the year ended 31 December 2019. This was mainly attributable to additional professional fee for the preparation of transfer of listing from GEM to Main Board of the Stock Exchange.

Finance (costs)/income — net

Finance (costs)/income — net change from a net finance income of approximately RMB116,000 for the year ended 31 December 2019 to net finance cost of approximately RMB573,000 for the year ended 31 December 2020 was mainly due to the increase in foreign exchange loss compared with the previous year.

Profit before income tax

The Group's profit before income tax decreased by approximately RMB32,041,000 from approximately RMB60,773,000 for the year ended 31 December 2019 to approximately RMB28,732,000 for the year ended 31 December 2020 primarily due to the decrease in gross profit and incurring of additional professional fee for the preparation of transfer of listing from GEM to Main Board of the Stock Exchange.

Income tax expense

Income tax expense decreased by approximately RMB7,379,000 to approximately RMB13,527,000 for the year ended 31 December 2020 from approximately RMB20,906,000 for the year ended 31 December 2019 mainly due to the decrease in taxable profit from the Group's operations in the PRC.

Management Discussion and Analysis (Continued)

Profit for the year

The Group's profit for the year decreased by approximately RMB24,662,000 to approximately RMB15,205,000 for the year ended 31 December 2020 from approximately RMB39,867,000 for the year ended 31 December 2019 primarily due to the decrease in gross profit and incurring of additional professional fee for the preparation of transfer of listing from GEM to Main Board of the Stock Exchange.

LIQUIDITY AND FINANCIAL RESOURCES

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

	For the year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Net cash used in operating activities	**(32,403)**	(29,995)
Net cash used in investing activities	**(282)**	(9,538)
Net cash generated from financing activities	**54,419**	55,312
Net increase in cash and cash equivalents	**21,734**	15,779

For the year ended 31 December 2020, the Group had net cash used in operating activities of approximately RMB32,403,000, which was mainly attributable to net increase in working capital for operations.

For the year ended 31 December 2020, the Group had net cash used in investing activities of approximately RMB282,000, which consisted mainly of purchases of property, plant and equipment.

For the year ended 31 December 2020, the Group had net cash generated from financing activities of approximately RMB54,419,000, which was mainly attributable to the net proceeds of approximately RMB55,382,000 received upon the issuance of shares in January 2020.

As at 31 December 2020 and 31 December 2019, the Group had cash and cash equivalents of approximately RMB63,695,000 and RMB42,580,000 respectively.

Net current assets

As at 31 December 2020, the Group's net current assets amounted to approximately RMB338,779,000, representing an increase of approximately RMB73,759,000 as compared to approximately RMB265,020,000 as at 31 December 2019. The increase was primarily due to the receipt of the net proceeds of the issuance of shares in January 2020 as mentioned above and changes in working capital, which year end balance represented a snapshot of our working capital position as at 31 December 2020.

Management Discussion and Analysis (Continued)

Borrowings and gearing ratio

The Group did not have any borrowings during the year ended 31 December 2020 (31 December 2019: Nil).

No gearing ratio is presented as the Group had net cash surplus as at 31 December 2020 (31 December 2019: net cash surplus).

Capital commitment

As at 31 December 2020, the Group had capital commitments amounted to approximately RMB8,483,000 (31 December 2019: RMB8,483,000).

Capital structure

As at 31 December 2020, the capital structure of the Company comprised of its issued share capital and reserves.

Pledged assets

The Group did not have any assets pledged for security as at 31 December 2020 (31 December 2019: Nil).

Contingent liabilities

The Group did not have any material contingent liabilities as at 31 December 2020 (31 December 2019: 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 2020, 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.

The Group currently does not have a foreign currency hedging policy, and manages our foreign currency risk by closely monitoring 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 2020 are presented in Notes 19, 20 and 23 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 2020, the Group had 40 full time employees who were directly employed by our Group in the PRC and one full-time employees in Hong Kong. For the year ended 31 December 2020, our total staff costs (including the directors' remuneration) were approximately RMB6,544,000 (2019: RMB8,344,000).

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 based 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

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.

In August 2019, the State Council issued the "Opinions of the General Office of the State Council on Accelerating the Development of Circulation to Promote Commercial Consumption" which promulgated a series of measures aiming to strengthen the development and transformation of traditional trading enterprises, effectiveness in provision of domestic products and services, and optimizing consumption environment to stimulate domestic consumptions in cities and rural areas. Included in such measures was the abolishment of special licenses required for petroleum wholesale and storage business, and the right to approve petroleum retail licenses was granted to local government at the city-level. In line with the PRC government's direction in opening its energy sector to private and foreign participants, in July 2020, the Ministry of Commerce repealed the Measures for the Administration of the Refined Oil Market (成品油市場管理辦法). These greatly eased market access to the refined oil market. The Group expects that there will be more participants in the refined oil wholesale and storage markets, which will result in more fierce market competition. At the same time, the easing of regulations will stimulate market circulation, and the Group is expected to play a bigger role in the local supply chain and be able to capture a bigger market share in the future.

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 2020 is set out below:

Business strategies as stated in the Prospectus	Implementation plan	Implementation progress as at 31 December 2020
(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. Conducting project design, including construction survey and construction drawing design.	The Group is negotiating with relevant government authorities in relation to the specific requirements in relation to the upgrading of wharf berth capability. In 2018, the Group engaged a contractor to perform works on refurbishment of certain wharf infrastructures. However, the Group incurred additional time to identify a suitable contractor for the works relating to upgrading of berth capacity. Currently, a lead contractor has been engaged. Survey and design works are in progress, and were mostly completed in December 2019. Due to the outbreak of the new coronavirus disease in 2020, the schedule of works and government approval processes were delayed. Tentatively the Group expects to receive government approval and commence construction works in first half of 2021.
(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. Modification/installation works for tanks storage and other oil depot facilities.	Refurbishment works for storage tanks, pipelines, oil depot facilities and equipment have been completed.

Management Discussion and Analysis (Continued)

Use of the net proceeds of the Share Offer up to 31 December 2020 was as follows:

		Net proceeds to be applied in the percentage allocation stated in the Prospectus	Amount of net proceeds used as at 31 December 2020	Unutilised net proceeds as at 31 December 2020
		RMB'000	RMB'000	RMB'000
(1)	Upgrading of the wharf berth capability at Zengcheng Oil Depot	11,038	7,564	3,474
(2)	Refurbishment of oil tanks, pipelines and other oil depot facilities at Zengcheng Oil Depot	9,765	9,765	–
Total		20,803	17,329	3,474

USE OF NET PROCEEDS OF PLACING

On 10 January 2020, the Company issued and allotted 225,000,000 ordinary shares to Thrive Shine Limited and 75,000,000 ordinary shares to Thrive Era Investments Limited at HK$0.211 per share pursuant to the subscription agreement dated 26 November 2019 (the "Placing"). Details of such subscription were set out in the Company's announcements dated 26 November 2019, 6 January 2020 and 10 January 2020, and circular dated 12 December 2019.

The Company has applied 90% of the net proceeds from the Placing after deducting related expenses of approximately RMB55,382,000 to support and finance the ongoing working capital requirements for developing and enhancing the trading capacity of the Group's blending and sale of fuel oil, and sale of refined oil and other petrochemical businesses in the PRC, and the remaining 10% as general working capital of the Group, as mentioned in the circular dated 12 December 2019.

APPLICATION FOR THE TRANSFER OF LISTING

On 10 July 2020, the Company submitted a formal application for the proposed transfer of listing of the shares of the Company from GEM to the Main Board of the Stock Exchange ("Transfer of Listing").

The definitive timetable for the Transfer of Listing has not yet been finalized, and it is subject to, among others, the conditions of the Transfer of Listing to be fulfilled as set out in the Company's announcement dated 10 July 2020. There is no assurance that the approval will be obtained from the Stock Exchange for the Transfer of Listing. Accordingly, the Transfer of Listing may or may not proceed. Further announcement(s) will be made by the Company to keep the shareholders and potential investors of the Company informed of the progress of the Transfer of Listing as and when appropriate.

Management Discussion and Analysis (Continued)

EVENT AFTER THE YEAR END DATE

There is no material subsequent event undertaken by the Company or by the Group after 31 December 2020 and up to the date of this report.

FINAL DIVIDEND

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

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Xu Ziming (徐子明) ("Mr. Xu"), aged 56, is an executive Director, the Chairman of our Board and a controlling shareholder of the Company. He has about 20 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 (黄四珍) ("Ms. Huang"), aged 56, is an executive Director, the managing director of the Company and a controlling shareholder of the Company. Ms. Huang has about 20 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 39, 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 42, 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 20 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 42, 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 39, 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 is currently 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, which he also served in the same capacity during 2011 to 2015. Mr. Kan was the chief operating officer of Joyzz Tech Co., Ltd. (廣州悦正網絡科技有限公司) during 2015 to 2020, overseeing the financial, administrative and technical matters of the company. Prior to these, he was employed by Beijing Ling Yi Technology Corporation (北京市淩怡科技公司), a subsidiary of PetroChina Company Limited (中國石油天然氣股份有公司), a company listed on the Main Board 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 41, was appointed on 1 January 2005 as finance manager of our Group responsible for our accounting and financial management. He has over 15 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. Deng Fan Zhi (鄧范芝) ("Mr. Deng"), aged 39, 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 38, 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 10 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 and the board of directors of the Company (the "Board") recognise the importance of good corporate governance in management and internal control procedures so as to achieve accountability.

