JTF INTERNATIONAL HOLDINGS LIMITED

ACCOUNTANT'S REPORT

FOR THE YEARS ENDED 31 DECEMBER 2020, 2021 AND 2022

羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF JTF INTERNATIONAL HOLDINGS LIMITED AND HONESTUM INTERNATIONAL LIMITED

Introduction

We report on the historical financial information of JTF International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-43, which comprises the consolidated statements of financial position as at 31 December 2020, 2021 and 2022, the company statements of financial position as at 31 December 2020, 2021 and 2022, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2020, 2021 and 2022 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-43 forms an integral part of this report, which has been prepared for inclusion in the listing document of the Company dated 11 May 2023 (the "Listing Document") in connection with the proposed transfer of listing of the Company's shares from GEM to the Main Board of The Stock Exchange of Hong Kong Limited (the "Transfer of Listing").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

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Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation sets out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 December 2020, 2021 and 2022 and the consolidated financial position of the Group as at 31 December 2020, 2021 and 2022 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation sets out in Note 2.1 to the Historical Financial Information.

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Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Historical Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 13 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

PricewaterhouseCoopers

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 11 May 2023

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

PREPARATION OF HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The Historical Financial Information in this report was prepared by the directors of the Company based on the previously issued financial statements of the Company and its subsidiaries now comprising the Group for the Track Record Period ("Historical Financial Statements"). The previously issued financial statements were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

(a) Consolidated Statements of Comprehensive Income

		Year ended 31 December		
		2020	2021	2022
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	*6*	1,100,262	2,043,377	1,534,524
Cost of sales	*7*	(1,030,811)	(1,952,644)	(1,461,613)
Gross profit		**69,451**	**90,733**	**72,911**
Other gains — net	*8*	1,418	6	3,095
Distribution expenses	*7*	(20,570)	(21,791)	(14,269)
Administrative expenses	*7*	(20,699)	(12,354)	(13,622)
Impairment losses on financial assets	*20*	(295)	—	—
Operating profit		**29,305**	**56,594**	**48,115**
Finance income	*10*	291	291	1,187
Finance costs	*10*	(864)	(240)	(207)
Finance (costs)/income — net	*10*	(573)	51	980
Profit before income tax		**28,732**	**56,645**	**49,095**
Income tax expense	*11*	(13,527)	(19,559)	(17,350)
Profit for the year		**15,205**	**37,086**	**31,745**
Other comprehensive income		—	—	—
Total comprehensive income for the year		**15,205**	**37,086**	**31,745**
Earnings per share				
— Basic and diluted (RMB)	*12*	1.6 cents	4.0 cents	3.4 cents

(b) Consolidated Statements of Financial Position

		As at 31 December		
		2020	**2021**	**2022**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS				
Non-current assets				
Property, plant and equipment	*14*	17,521	17,137	16,072
Right-of-use assets	*15*	4,681	4,259	3,837
Deferred income tax assets	*16*	708	733	813
Prepayments	*19*	4,644	4,194	4,194
		27,554	26,323	24,916
Current assets				
Inventories	*18*	80,850	42,131	124,140
Prepayments	*19*	85,689	15,210	173,737
Trade and other receivables	*20*	147,071	504,936	61,964
Cash and cash equivalents	*21*	63,695	7,805	106,445
		377,305	570,082	466,286
Total assets		404,859	596,405	491,202
EQUITY				
Share capital	*22*	7,980	7,980	7,980
Other reserves	*23*	273,381	282,462	291,573
Retained earnings		68,192	96,197	118,831
Total equity		349,553	386,639	418,384
LIABILITIES				
Non-current liabilities				
Lease liabilities	*15*	4,407	4,054	3,684
Deferred income tax liabilities	*16*	12,373	16,187	19,472
		16,780	20,241	23,156
Current liabilities				
Trade and other payables	*24*	29,590	179,700	15,336
Contract liabilities	*25*	2,210	3,527	24,487
Lease liabilities	*15*	336	353	370
Current income tax liabilities		6,390	5,945	9,469
		38,526	189,525	49,662
Total liabilities		55,306	209,766	72,818
Total equity and liabilities		404,859	596,405	491,202

(c) Statements of Financial Position of the Company

		As at 31 December		
		2020	**2021**	**2022**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS				
Non-current assets				
Investment in a subsidiary	*17*	72,210	72,210	72,210
Amounts due from subsidiaries	*17*	152,951	151,951	151,951
		225,161	224,161	224,161
Current assets				
Prepayments		859	449	467
Cash and cash equivalents		1,120	678	2,719
		1,979	1,127	3,186
Total assets		227,140	225,288	227,347
EQUITY				
Share capital	*22*	7,980	7,980	7,980
Other reserves	*23*	241,531	241,531	241,531
Accumulated losses		(36,889)	(41,762)	(47,326)
Total equity		212,622	207,749	202,185
LIABILITIES				
Current liabilities				
Other payables		3,928	4,101	4,156
Amounts due to subsidiaries	*17*	10,590	13,438	21,006
		14,518	17,539	25,162
Total liabilities		14,518	17,539	25,162
Total equity and liabilities		227,140	225,288	227,347

(d) Consolidated Statements of Changes in Equity

		Other reserves						
	Share capital	Recapitalisation reserves	Share premium	Capital reserves	Statutory reserves	Safety reserves	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 22				*Note 23(a)(i)*	*Note 23(a)(ii)*		
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 22(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
Balance at 1 January 2021	7,980	56,125	169,321	300	17,500	30,135	68,192	349,553
Profit for the year	—	—	—	—	—	—	37,086	37,086
Other comprehensive income	—	—	—	—	—	—	—	—
Total comprehensive income	—	—	—	—	—	—	37,086	37,086
Appropriation to safety reserves	—	—	—	—	—	4,843	(4,843)	—
Appropriation to statutory reserves	—	—	—	—	4,238	—	(4,238)	—
Balance at 31 December 2021	7,980	56,125	169,321	300	21,738	34,978	96,197	386,639
Balance at 1 January 2022	7,980	56,125	169,321	300	21,738	34,978	96,197	386,639
Profit for the year	—	—	—	—	—	—	31,745	31,745
Other comprehensive income	—	—	—	—	—	—	—	—
Total comprehensive income	—	—	—	—	—	—	31,745	31,745
Appropriation to safety reserves	—	—	—	—	—	5,461	(5,461)	—
Appropriation to statutory reserves	—	—	—	—	3,650	—	(3,650)	—
Balance at 31 December 2022	7,980	56,125	169,321	300	25,388	40,439	118,831	418,384

(e) Consolidated Statements of Cash Flows

		Year ended 31 December		
		2020	2021	2022
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Cash flows from operating activities				
Cash (used in)/generated from operations	*26*	(15,951)	(39,092)	108,707
Income tax paid		(16,452)	(16,215)	(10,621)
Net cash (used in)/generated from operating activities		(32,403)	(55,307)	98,086
Cash flows from investing activities				
Purchase of property, plant and equipment		(573)	(298)	(73)
Interest income on cash deposit		291	291	1,035
Net cash (used in)/generated from investing activities		(282)	(7)	962
Cash flows from financing activities				
Proceeds from issues of shares and rights issue		56,532	—	—
Payments of professional fees in respect of issues of shares and rights issue		(1,150)	—	—
Principal elements of lease payments		(718)	(336)	(353)
Interest paid		(245)	(224)	(207)
Net cash generated from/(used in) financing activities		54,419	(560)	(560)
Net increase/(decrease) in cash and cash equivalents		21,734	(55,874)	98,488
Cash and cash equivalents at beginning of the year		42,580	63,695	7,805
Exchange differences on cash and cash equivalents		(619)	(16)	152
Cash and cash equivalents at end of the year		63,695	7,805	106,445

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 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 Act (Cap.22) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the ''Group'') are principally engaged in the blending and sale of fuel oil, sale of refined oil and other petrochemicals in the People's Republic of China (the ''PRC'') (the ''Listing Business''). 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 his spouse, Ms. Huang Sizhen (''Ms. Huang''), respectively. The ultimate controlling party of the Group is Mr. Xu and Ms. Huang (collectively, the ''Controlling Shareholders'').

The Company's shares were listed on GEM of The Stock Exchange of Hong Kong Limited (''GEM'') on 17 January 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The principal accounting policies applied in the preparation of the Historical Financial Information which are in accordance with the Hong Kong Financial Reporting Standards (''HKFRSs'') issued by the HKICPA are set out below. The Historical Financial Information has been prepared under the historical cost convention.