During the year ended 31 December 2020, 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 had complied with the required standard of dealings during the year ended 31 December 2020.

BOARD OF DIRECTORS

Function of the Board

The Company is governed by the Board which has the responsibility for leadership and control of the Company. 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 at least 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.

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 the 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 2020, the Audit Committee had held four meetings. 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 2019, quarterly financial statements for the three months ended 31 March 2020 and the nine months ended 30 September 2020 and interim financial statements for the six months ended 30 June 2020, 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. The result has been reported to the Board.

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 2020, 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 of the Board, 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, skill, knowledge, or professional/business 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 2020, 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/business 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 2020 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 2020.

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 to facilitate the Directors' performance of their obligations under the relevant requirements of the GEM Listing Rules.

During the year ended 31 December 2020, the Company had held one annual general meeting ("2020 AGM"), and one extraordinary general meeting on 6 January 2020 ("2020 EGM") for the purpose of approving the allotment and issue of 225,000,000 and 75,000,000 shares of the Company to Thrive Shine Limited and Thrive Era Investments Limited respectively.

Corporate Governance Report (Continued)

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

Name of Director	Board meetings	Audit Committee meetings	Nomination Committee meetings	Remuneration Committee meetings	2020AGM	2020EGM
Executive Directors:						
Mr. Xu Ziming	4/4	N/A	N/A	N/A	1/1	1/1
Ms. Huang Sizhen	4/4	N/A	N/A	N/A	1/1	1/1
Mr. Choi Sio Peng	4/4	N/A	N/A	N/A	1/1	1/1
Independent non-executive Directors:						
Mr. Chan William	4/4	4/4	1/1	1/1	1/1	1/1
Mr. Tsui Hing Shan	4/4	4/4	1/1	1/1	1/1	1/1
Mr. Kan Siu Chung	4/4	4/4	1/1	1/1	1/1	1/1

TRAINING AND CONTINUING DEVELOPMENT FOR DIRECTORS

For the year ended 31 December 2020, 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 2020, 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
Executive Directors:			
Mr. Xu Ziming	✔		✔
Ms. Huang Sizhen	✔		✔
Mr. Choi Sio Peng	✔		✔
Independent non-executive Directors:			
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 complies with rule 18.03 of the GEM Listing Rules. 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 Company. 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 2020 is set out in the section headed "Independent Auditor's Report" of this annual report.

Risk Management and Internal Control

The Board acknowledges that it 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 as mentioned above. 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 the 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 process on an annual basis.

Corporate Governance Report (Continued)

For the year ended 31 December 2020, 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 ("HKD"). 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 as it considers that it does not have any significant exposure to the risk of fluctuation in the exchange rate between HKD 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 2020. 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 2020, 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.

Although 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 measures have been taken from time to time to ensure that proper safeguards exist to prevent any breach of confidentiality in respect of inside information of 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 Group, 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 2020 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 2020, the total remuneration paid or payable to the Company's auditor, PricewaterhouseCoopers, for audit and audit related services amounted to RMB874,000.

In addition, PricewaterhouseCoopers was appointed by the Company as the reporting accountant for its proposed transfer of listing from GEM to Main Board of the Stock Exchange. Service fee in relation to this recognised for the year ended 31 December 2020 was RMB2,305,000.

SHAREHOLDERS' RIGHTS

The Company communicates to its shareholders through announcements and quarterly, interim and annual reports published on its website at www.jtfoil.com. Shareholders may put enquiries to the Board through its website at www.jtfoil.com or in writing sent to the principal office of the Company at Unit 1102, 11/F, 29 Austin Road, Tsim Sha Tsui, Kowloon, 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 Company 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)

DIVIDEND POLICY

The Company may declare and pay dividends to the shareholders of the Company ("Shareholders") by way of cash or by other means that the Board considers appropriate. In recommending dividends to allow the Shareholders to participate in the Company's profits, the Board would also ensure the Company has adequate reserves for future growth. The Board's decision to declare or to pay any dividends in the future, and the amount of such dividends will depend upon, among other things, the current and future operations, financial condition, liquidity position and capital requirements of the Group, as well as dividends received from the Company's subsidiaries, which in turn will depend on the ability of those subsidiaries to pay a dividend. In addition, any final dividends for a financial year will be subject to the approval of Shareholders. The declaration and payment of dividends by the Company is also subject to any applicable restrictions under the laws of the Cayman Islands, the laws of Hong Kong, the Company's Articles of Association and any other applicable laws, rules and regulations.

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

Hong Kong, 26 February 2021

Environmental, Social and Governance Report

For the year ended 31 December 2020

INTRODUCTION

JTF International Holdings Limited (the "Company", together with its subsidiaries, the "Group") is pleased to present this Environmental, Social and Governance ("ESG") Report, highlighting the ESG performance, with disclosure reference to the Environmental, Social and Governance Reporting Guide ("ESG Guide") and its upcoming amendments, as set out in Appendix 20 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"). The information stated in this report covers the period from 1 January 2020 to 31 December 2020 (the "Reporting Period") which aligns with the financial year as the 2020 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 categorised into (i) refined oil; (ii) fuel 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 revenue generated, and thus the major business activities that made social, environmental and economic impacts.

The Group's ESG practices has been set up along with the daily operations and supported by our data collection system. The scope of disclosure is expanded in view of the increasing social awareness of ESG. However, 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 2020

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	• Press release, corporate announcements and circulars • Annual, interim and quarterly Reports • Annual general meetings	• Profitability • Financial stability • Information disclosure and transparency
Employees	• Trainings and team building activities • Business meetings and briefings • Performance appraisals	• Compensation and benefits • Career development and training opportunities • Health and safety work environment
Suppliers	• Procurement meetings • Phone calls, conferences, emails, site visit	• Cooperation on fair terms integrity
Customers	• Customer complaint hotlines • Meetings and correspondences	• Quality products and services • Privacy protection
Public community	• Charitable and volunteering activities • Community interactions	• Corporate social responsibilities • Community investment and charitable Activities
Government and supervisory institutions	• Major meeting and policy • Consultation • Information disclosures • Institutional visits	• Compliance operation • Corporate governance • Environmental protection

Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2020

A. ENVIRONMENTAL ASPECTS

The Group pursues to utilise energy efficiently and as the major means to monitor 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.

A1. Emissions

A1.1 Air emissions

The air emissions produced by the Group are mainly attributed to the usage of vehicles owned by the Group for business purpose as well as the kitchen for providing meals for employees and customer. The logistics for the Group's major operation have been outsourced to several third parties' service providers. As the corresponding data is not available, the relevant data has been excluded in calculating the air emissions.

The types of air emissions generated from our Group are shown in the table below:

The types of emissions	Units	2019	2020	Percentage Increase (+) or Decrease (-)
Emissions data from gaseous fuel consumption				
Nitrogen Oxides ("NOx")	kg	N/A	**0.20**	N/A
Sulphur Oxides ("SOx")	kg	N/A	**Less than 0.01**	N/A
Total emissions from gaseous fuel consumption	kg	N/A	**0.20**	N/A
Emissions data from vehicles				
Nitrogen Oxides ("NOx")	kg	N/A	**7.08**	N/A
Sulphur Oxides ("SOx")	kg	N/A	**0.01**	N/A
Particulate Matter ("PM")	kg	N/A	**0.68**	N/A
Total emissions from vehicles	kg	N/A	**7.77**	N/A

Note: The above air emissions and consumption data were collected and disclosed for the first time, therefore, the comparison data from last year was not available for the Reporting Period.

Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2020

A1.2 Greenhouse gas emissions

In view of the Group's business portfolio, the greenhouse gas ("GHG") emission produced by the Group is mainly due to the indirect emissions (Scope 2) resulted from the use of electricity for operation of the Group. To a limited extent, the Group also produces direct emissions (Scope 1) attributed to mobile combustion sources (vehicle usage).

The total emissions of carbon dioxide ("CO2") generated from the Group are shown in the table below:

GHG Emission	Units	2019	2020	Percentage Increase (+) or Decrease (-)
Total GHG emissions from Scope 1	tonnes	N/A	**2.17**	N/A
Total GHG emissions from Scope 2	tonnes	160.95	**192.58**	+20%
Total GHG emissions	tonnes	160.95	**194.75**	+21%
Total GHG emissions per floor area	tonnes/m^2	0.12	**0.01**	-91%
Total GHG emissions per employee	tonnes/employee	6.07	**4.87**	-20%

Note: The GHG emissions from Scope 1 were generated from the usage of vehicle owned by the Group in which the data was collected and disclosed for the first time, therefore, the comparison data from last year was not available for the Reporting Period.