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

The following new standards, amendments to standards and interpretation have been issued but are not effective for the financial year beginning on 1 January 2022 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKFRS 17 and amendments to HKFRS 17	Insurance contracts and the Related Amendments	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendment to HKAS 1	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants	1 January 2024

		Effective for accounting periods beginning on or after
Amendment to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of assets between an investor and its associate or joint venture	To be determined

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the consolidated statements of comprehensive income within "finance income/(costs) — 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:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position,
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this 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 dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

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 profit or loss during the reporting 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 lease term if shorter, 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.

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 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, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

(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. 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 20 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 reported in the consolidated statement of financial position where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. 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 group 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.

2.11 Cash and cash equivalents

In the consolidated statements of cash flows, cash and cash equivalents include cash on hand and deposits held at call with banks with maturities of three months or less.

2.12 Share Capital

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

2.13 Trade and other payables

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 are presented 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 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 or credit 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 end of the reporting period in the countries where the Company and its subsidiaries and associates 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.

(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 combined financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively 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 income tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

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

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

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 the PRC 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.

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 counter parties in which the identifiable considerations received (if any) by the Group are less than the fair values of the equity instruments granted or liabilities incurred as other considerations (i.e. unidentifiable goods or services) have been (or will be) received by the Group.

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

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

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

2.17 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.

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".

(b) Service income

The Group also acts as an agent in matching suppliers and customers for outport trade business. Service income is recognised at the point 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.

Subsidy income relating to costs is deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

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.

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 lessee 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.

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.

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.

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 20, Note 21 and Note 24. As at 31 December 2020, 2021 and 2022, the Group did not have any 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 years ended 31 December 2020, 2021 and 2022 ranged from 0.30% to 1.65%, 0.30% to 1.10% and 0.25% to 1.10%, respectively. The Group's cash at banks were held at variable rates and exposed the Group to cash flow interest rate risk.

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, 2021 and 2022, all of the Group's bank deposits were deposited with financial institutions incorporated in the PRC, Hong Kong and Macao. Management believes that these financial institutions are of high credit quality and does not have significant credit risk.

As at 31 December 2020, 2021 and 2022, the top five debtors of the Group contributed to approximately 94%, 87% and 97% of the Group's total trade receivables.

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 individually 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, 2021 and 2022 were 1.04%, 0.29% and 4.21%. Further quantitative disclosures in respect of trade and other receivables are set out in Note 20.

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 available sources of financing.

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	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount liabilities
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*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 2021						
Trade and other payables (excluding accrual for staff costs, allowances and other tax payables)	176,450	—	—	—	176,450	176,450
Lease liabilities	560	560	1,280	3,660	6,060	4,407
31 December 2022						
Trade and other payables (excluding accrual for staff costs, allowances and other tax payables)	8,952	—	—	—	8,952	8,952
Lease liabilities	560	560	1,080	3,300	5,500	4,054

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 shareholders 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 the shareholders, return capital to shareholders, issue new shares 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 add lease liabilities 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, 2021 and 2022.

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

3.4 Financial instruments by category

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Financial assets at amortised cost:			
Trade and other receivables (excluding VAT recoverable receivable)	139,628	501,211	47,224
Cash and cash equivalents	63,695	7,805	106,445
	203,323	509,016	153,669
Financial liabilities			
Financial liabilities at amortised cost:			
Trade and other payables (excluding accrual for staff costs, allowances and other taxes payables)	26,788	176,450	8,952
Lease liabilities	4,743	4,407	4,054
	31,531	180,857	13,006

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 may have a financial impact on the entity and 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, including, among others, the economic impact of the unprecedented COVID-19 pandemic on the economic environment, 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.

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.

During the Track Record Period, the major operating entity of the Group is domiciled in the PRC and the Group's revenue was attributable to the market in the PRC.

As at 31 December 2020, 2021 and 2022, the Group's non-current assets were mainly located in the PRC.

6 REVENUE

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Sales of goods:			
— Refined oil	728,805	1,334,091	590,853
— Fuel oil	164,441	91,535	1,609
— Other petrochemical products	179,266	613,385	929,469
	1,072,512	2,039,011	1,521,931
Service income	27,750	4,366	12,593
	1,100,262	2,043,377	1,534,524
Timing of revenue recognition			
— At point in time	1,100,262	2,043,377	1,534,524

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	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Customer A	165,855	N/A*	N/A*
Customer B**	157,269	312,154	163,351
Customer C**	109,261	N/A*	N/A*
Customer D**	108,090	N/A*	N/A*
Customer E**	N/A*	452,785	238,195
Customer F**	N/A*	N/A*	191,877
Customer G	N/A*	N/A*	174,136

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

*Note**:* Customers are defined as a group if they are under common control, which have the same ultimate controlling shareholder.

(a) As permitted under HKFRS 15, the aggregate amount of transaction price allocated to these unsatisfied contracts is not disclosed as all contracts with customers are for periods of less than one year.

7 EXPENSES BY NATURE

	Year ended 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Changes in inventories	4,892	38,719	(82,009)
Fuel oil, refined oil and other petrochemical products purchased	1,014,441	1,896,541	1,539,919
Transportation expenses	12,840	21,483	4,058
Listing expenses	10,913	3,482	3,284
Expenses relating to short term leases *(Note 15)*	8,943	6,127	4,297
Staff costs (including directors' emoluments) *(Note 9)*	6,544	5,960	5,825
Handling charges	4,516	5,006	4,217
Taxes and surcharges	2,079	2,686	2,718
Depreciation *(Note 14 and 15)*	1,860	1,554	1,560
Auditor's remuneration	896	900	1,060
Other expenses	4,156	4,331	4,575
Total cost of sales, distribution expenses and administrative expenses	1,072,080	1,986,789	1,489,504

8 OTHER GAINS — NET

	Year ended 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Liquidated damages compensation *(Note (a))*	1,418	—	—
Subsidy income *(Note (b))*	—	6	3,351
Others	—	—	(256)
	1,418	6	3,095

(a) Other gains of RMB1,418,000 for the year ended 31 December 2020 mainly represented the liquidated damages compensation received from a supplier.

(b) Subsidy income of RMB3,315,000 for the year ended 31 December 2022 mainly represented the incentives received from the local government for trade development.

9 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, wages, bonuses, welfare and other benefits	6,085	5,115	5,034
Contributions to employee social security plans	459	845	791
	6,544	5,960	5,825

As at 31 December 2020, 2021 and 2022, there were no forfeited contributions in relation to pension plans (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) in the Group. Hence, there is no forfeited contribution available for the Group to reduce its existing level of contributions to the pension plans in future years.

(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, 2021 and 2022 are presented as below:

	Salaries, wages, bonuses, welfare and other benefits	**Contributions to employee social security plans**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
For the year ended 31 December 2020			
Executive directors:			
Mr. Xu	409	16	425
Ms. Huang (i)	409	14	423
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 2021			
Executive directors:			
Mr. Xu	219	36	255
Ms. Huang (i)	219	8	227
Mr. Choi	499	5	504
Independent non-executive directors:			
Mr. Chan William	90	—	90
Mr. Tsui Hing Shan	90	—	90
Mr. Kan Siu Chung	90	—	90
	1,207	49	1,256

	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 2022			
Executive directors:			
Mr. Xu	327	41	368
Ms. Huang (i)	327	10	337
Mr. Choi	619	10	629
Independent non-executive directors:			
Mr. Chan William	93	—	93
Mr. Tsui Hing Shan	93	—	93
Mr. Kan Siu Chung	93	—	93
	1,552	61	1,613

Note:

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

Except for disclosed above, during the years ended 31 December 2020, 2021 and 2022, 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, 2021 and 2022:

— 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 years ended 31 December 2020, 2021 and 2022, Mr. Xu, Ms. Huang and Mr. Choi waived emoluments of HK$640,000, HK$480,000, and nil respectively.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2020, 2021 and 2022 included 3, 1, and 3 director/directors, respectively, whose emoluments are reflected in the analysis presented above. The emoluments of the remaining individuals during the years are as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, wages, bonuses, welfare and other benefits	883	1,383	924
Contributions to employee social security plans	47	202	83
	930	1,585	1,007

The emoluments of these remaining individuals of the Group fell within the following bands:

	Year ended 31 December		
	2020	**2021**	**2022**
Number of individuals falls in the emolument bands from nil to HK$1,000,000	2	4	2

During the year ended 31 December 2020, 2021 and 2022, 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.