During the Reporting Period, the total GHG emission was 194.75 tonnes, representing an increase of 33.8 tonnes, or approximately 21%, compared to the total GHG emission in 2019. The larger percentage difference is primarily associated with the larger usage of electricity due to the upgrade of fire protection mechanism in the warehouse in PRC. The extra safety measures are two additional fire protection chemical tanks and renovated fire-fighting pipelines.

When considering the GHG emission intensity, 0.01 tonnes per square meter (m^2) and 4.87 tonnes per employee were recorded in 2020, these figures represent a decrease of 0.11 tonnes/m^2, or 90%, and a decrease of 1.2 tonnes/employee, or 20%, compared to the total GHG emission per floor area and employee in 2019. To maintain the emission reduction targets in the future, the Group will continue to record and monitor the GHG emissions and other relevant environmental data from time to time.

Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2020

A1.3 Paper usage and waste management

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

- Use printers that can print on both sides of the paper;

- Non-essential items should be used in e-format instead of printing out; and

- Any documents that are no longer in use should be shredded and recycled.

Meanwhile, the Group continues to evaluate and record the paper usage for setting a paper use efficiency target in the future.

An essential part of minimising 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 standardised 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.

Furthermore, the Group will assess the current waste management procedure and waste disposal contracts, and set up waste reduction targets and explore the waste data collection method in the future.

Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2020

A2. Use of resources

A2.1 Energy consumption

Electricity is the major indirect energy consumption for the Group which is consumed during daily business operations in our offices through the use of indoor lighting, air-conditioning, the functioning of office equipment and equipment related to repair and maintenance, etc. Moreover, limited non-renewable fuel consumed was sourced from the usage of vehicles and the kitchen owned by the Group for business and operation purposes. In order to enhance the environment protection and save energy consumption, the Group has established the following 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 energy consumption of the Group is shown in the table below:

Energy consumption	**Units**	**2019**	**2020**	**Percentage Increase (+) or Decrease (-)**
Non-renewable fuel consumed	kWh	N/A	**19,312.60**	N/A
Electricity consumption	kWh	185,974.00	**229,436.00**	+23%
Total energy consumption	kWh	185,974.00	**248,748.60**	+34%
Total energy consumption per floor area	MWh/m^2	0.14	**0.01**	-90%
Total energy consumption per employee	MWh/employee	7.23	**6.22**	-14%

Note: The non-renewable fuel consumed were sourced from the usage of vehicle owned by the Group in which the data was collected and disclosed for the first time, therefore, the comparison data from last year was not available for the Reporting Period.

During the Reporting Period, the total energy consumption was 248,748.6 kWh with an intensity of 0.01 MWh per square meter (m^2). This figure represents an increase of 62,774.6 kWh, or 34%, compared to the total energy consumption in 2019, and a decrease of 0.13 MWh/m^2, or 90%, compared to the total energy consumption per floor area. The differences were mainly due to the setup of warehouse area carried out in PRC led to the increase in floor area as well as total energy consumption.

The Group will continue to assess and record its energy consumption and compare it with last year's data for developing emission reduction's Key Performance Indicator in the future.

Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2020

A2.2 Water consumption

We endeavour to implement an effective water management through efficient water use. Our primary goal is to reduce the water consumption by measuring our water use, inspecting water pipes constantly to prevent any water leakage and promoting water-saving behaviours to all 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	2019	2020	Percentage Increase (+) or Decrease (-)
Total water consumption	m^3	2,920.00	**1,840.00**	-37%
Total water consumption per floor area	m^3/m^2	1.40	**0.11**	-92%
Total water consumption per employee	m^3/employee	71.22	**46.00**	-35%

Note: Since the water supply in the Hong Kong office is solely controlled by the building management and no sub-metering for individual occupants, the data for water usage is not available and therefore is not included in the total water consumption figure in the table above.

During the Reporting Period, the total water consumption was 1,840 cubic meters (m^3) with an intensity of 0.11 m^3/m^2. This figure represents a decrease of 1,080 m^3, or 37%, compared to the total water consumption in 2019, and a significant decrease of 1.29 m^3/m^2, or 92%, compared to the total water consumption per floor area. The differences were mainly due to the setup of warehouse area carried out in PRC led to the increase in floor area as well as the better control of water-saving initiatives.

The Group will continue to assess and record its water consumption and compare it with last year's data for developing water consumption reduction target in the future. In the Reporting Period, the Group did not identify any no issue in sourcing water for business operation.

Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2020

A3. The Environment and Natural Resources

As the Group engaged in the wholesale of oil and other petroleum products, our operation is subject to occupational hazards inherent in the oil and gas industry, such as fires, explosions, blowouts, and oil spills that can cause pollution and other damage to the environment. In the course of our operations and oil blending process, there is no significant discharge of pollutants.

Despite the fact that the Group's operations do not cause any material adverse impact to the environment, the Group has taken steps to reduce its impact on the environment by adopting energy and resources saving measures as mentioned in "A1. Emissions" and "A2. Use of resources" in response to the potential impacts on the environment and natural resources. Mandatory training was provided to employees to raise their awareness of environmental protection. The Group is committed to minimising any negative impact on the environment which may be resulted from our business activities.

Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2020

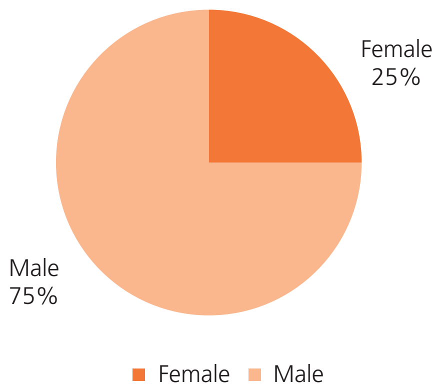
B. SOCIAL ASPECTS

B1. Employment

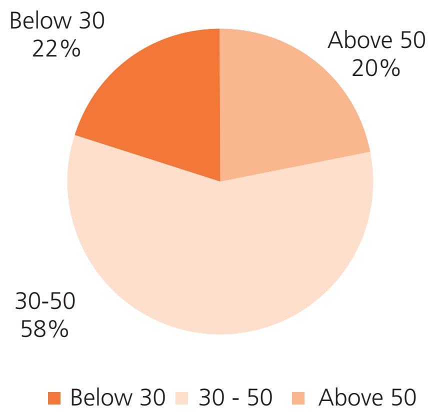
B1.1 Total workforce

The Group had a total of 41 employees as of 31 December 2020, of which all are full-time employees. The total workforce categorised by (i) gender, (ii) age group and (iii) geographical region are shown below:

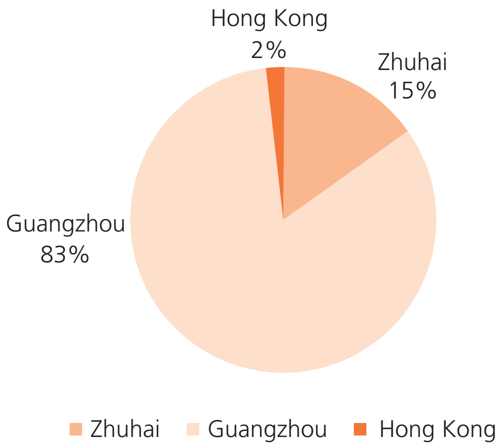
Total workforce (%) by gender



Total workforce (%) by age group



Total workforce (%) by geographical region

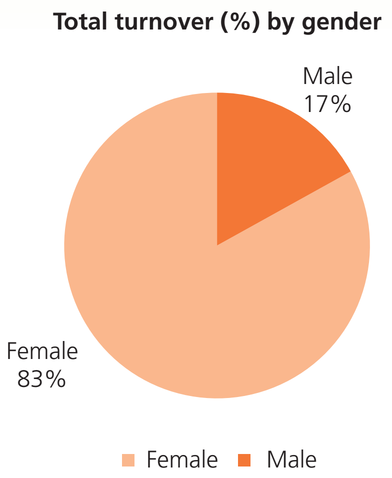


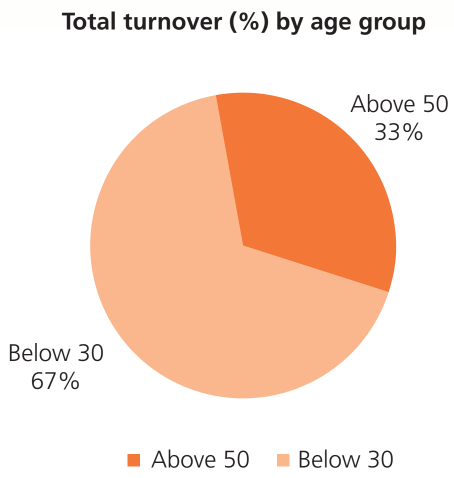
Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2020

B1.2 Employee turnover

During the Reporting Period, the Group's overall employee turnover rate was approximately 15% and all of them are from Guangzhou region. The table below shows the employee turnover rate by (i) gender and (ii) age group:





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: (i) Labour rights, (ii) Fairness and zero discrimination, (iii) Benefits and welfare, and (iv) Occupational health and safety. The Group strictly abides by the applicable laws and standards of the jurisdictions in which it operates, and strives to fulfil 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.

Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2020

(i) Labour rights

In line with the local employment laws including the Employment Ordinance of Hong Kong, Labour Law of the PRC (《中華人民共和國勞動法》), Labour Contract Law of the PRC (《中華人民共和國勞動合同法》) as well as other related labour laws and regulations, the Group prohibits the employment of child labour or any other form of forced and illegal labour.

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

(ii) Fairness and 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 emphases 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 forbid unlawful harassment, harassment and victimisation of any type at workplace.

(iii) Benefit and 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, a various of leisure activities are organised which includes but not limited to annual dinner, Chinese New Year gathering and mid-autumn lantern carnival.

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

Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2020

(iv) *Occupational Health and Safety*

Operating within the oil and petroleum industry, the Group prioritises 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 Installations in Explosive Atmospheres" (《爆炸和火災危險環境電力裝置設計規範》).

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 "Code for Fire Protection Design of Buildings" (《建築設計防火規範》).

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 Protection Law of the People's Republic of China" (《中華人民共和國消防法》), "Regulations on the Safety Management of Hazardous Chemicals" (《危險化學品安全管理條例》), "Regulations on the Safe Use of Chemicals in the Workplace" (《工作場所安全使用化學品規定》), "Provisions on the Administration of Road Transport of Dangerous Goods" (《道路危險貨物運輸管理規定》), "Specifications for Storage and Preservation of Combustible and Explosive Goods " (《易燃易爆性商品儲存養護技術條件》) and "Rule for Storage of Chemical Dangers" (《常用化學危險品儲存通則》).

Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2020

B2. Health and safety

Employees must meet our safety standards and requirements. We strive to mitigate risks as far as is technically and financially feasible, and to minimise the potential impact of any incident. The Group has established policies and procedures for operation safety in place and are in compliance with the relevant laws pertaining to health and safety and providing a healthy safe work environment as well as protecting employees from occupational hazards as mentioned in "B1. Employment".

During the Report period, the Group did not aware of any work-related fatalities, lost days due to work injury and any violations of Hong Kong health and safety laws and regulations.

B3. Training and development

The Group emphasises the importance of cultivating a culture of safety by providing employees with systematic technical and safety related training programs and encourage 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.

Moreover, all directors of the Group had participated in continuous professional development related training programmes and seminars, to ensure that they understand business operations of the Group, directors' responsibilities and obligations under the GEM Listing Rules and other regulatory requirements. The Group will continue to explore ways to gather and quantify the total training hours by different categories.

B4. Labour standards

As mentioned in "B1. Employment", the Group has established policies and procedures to restrict the employment of child labour or any other form of forced and illegal labour.

In addition, the employment term and conditions are set out in the "Staff Hand Book" which is required to be acknowledged by all new employees to confirm acceptance.

During the Reporting Period, the Group did not aware of any non-compliance with laws and regulations which have a significant impact on employment and labour practices.

Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2020

B5. 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 maintaining the Group's reputation, ensuring business sustainability and managing 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 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 in compliance with Article 37 of the Regulation on Safety Management of Hazardous Chemicals (《危險化學品安全管理條例》), 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.

B6. 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 2020

B7. Anti-corruption

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 antifraud principles and consistent organisational behaviours 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" has been in place for any reporting on the case of anti-corruption 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 did not involve in any cases of violations related to corruption during the Reporting Period, nor was involved in any corruption litigation cases related to the Group and the employees.

B8. 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 2020.

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 refined oil, fuel 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 sections headed "Management Discussion and Analysis" and "Corporate Governance Report — Accountability and Audit — Risk Management and Internal Control" of this annual report, and the discussion on the Group's environmental policies and performance, compliance with relevant laws and regulations that have a significant impact on the Group, and the Group's key relationships with its employees, customers and suppliers are set out in the section headed "Environmental, Social and Governance Report" 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 2020 are set out in the consolidated financial statements on pages 57 to 105 of this annual report. The Directors do not recommend the payment of any final dividend for the year (2019: nil).

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2020, the five largest customers in aggregate and the largest customer of the Group accounted for approximately 56.0% and 15.1% respectively of the Group's sales.

For the year ended 31 December 2020, the five largest suppliers in aggregate and the largest supplier of the Group accounted for approximately 90.2% and 38.0% 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 2020.

Directors' Report (Continued)

DIRECTORS

The directors of the Company during the year ended 31 December 2020 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. Xu Ziming and Ms. Huang Sizhen will retire from office 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 with monthly remuneration at the rate of HK$80,000. 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 with monthly remuneration at the rate of HK$9,000.

Directors' Report (Continued)

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

As at 31 December 2020, 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	480,150,000		51.63%
Mr. Xu Ziming	Interest in a controlled corporation	480,150,000	(Note 1)	51.63%
Ms. Huang Sizhen	Interest of spouse	480,150,000	(Note 1)	51.63%
Thrive Era Investments Limited	Beneficial owner	130,140,000		13.99%
Mr. Choi Sio Peng	Interest in a controlled corporation	130,140,000	(Note 2)	13.99%

Notes:

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

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

Save as disclosed herein, as at 31 December 2020, 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 2020, 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' Report (Continued)

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Apart from the material related party transactions set out in Note 27 to the consolidated financial statement and in the section headed "Connected transactions and continuing connected transactions" below, 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 2020 or at any time during the reporting period.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

On 10 January 2020, the Company issued 225,000,000 ordinary shares to Thrive Shine Limited and 75,000,000 ordinary shares to Thrive Era Investments Limited at HK$0.211 per share pursuant to the subscription agreement dated 26 November 2019. This constituted a connected transaction under the GEM Listing Rules as Thrive Shine Limited is owned by Mr. Xu Ziming and Ms. Huang Sizhen (both executive Directors) as to 80% and 20% respectively, while Thrive Era Investments Limited is wholly owned by Mr. Choi Sio Peng (an executive Director).

Save as disclosed above, there was no other connected transactions or continuing connected transactions during the year.

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

Details of other material related party transactions are set out in Note 27 to the consolidated financial statements.

Save as disclosed above, there is no contract of significance between the Group and a controlling shareholder of the Company (as defined in the GEM Listing Rules) or any of its subsidiaries, including for the provision of services to the Group.

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 them.

Directors' Report (Continued)

COMPETING INTERESTS

None of the controlling shareholders, namely Thrive Shine Limited, Mr. Xu Ziming and Ms. Huang Sizhen, the Directors or 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 2020 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 2020.

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 during the year ended 31 December 2020 and up to the date of this annual report.

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 year ended 31 December 2020.

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

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Directors' Report (Continued)

SHARE CAPITAL

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

SHARE OPTION SCHEME

On 28 May 2019, the Company adopted a share option scheme (the "Scheme") for the purpose of attracting and retaining quality personnel and other persons who may contribute to the business and operation of the Group. Options may be granted without any initial payment to persons including directors, employees, consultants or advisers of the Group or a company in which the Group holds an equity interest or a subsidiary of such company ("Relevant Person"); or (ii) any discretionary trust whose discretionary objects include any Relevant Person; or (iii) a company beneficially owned by any Relevant Person to subscribe for Shares. As at the date of this report, the total number of shares available for issue under the Scheme is 42,000,000 shares, representing about 4.52% of the issued share capital of the Company on such date. The maximum number of shares in respect of which options may be granted to any one person in any 12-month period is 1% of the issued share capital of the Company on the last date of such 12-month period unless with shareholders' approval. The option period shall be not more than 10 years from the date of grant of an option, and may include a minimum period an option must be held before it can be exercised. The exercise price is the highest of (i) the nominal value of one share of the Company; (ii) the closing price per share as stated in the Stock Exchange's daily quotations sheet on the date of the grant of the option; and (iii) the average closing price per share as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of the grant of the option. The Scheme will remain in force until 27 May 2029.

The Company has not granted any option under the Scheme since its adoption.

RESERVES

Details of movements in the reserves of the Group and the Company during the year ended 31 December 2020 are set out in the consolidated statement of changes in equity on page 60 and in Note 29(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 2020 amounted to RMB204,642,000.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float under the GEM Listing Rules during the year ended 31 December 2020 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 Thursday, 27 May 2021 ("2021 AGM"). For determining the entitlement to attend and vote at the 2021 AGM, the register of members of the Company will be closed from Monday, 24 May 2021 to Thursday, 27 May 2021, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2021 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Friday, 21 May 2021.

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 2021 AGM.

By Order of the Board

Xu Ziming
Chairman

Hong Kong, 26 February 2021

Independent Auditor's Report

pwc 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 57 to 105, which comprise:

- the consolidated statement of financial position as at 31 December 2020;
- 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 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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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 19 to the consolidated financial statements. As at 31 December 2020, the net book value of trade receivables amounted to RMB137,531,000 (after the provision of RMB1,443,000), which approximated 34% 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 HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report (Continued)

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

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

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

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

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

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

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

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

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

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, 26 February 2021

Consolidated Statement of Comprehensive Income

		Year ended 31 December	
		2020	2019
	Note	**RMB'000**	RMB'000
Revenue	6	**1,100,262**	2,141,533
Cost of sales	7	**(1,030,811)**	(2,045,726)
Gross profit		**69,451**	95,807
Other gains/(losses) — net	8	**1,418**	(825)
Distribution expenses	7	**(20,570)**	(25,175)
Administrative expenses	7	**(20,699)**	(12,371)
Net (impairment losses)/reversal of impairment losses on financial assets	19	**(295)**	3,221
Operating profit		**29,305**	60,657
Finance income	10	**291**	376
Finance costs	10	**(864)**	(260)
Finance (costs)/income — net	10	**(573)**	116
Profit before income tax		**28,732**	60,773
Income tax expense	11	**(13,527)**	(20,906)
Profit for the year		**15,205**	39,867
Other comprehensive income		**–**	–
Total comprehensive income for the year		**15,205**	39,867
Earnings per share			
— Basic and diluted (RMB)	12	**1.6 cents**	7.4 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 2020 RMB'000**	31 December 2019 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**17,521**	18,117
Right-of-use assets	15	**4,681**	4,943
Deferred income tax assets	16	**708**	684
Prepayments	18	**4,644**	4,644
		27,554	28,388
Current assets			
Inventories	17	**80,850**	85,742
Prepayments	18	**85,689**	107,684
Trade and other receivables	19	**147,071**	68,934
Cash and cash equivalents	20	**63,695**	42,580
		377,305	304,940
Total assets		**404,859**	333,328

Consolidated Statement of Financial Position (Continued)

	Note	31 December 2020 RMB'000	31 December 2019 RMB'000
EQUITY			
Share capital	21	**7,980**	5,301
Other reserves	22	**273,381**	210,532
Retained earnings		**68,192**	63,133
Total equity		**349,553**	278,966
LIABILITIES			
Non-current liabilities			
Lease liabilities	15	**4,407**	4,409
Deferred income tax liabilities	16	**12,373**	10,033
		16,780	14,442
Current liabilities			
Trade and other payables	23	**29,590**	11,221
Contract liabilities	24	**2,210**	16,456
Lease liabilities	15	**336**	612
Current income tax liabilities		**6,390**	11,631
		38,526	39,920
Total liabilities		**55,306**	54,362
Total equity and liabilities		**404,859**	333,328

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

The financial statements on pages 57 to 105 were approved by the Board of Directors on 26 February 2021 and were signed on its behalf.

Xu Ziming
Director

Huang Sizhen
Director

Consolidated Statement of Changes in Equity

	Share capital RMB'000 Note 21	Other reserves: Recapitalisation reserves RMB'000	Other reserves: Share premium RMB'000	Other reserves: Capital reserves RMB'000	Other reserves: Statutory reserves RMB'000 Note 22(a)	Other reserves: Safety reserves RMB'000 Note 22(b)	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2019	3,456	56,125	62,308	300	10,564	15,683	34,508	182,944
Profit for the year	–	–	–	–	–	–	39,867	39,867
Other comprehensive income	–	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	–	–	39,867	39,867
Rights issue (Note 21(a))	1,845	–	55,374	–	–	–	–	57,219
Share issuance costs	–	–	(1,064)	–	–	–	–	(1,064)
Appropriation to safety reserves	–	–	–	–	–	6,848	(6,848)	–
Appropriation to statutory reserves	–	–	–	–	4,394	–	(4,394)	–
Balance at 31 December 2019	5,301	56,125	116,618	300	14,958	22,531	63,133	278,966
Balance at 1 January 2020	**5,301**	**56,125**	**116,618**	**300**	**14,958**	**22,531**	**63,133**	**278,966**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**15,205**	**15,205**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**15,205**	**15,205**
Issuance of shares (Note 21(b))	**2,679**	**–**	**53,853**	**–**	**–**	**–**	**–**	**56,532**
Share issuance costs	**–**	**–**	**(1,150)**	**–**	**–**	**–**	**–**	**(1,150)**
Appropriation to safety reserves	**–**	**–**	**–**	**–**	**–**	**7,604**	**(7,604)**	**–**
Appropriation to statutory reserves	**–**	**–**	**–**	**–**	**2,542**	**–**	**(2,542)**	**–**
Balance at 31 December 2020	**7,980**	**56,125**	**169,321**	**300**	**17,500**	**30,135**	**68,192**	**349,553**

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 2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Cash used in operations	25	**(15,951)**	(17,772)
Income tax paid		**(16,452)**	(12,223)
Net cash used in operating activities		**(32,403)**	(29,995)
Cash flows from investing activities			
Payments for property, plant and equipment		**(573)**	(9,812)
Interest income on cash deposit		**291**	274
Prepayments for software		**–**	–
Net cash used in investing activities		**(282)**	(9,538)
Cash flows from financing activities			
Proceeds from issues of shares and rights issue	21	**56,532**	57,219
Payments of professional fees in respect of issues of shares and rights issue	21	**(1,150)**	(1,064)
Principal elements of lease payments		**(718)**	(583)
Interest paid		**(245)**	(260)
Net cash generated from financing activities		**54,419**	55,312
Net increase in cash and cash equivalents		**21,734**	15,779
Cash and cash equivalents at beginning of the year		**42,580**	26,699
Exchange differences on cash and cash equivalents		**(619)**	102
Cash and cash equivalents at end of the year	20	**63,695**	42,580

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 26 February 2021.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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 2020:

HKAS 1 and HKAS 8 (amendment)	Definition of Material
HKFRS 3 (amendment)	Definition of a Business
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting
HKFRS 7, HKFRS 9 and HKAS 39 (amendment)	Interest Rate Benchmark Reform

The adoption of 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 2020 and have not been early adopted by the Group:

		Effective for financial year beginning on or after
HKFRS 16 (amendment)	Covid-19-related Rent Concessions	1 June 2020
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2	1 January 2021
HKFRS 3 (amendment)	Reference to the Conceptual Framework	1 January 2022
HKAS 16 (amendment)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
HKAS 37 (amendment)	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Annual Improvements	Annual Improvements to HKFRS Standards 2018–2020	1 January 2022
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations	1 January 2022
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKFRS 17	Insurance contracts	1 January 2023
HKAS 1 (amendment)	Classification of Liabilities as Current or Non-current	1 January 2023
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 has already commenced an assessment of the impact of these new or revised standards and amendments. According to the preliminary assessment made by the Group, no significant impact on the financial performance and position of the Group is expected when they become effective.

2.2 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where 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.

Inter-company 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.

2.3 Segment reporting

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

Notes to the Consolidated Financial Statements (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates 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 (costs)/income — net". All other foreign exchange gains and losses are presented in profit or loss as "other gains/(losses) — 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)

2.5 Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. 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 or, in the case of leasehold improvements, the shorter lease term as follows:

Storage facilities and leasehold improvements	18–20 years
Office equipment, motor vehicles and others	5 years

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

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

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

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.

Notes to the Consolidated Financial Statements (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Impairment of non-financial assets

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

2.7 Financial assets

(a) Classification

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.

Notes to the Consolidated Financial Statements (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Financial assets (Continued)

(d) *Impairment of financial assets*

The Group assesses on a forward looking basis the expected credit losses ("ECL") 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 19 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.

2.8 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.9 Inventories and prepayments for inventories

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

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

2.10 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.

Notes to the Consolidated Financial Statements (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 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.

2.12 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.

2.13 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.

2.14 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 and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Notes to the Consolidated Financial Statements (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Current and deferred income tax (Continued)

(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 where there is a legally enforceable right to offset current tax assets and liabilities and where 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)

2.15 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)

2.16 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 counterparties 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.

2.17 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)

2.18 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 control of the products has transferred, being at the point 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, the risks of obsolescence and loss have been transferred to the customers, and the customers have accepted the products in accordance with the sales contracts.

Deposits 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*

The Group also acts as an agent in matching suppliers and customers for outport trade business. Service income is recognised when the related services are rendered.

2.19 Subsidy income

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

2.20 Interest income

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

2.21 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group.

Notes to the Consolidated Financial Statements (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Leases (Continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

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

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Notes to the Consolidated Financial Statements (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Leases (Continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

2.22 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.

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 2020, 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 19, Note 20 and Note 23. At 31 December 2020, 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 2020 ranged from 0.30% to 1.65%. 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 2020, 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.

As at 31 December 2020, the top five debtors of the Group contributed to approximately 94% of the Group's total trade receivables (2019: 98%).

All of the Group's trade and other receivables have no collateral. 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. Management reviews its receivables for the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period by considering actual or expected significant changes in the operating results of the debtor, default or significant delay in payments and other available forward-looking information. Specifically for the Group's trade receivables, the Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime expected loss allowance. Other receivables is 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 which include GDP and other macro-economic factors affecting the ability of the customers to settle the receivables. The directors consider the Group's credit risk of trade receivables to be immaterial. The Group's other receivables are deposits or receivables arose from normal operations, which based on management's assessment, the credit risk is not significant. 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. On that basis, the expected loss rate as at 31 December 2020 was 1.04% (2019: 1.90%). Further quantitative disclosures in respect of trade and other receivables are set out in Note 19.

Notes to the Consolidated Financial Statements (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.3 Liquidity risk

The Group's primary cash requirements are for additions and upgrades to property, plant and equipment, capital injections into subsidiaries, payments for purchases and operating expenses and unexpected cash outflow due to the COVID-19 pandemic or other unforeseen crisis. The Group finances its working capital requirements through funds generated from its operations.

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.

Contractual maturities of financial liabilities	Within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total contractual cash flows RMB'000	Carrying amount of liabilities RMB'000
31 December 2020						
Trade and other payables (excluding accrual for staff costs, allowances and other tax payables)	**26,788**	**–**	**–**	**–**	**26,788**	**26,788**
Lease liabilities	**560**	**560**	**1,480**	**4,020**	**6,620**	**4,743**
31 December 2019						
Trade and other payables (excluding accrual for staff costs, allowances and other tax payables)	9,261	–	–	–	9,261	9,261
Lease liabilities	844	763	1,080	4,380	7,067	5,021

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 2020 (2019: 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 fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables

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 condition 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 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 2020 and 2019 were attributable to the market in the PRC.

As at 31 December 2020 and 2019, the Group's non-current assets were mainly located in the PRC.

6 REVENUE

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Sales of goods:		
— Refined oil	**728,805**	1,790,014
— Fuel oil	**164,441**	258,651
— Other petrochemical products	**179,266**	86,770
	1,072,512	2,135,435
Service income	**27,750**	6,098
	1,100,262	2,141,533
Timing of revenue recognition		
— At point in time	**1,100,262**	2,141,533

Notes to the Consolidated Financial Statements (Continued)

6 REVENUE (Continued)

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Customer A**	**165,855**	NA*
Customer B**	**157,269**	630,895
Customer C**	**109,261**	NA*
Customer D**	**108,090**	249,255
Customer E**	**NA***	265,266
Customer F**	**NA***	257,853

Note*: These customers contributed less than approximately 10% of total revenue for the corresponding year.

Note**: These customers are defined as a group if they are under common control, which have the same ultimate controlling shareholder. As the sole shareholder of Customer E owns only 20% shares of a subsidiary of Customer B, they are defined as two groups during the Track Record Period.

7 EXPENSES BY NATURE

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Changes in inventories	**4,892**	(19,989)
Fuel oil, refined oil and other petrochemical products purchased	**1,014,441**	2,033,613
Transportation expenses	**12,840**	37,332
Handling charges	**4,516**	1,060
Expenses relating to short term leases (Note 15)	**8,943**	13,218
Staff costs (including directors' emoluments) (Note 9)	**6,544**	8,344
Taxes and surcharges	**2,079**	2,284
Depreciation (Note 14 and 15)	**1,860**	1,439
Auditor's remuneration	**896**	1,333
Listing expenses	**10,913**	–
Other expenses	**4,156**	4,638
Total cost of sales, distribution expenses and administrative expenses	**1,072,080**	2,083,272

Notes to the Consolidated Financial Statements (Continued)

8 OTHER GAINS/(LOSSES) — NET

Other gains of RMB1,418,000 for the year ended 31 December 2020 was mainly due to the liquidated damages compensation received from a supplier.

9 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Salaries, wages, bonuses, welfare and other benefits	**6,085**	7,496
Contributions to employee social security plans	**459**	848
	6,544	8,344

Notes to the Consolidated Financial Statements (Continued)

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

(a) Directors' and chief executive's emoluments

The emoluments of individual director of the Company paid/payable by the Group during the years ended 31 December 2020 and 2019 are presented as below:

	Salaries, wages, bonuses, welfare and other benefits RMB'000	**Contributions to employee social security plans RMB'000**	**Total RMB'000**
For the year ended 31 December 2020			
Executive directors:			
Mr. Xu	**409**	**16**	**425**
Ms. Huang (i)	**409**	**14**	**423**
Mr. Choi Sio Peng ("Mr. Choi")	**716**	**5**	**721**
Independent non-executive directors:			
Mr. Chan William	**96**	**–**	**96**
Mr. Tsui Hing Shan	**96**	**–**	**96**
Mr. Kan Siu Chung	**96**	**–**	**96**
	1,822	**35**	**1,857**

	Salaries, wages, bonuses, welfare and other benefits RMB'000	Contributions to employee social security plans RMB'000	Total RMB'000
For the year ended 31 December 2019			
Executive directors:			
Mr. Xu	962	28	990
Ms. Huang (i)	962	28	990
Mr. Choi Sio Peng ("Mr. Choi")	1,260	13	1,273
Independent non-executive directors:			
Mr. Chan William	95	–	95
Mr. Tsui Hing Shan	95	–	95
Mr. Kan Siu Chung	95	–	95
	3,469	69	3,538

Note:

(i) Ms. Huang also carries out the responsibility of chief executive officer.

Notes to the Consolidated Financial Statements (Continued)

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

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

Except for disclosed above, during the years ended 31 December 2020 and 2019, the directors did not receive or were entitled to receive any fees, salaries and other emoluments from the Company or its subsidiaries undertaking.

During the years ended 31 December 2020 and 2019:

— 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.

— during the year ended 31 December 2020, Mr. Xu, Ms. Huang and Mr. Choi waived emoluments of HKD640,000, respectively.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included 3 directors (2019: 3), whose emoluments are reflected in the analysis presented above. The emoluments of the remaining 2 individuals (2019: 2) during the year are as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Salaries, wages, bonuses, welfare and other benefits	**883**	709
Contributions to employee social security plans	**47**	73
	930	782

Notes to the Consolidated Financial Statements (Continued)

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

(b) Five highest paid individuals (Continued)

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

	Year ended 31 December	
	2020	2019
Number of individuals falls in the emolument bands from nil to HK$1,000,000	**2**	2

During the year ended 31 December 2020, 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 (2019: same).

(c) Senior management's emoluments by band

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

	Year ended 31 December	
	2020	2019
Number of individuals falls in the emolument bands from nil to HK$1,000,000	**1**	2

Notes to the Consolidated Financial Statements (Continued)

10 FINANCE (COSTS)/INCOME — NET

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Finance income		
— Interest income on bank deposits	**291**	274
— Net foreign exchange gains on cash and cash equivalent	**–**	102
	291	376
Finance costs		
— Interest expenses on lease liabilities	**(245)**	(260)
— Net foreign exchange losses on cash and cash equivalent	**(619)**	–
	(864)	(260)
Finance (costs)/income — net	**(573)**	116

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 2020 (2019: 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 Group's unused tax losses were all incurred by the group company in Hong Kong that is not likely to generate taxable income in the foreseeable future. They can be carried forward indefinitely.

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 2020 (2019: 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 2020 (2019: 25%).

According to the EIT Law and the Implementation Rules, starting from 1 January 2008, a withholding income tax of 10% is levied on the immediate holding company outside the PRC when its PRC subsidiary declares dividends out of profits earned after 1 January 2008. A lower 5% withholding income tax rate may be applied when the immediate holding company of the PRC subsidiary is established in Hong Kong and fulfils requirements under the tax treaty arrangements between the relevant authorities of Mainland China and Hong Kong. The Group has accrued withholding tax provision at 10% withholding income tax rate for the year ended 31 December 2020 (2019: 10%).

Notes to the Consolidated Financial Statements (Continued)

11 INCOME TAX EXPENSE (Continued)

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Current income tax:		
— PRC enterprise income tax	**11,211**	15,983
Deferred income tax:		
— PRC enterprise income tax	**(24)**	969
— PRC withholding income tax	**2,340**	3,954
	2,316	4,923
	13,527	20,906

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	
	2020	2019
	RMB'000	RMB'000
Profit before income tax	**28,732**	60,773
Tax calculated at tax rates applicable to profit in the respective tax jurisdictions	**10,851**	16,528
Tax effect of:		
— Tax loss for which no deferred tax assets was recognised	**331**	406
— Expenses not deductible for tax purposes	**5**	18
— PRC withholding income tax of a group company	**2,340**	3,954
Income tax expense	**13,527**	20,906

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 2020 and 2019.

	Year ended 31 December	
	2020	2019
Profit for the year (RMB'000)	**15,205**	39,867
Weighted average number of ordinary shares in issue	**922,622,951**	537,369,863
Basic earnings per share (RMB)	**1.6 cents**	7.4 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 2020 (2019: nil).

Notes to the Consolidated Financial Statements (Continued)

14 PROPERTY, PLANT AND EQUIPMENT

	Storage facilities and leasehold improvements RMB'000	Office equipment, motor vehicles and others RMB'000	Assets under construction RMB'000	Total RMB'000
Year ended 31 December 2019				
Opening net book amount	5,781	410	10,071	16,262
Additions	–	212	2,391	2,603
Transfers	10,382	780	(11,162)	–
Depreciation charges	(465)	(283)	–	(748)
Closing net book amount	15,698	1,119	1,300	18,117
At 31 December 2019				
Cost	24,643	1,760	1,300	27,703
Accumulated depreciation	(8,256)	(641)	–	(8,897)
Accumulated impairment	(689)	–	–	(689)
Net book amount	15,698	1,119	1,300	18,117
Year ended 31 December 2020				
Opening net book amount	**15,698**	**1,119**	**1,300**	**18,117**
Additions	**10**	**187**	**376**	**573**
Disposal	**–**	**(31)**	**–**	**(31)**
Transfers	**376**	**–**	**(376)**	**–**
Depreciation charges	**(824)**	**(314)**	**–**	**(1,138)**
Closing net book amount	**15,260**	**961**	**1,300**	**17,521**
At 31 December 2020				
Cost	**25,029**	**1,900**	**1,300**	**28,229**
Accumulated depreciation	**(9,080)**	**(939)**	**–**	**(10,019)**
Accumulated impairment	**(689)**	**–**	**–**	**(689)**
Net book amount	**15,260**	**961**	**1,300**	**17,521**

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	
	2020	2019
	RMB'000	RMB'000
Distribution expenses	**549**	207
Administrative expenses	**589**	541
	1,138	748

(b) As at 31 December 2020, the costs of fully depreciated property, plant and equipment were RMB9,044,000 (2019: RMB9,036,000).

15 LEASES

(a) Amounts recognised in the consolidated statement of financial position

	31 December 2020 RMB'000	31 December 2019 RMB'000
Right-of-use assets		
Land and buildings	**4,681**	4,943
Lease liabilities		
Current	**336**	612
Non-current	**4,407**	4,409
	4,743	5,021

The additions of new lease amounted to RMB912,000 and the reductions for not exercising extension options amounted to RMB452,000, respectively, during the year ended 31 December 2020 (2019: nil).

Notes to the Consolidated Financial Statements (Continued)

15 LEASES (Continued)

(b) Amounts recognised in the consolidated statement of comprehensive income

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Depreciation charge of right-of-use assets	**722**	691
Interest expenses (included in finance cost)	**245**	260
Expenses relating to short-term leases (included in distribution expenses and administrative expenses)	**8,943**	13,218

The total cash payment for leases during the year ended 31 December 2020 was RMB8,817,000 (2019: RMB14,061,000).

(c) The Group's leasing activities and how these are accounted for

The Group leases land, offices and oil tanks. Rental contracts are typically made for fixed periods of 1 to 20 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

16 DEFERRED INCOME TAX

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

	31 December 2020	31 December 2019
	RMB'000	RMB'000
Deferred income tax assets:		
— to be recovered after more than 12 months	**708**	684
Deferred income tax liabilities:		
— to be recovered after more than 12 months	**(12,373)**	(10,033)
Deferred income tax liabilities — net	**(11,665)**	(9,349)

Notes to the Consolidated Financial Statements (Continued)

16 DEFERRED INCOME TAX (Continued)

(a) (Continued)

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
At beginning of the year	**(9,349)**	(4,426)
Tax charged to profit or loss	**(2,316)**	(4,923)
At end of the year	**(11,665)**	(9,349)

(b) The movements in deferred income tax assets and liabilities for the years ended 31 December 2020 and 2019, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Deferred income tax assets			Deferred income tax liabilities		
	Temporary difference on					
	Bad debt provision	Depreciation and impairment	Payroll accruals	PRC withholding income tax on unremitted retained earnings of the group company in Mainland China and others	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	1,092	449	141	(6,079)	(29)	(4,426)
Tax (charged)/credited to profit or loss	(805)	15	12	(3,954)	(191)	(4,923)
At 31 December 2019	287	464	153	(10,033)	(220)	(9,349)
At 1 January 2020	**287**	**464**	**153**	**(10,033)**	**(220)**	**(9,349)**
Tax credited/(charged) to profit or loss	**74**	**23**	**–**	**(2,340)**	**(73)**	**(2,316)**
At 31 December 2020	**361**	**487**	**153**	**(12,373)**	**(293)**	**(11,665)**

Notes to the Consolidated Financial Statements (Continued)

17 INVENTORIES

	31 December 2020 RMB'000	31 December 2019 RMB'000
Refined oil	**72,945**	62,142
Fuel oil	**7,905**	23,600
	80,850	85,742

During the year ended 31 December 2020, the cost of inventories recognised as expenses and included in "cost of sales" in profit and loss amounted to RMB1,029,732,000 (2019: RMB2,044,384,000). There was no write-down of inventory during the year ended 31 December 2020 (2019: same).

18 PREPAYMENTS

	31 December 2020 RMB'000	31 December 2019 RMB'000
Prepayments for inventories	**84,756**	106,938
Others	**5,577**	5,390
Total prepayments	**90,333**	112,328
Less: non-current portion of prepayments	**(4,644)**	(4,644)
Current portion of prepayments	**85,689**	107,684

Notes to the Consolidated Financial Statements (Continued)

19 TRADE AND OTHER RECEIVABLES

	31 December 2020 RMB'000	31 December 2019 RMB'000
Trade receivables	**138,974**	60,536
Less: provision for impairment of trade receivables	**(1,443)**	(1,148)
Trade receivables — net	**137,531**	59,388
VAT recoverable	**7,443**	6,566
Deposits and others	**2,097**	2,980
Trade and other receivables	**147,071**	68,934

(a) As of 31 December 2020, ageing analysis of trade receivables (net of provision of RMB1,443,000) (2019: RMB1,148,000) based on the dates when the trade receivables are recognised is as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Less than 30 days	**137,358**	58,888
31 days to 180 days	**173**	211
Over 180 days	**–**	289
	137,531	59,388

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.

As at 31 December 2020, trade receivables of RMB1,443,000 (2019: RMB1,148,000) were impaired and provisions were made as follows:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
At 1 January	**1,148**	4,369
Provision for impairment of trade receivables	**295**	202
Reversal	**–**	(3,423)
At end of the year	**1,443**	1,148

Notes to the Consolidated Financial Statements (Continued)

19 TRADE AND OTHER RECEIVABLES (Continued)

(b) Trade and other receivables were denominated in:

	31 December 2020 RMB'000	31 December 2019 RMB'000
— RMB	**147,024**	68,628
— HK$	**47**	306
	147,071	68,934

(c) As at 31 December 2020, 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 (2019: 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 2020 (2019: same).

20 CASH AND CASH EQUIVALENTS

	31 December 2020 RMB'000	31 December 2019 RMB'000
Cash at banks and cash on hands denominated in:		
— RMB	**61,997**	42,443
— HK$	**1,698**	137
	63,695	42,580

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)

21 SHARE CAPITAL

		Number of ordinary shares	Nominal value of ordinary shares HK$	Equivalent nominal value of ordinary shares RMB
Year ended 31 December 2019				
Balance as at 1 January 2019		420,000,000	4,200,000	3,456,009
Rights issue	(a)	210,000,000	2,100,000	1,845,000
Balance as at 31 December 2019		630,000,000	6,300,000	5,301,009
Year ended 31 December 2020				
Balance as at 1 January 2020		**630,000,000**	**6,300,000**	**5,301,009**
Issuance of shares	(b)	**300,000,000**	**3,000,000**	**2,679,000**
Balance as at 31 December 2020		**930,000,000**	**9,300,000**	**7,980,009**

(a) On 11 June 2019, the Company completed a rights issue on the basis of one rights share for every two shares held on the record date. 210,000,000 ordinary shares with par value of HK$0.01 each were issued at the subscription price of HK$0.31 per rights share, with net proceeds of HK$63,889,000 (equivalent to RMB56,155,000), of which HK$2,100,000 (equivalent to RMB1,845,000) and HK$61,789,000 (equivalent to RMB54,310,000) were credited to share capital and share premium, respectively.

(b) On 10 January 2020, 225,000,000 and 75,000,000 new shares of the Company were issued and allotted to Thrive Shine and Thrive Era at HK$0.211 per share, respectively. The net proceeds of issuance of shares were HK$62,008,000 (equivalent to RMB55,382,000), of which HK$3,000,000 (equivalent to RMB2,679,000) and HK$59,008,000 (equivalent to RMB52,703,000) were credited to share capital and share premium, respectively.

Notes to the Consolidated Financial Statements (Continued)

22 OTHER RESERVES

	Recapitalisation reserves RMB'000	Share premium RMB'000	Capital reserves RMB'000	Statutory reserves RMB'000 Note (a)	Safety reserves RMB'000 Note (b)	Total RMB'000
At 1 January 2019	56,125	62,308	300	10,564	15,683	144,980
Appropriation to safety reserves	–	–	–	–	6,848	6,848
Appropriation to statutory reserves	–	–	–	4,394	–	4,394
Rights issue (Note 21(a))	–	54,310	–	–	–	54,310
At 31 December 2019	56,125	116,618	300	14,958	22,531	210,532
At 1 January 2020	**56,125**	**116,618**	**300**	**14,958**	**22,531**	**210,532**
Appropriation to safety reserves	**–**	**–**	**–**	**–**	**7,604**	**7,604**
Appropriation to statutory reserves	**–**	**–**	**–**	**2,542**	**–**	**2,542**
Issuance of shares (Note 21(b))	**–**	**52,703**	**–**	**–**	**–**	**52,703**
At 31 December 2020	**56,125**	**169,321**	**300**	**17,500**	**30,135**	**273,381**

(a) 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.

(b) 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)

23 TRADE AND OTHER PAYABLES

	31 December 2020 RMB'000	31 December 2019 RMB'000
Trade payables (Note (a))	**16,243**	1,435
Accruals for staff costs and allowances	**2,538**	1,765
Accruals for construction projects	**251**	251
Accruals for handling charges	**1,216**	326
Accruals for short term lease expenses	**1,089**	–
Accruals for listing expenses	**2,236**	–
Other payables	**5,753**	7,249
Other tax payables	**264**	195
Trade and other payables	**29,590**	11,221

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

	31 December 2020 RMB'000	31 December 2019 RMB'000
Less than 30 days	**16,243**	1,435

(b) Trade and other payables were denominated in:

	31 December 2020 RMB'000	31 December 2019 RMB'000
— RMB	**26,072**	9,656
— HK$	**3,518**	1,565
	29,590	11,221

(c) The fair values of trade and other payables approximated their carrying amounts at 31 December 2020 due to their short-term maturities (2019: same).

Notes to the Consolidated Financial Statements (Continued)

24 CONTRACT LIABILITIES

Contract liabilities represent cash received from customers in advance for which the goods are yet to be delivered. Revenue recognised in relation to contract liabilities was as below:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Revenue recognised that was included in the contract liabilities at the beginning of the year	**16,456**	6,604

25 CASH FLOW INFORMATION

(a) Cash used in operations

Reconciliation of profit before income tax to cash used in operations is as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Profit before income tax	**28,732**	60,773
Adjustments for:		
— Depreciation (Note 14 and 15)	**1,860**	1,439
— Changes of provision for impairment of trade receivables	**295**	(3,221)
— Finance costs/(income) — net	**573**	(116)
— Other losses	**11**	–
	31,471	58,875
Changes in working capital:		
— Inventories	**4,892**	(19,989)
— Trade and other receivables	**(78,432)**	6,293
— Prepayments	**21,995**	(68,380)
— Trade and other payables	**18,369**	(4,423)
— Contract liabilities	**(14,246)**	9,852
Cash used in operations	**(15,951)**	(17,772)

Notes to the Consolidated Financial Statements (Continued)

25 CASH FLOW INFORMATION (Continued)

(b) Reconciliation of liabilities arising from financing activities

	Lease liabilities RMB'000
Balance as at 1 January 2019	5,604
Cash flows	(843)
Interest expenses on lease liabilities	260
Balance as at 31 December 2019	5,021
Additions	440
Cash flows	(963)
Interest expenses on lease liabilities	245
Balance as at 31 December 2020	4,743

26 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 2020 RMB'000	31 December 2019 RMB'000
Property, plant and equipment	**8,483**	8,483

Notes to the Consolidated Financial Statements (Continued)

27 RELATED PARTY TRANSACTIONS

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

Name	Relationship
Mr. Xu and Ms. Huang	The Controlling Shareholders and directors of the Company

(b) Transactions with related parties

Apart from the disclosure in Note 9, the Group had entered into a lease agreement with the Controlling Shareholders to lease a piece of land and office building located in Guangzhou City, Guangdong Province with annual rental fee of RMB360,000 from 1 April 2017 to 31 March 2037.

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Interest expenses on lease liabilities		
— The Controlling Shareholders	**201**	209

(c) Balances with related parties

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Lease liabilities		
— The Controlling Shareholders	**4,014**	4,173

Notes to the Consolidated Financial Statements (Continued)

27 RELATED PARTY TRANSACTIONS (Continued)

(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:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Salaries, wages, bonuses, welfare and other benefits	**1,063**	989
Contributions to employee social security plans	**65**	123
	1,128	1,112

28 PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the principal subsidiaries of the Company at 31 December 2020 are set out below.

Name	Place of incorporation and kind of legal entity	Principal activities and place of operations	Issued and paid-in capital/ registered capital	Attributable equity interest
JTF (Hong Kong) Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	HK$4 and RMB72,210,355	100%
Zengcheng City Jintaifeng Fuel Co., Ltd.	PRC, limited liability company(i)	Blending and sale of fuel oil, sale of refined oil and other petrochemical products in Mainland China	RMB80,000,000	100%

Note:

(i) Registered as wholly foreign owned enterprises under PRC law.

Notes to the Consolidated Financial Statements (Continued)

29 STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY

	Note	31 December 2020 RMB'000	31 December 2019 RMB'000
ASSETS			
Non-current assets			
Investment in a subsidiary		**72,210**	72,556
Amounts due from subsidiaries		**152,951**	103,748
		225,161	176,304
Current assets			
Cash and cash equivalents		**1,120**	119
Prepayments		**859**	746
		1,979	865
Total assets		**227,140**	177,169
EQUITY			
Share capital		**7,980**	5,301
Other reserves	(a)	**241,531**	189,174
Accumulated losses	(a)	**(36,889)**	(22,901)
Total equity		**212,622**	171,574
LIABILITIES			
Current liabilities			
Other payables		**3,928**	1,568
Amounts due to subsidiaries		**10,590**	4,027
		14,518	5,595
Total liabilities		**14,518**	5,595
Total equity and liabilities		**227,140**	177,169

The statement of financial position of the Company was approved by the Board of Directors on 26 February 2021 and was signed on its behalf.

Xu Ziming
Director

Huang Sizhen
Director

Notes to the Consolidated Financial Statements (Continued)

29 STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY (Continued)

(a) Reserves movement of the Company

	Other reserves RMB'000	Accumulated losses RMB'000
At 1 January 2019	134,864	(18,394)
Loss for the year	–	(4,507)
Rights issue (Note 21(a))	54,310	–
As at 31 December 2019	189,174	(22,901)
At 1 January 2020	**189,174**	**(22,901)**
Loss for the year	**–**	**(13,988)**
Issuance of shares (Note 21(b))	**52,703**	**–**
Others	**(346)**	**–**
As at 31 December 2020	**241,531**	**(36,889)**

30 SUBSEQUENT EVENT

There were no significant subsequent event took place for the year ended 31 December 2020.

Financial Summary

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

	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	**2020** **RMB'000**
Revenue	1,116,568	1,740,695	1,907,885	2,141,533	**1,100,262**
Cost of sales	(1,062,532)	(1,681,247)	(1,818,354)	(2,045,726)	**(1,030,811)**
Gross profit	54,036	59,448	89,531	95,807	**69,451**
Other (losses)/gains — net	(88)	316	(3,380)	(825)	**1,418**
Distribution expenses	(21,154)	(23,617)	(22,554)	(25,175)	**(20,570)**
Administrative and other operating expenses	(4,295)	(14,444)	(16,042)	(9,150)	**(20,994)**
Operating profit	28,499	21,703	47,555	60,657	**29,305**
Finance income/(costs) — net	46	168	571	116	**(573)**
Profit before income tax	28,545	21,871	48,126	60,773	**28,732**
Income tax expense	(9,630)	(10,064)	(19,159)	(20,906)	**(13,527)**
Profit for the year attributable to the owners of the Company	18,915	11,807	28,967	39,867	**15,205**
ASSETS AND LIABILITIES					
Non-current assets	2,759	2,073	18,233	28,388	**27,554**
Current assets	168,340	245,918	203,474	304,940	**377,305**
Non-current liabilities	(4,732)	(3,133)	(6,079)	(14,442)	**(16,780)**
Current liabilities	(133,100)	(125,789)	(32,684)	(39,920)	**(38,526)**
Net assets	33,267	119,069	182,944	278,966	**349,553**
Total equity attributable to the owners of the Company	33,267	119,069	182,944	278,966	**349,553**