(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	**2021**	**2022**
Number of individuals falls in the emolument bands from nil to HK$1,000,000	1	1	1

10 FINANCE (COSTS)/INCOME — NET

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Interest income on bank deposits	291	291	1,035
Interest expenses on lease liabilities	(245)	(224)	(207)
Net foreign exchange (losses)/gains on cash and cash equivalents	(619)	(16)	152
Finance (costs)/income — net	(573)	51	980

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 years ended 31 December 2020, 2021 and 2022. 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 incurred by the group company in Hong Kong that is not probable to generate taxable income in the foreseeable future. They can be carried forward indefinitely. The Group did not recognise deferred income tax assets in respect of tax losses amounting to RMB2,009,000, RMB1,451,000, and RMB1,362,000 for the years ended 31 December 2020, 2021 and 2022.

The income tax provision of the Group in respect of its operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profit for the years ended 31 December 2020, 2021 and 2022.

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 years ended 31 December 2020, 2021 and 2022.

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 the PRC and Hong Kong. The Group has accrued withholding tax provision at 10% withholding income tax rate for the years ended 31 December 2020, 2021 and 2022.

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Current income tax:			
— PRC enterprise income tax	11,211	15,770	14,145
Deferred income tax *(Note 16)*:			
— PRC enterprise income tax	(24)	(25)	(80)
— PRC withholding income tax	2,340	3,814	3,285
	2,316	3,789	3,205
	13,527	19,559	17,350

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	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Profit before income tax	28,732	56,645	49,095
Tax calculated at tax rates applicable to profit in the respective tax jurisdictions	10,851	15,504	13,780
Tax effect of:			
— Tax loss for which no deferred tax assets was recognised	331	239	225
— Expenses not deductible for tax purposes	5	2	60
— PRC withholding income tax of a group company	2,340	3,814	3,285
	13,527	19,559	17,350

12 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing profit for the year by the weighted average number of ordinary shares in issue during the years ended 31 December 2020, 2021 and 2022.

	Year ended 31 December		
	2020	**2021**	**2022**
Profit for the year (RMB'000)	15,205	37,086	31,745
Weighted average number of ordinary shares in issue	922,622,951	930,000,000	930,000,000
Basic earnings per share (RMB)	1.6 cents	4.0 cents	3.4 cents

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

13 DIVIDENDS

There were no dividends paid or payable by the Company in respect of the years ended 31 December 2020, 2021 and 2022.

14 PROPERTY, PLANT AND EQUIPMENT

	Storage facilities *RMB'000*	Leasehold improvements *RMB'000*	Office equipment, motor vehicles and others *RMB'000*	Assets under construction *RMB'000* *Note (b)*	Total *RMB'000*
At 1 January 2020					
Cost	19,825	4,818	1,760	1,300	27,703
Accumulated depreciation	(7,930)	(326)	(641)	—	(8,897)
Accumulated impairment	(689)	—	—	—	(689)
Net book amount	11,206	4,492	1,119	1,300	18,117
Year ended 31 December 2020					
Opening net book amount	11,206	4,492	1,119	1,300	18,117
Additions	10	—	187	376	573
Disposal	—	—	(31)	—	(31)
Transfers	376	—	—	(376)	—
Depreciation charges	(564)	(260)	(314)	—	(1,138)
Closing net book amount	11,028	4,232	961	1,300	17,521
At 31 December 2020					
Cost	20,211	4,818	1,900	1,300	28,229
Accumulated depreciation	(8,494)	(586)	(939)	—	(10,019)
Accumulated impairment	(689)	—	—	—	(689)
Net book amount	11,028	4,232	961	1,300	17,521
Year ended 31 December 2021					
Opening net book amount	11,028	4,232	961	1,300	17,521
Additions	173	—	125	450	748
Depreciation charges	(586)	(260)	(286)	—	(1,132)
Closing net book amount	10,615	3,972	800	1,750	17,137
At 31 December 2021					
Cost	20,384	4,818	2,025	1,750	28,977
Accumulated depreciation	(9,080)	(846)	(1,225)	—	(11,151)
Accumulated impairment	(689)	—	—	—	(689)
Net book amount	10,615	3,972	800	1,750	17,137

	Storage facilities	Leasehold improvements	Office equipment, motor vehicles and others	Assets under construction	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				Note (b)	
Year ended 31 December 2022					
Opening net book amount	10,615	3,972	800	1,750	17,137
Additions	—	—	73	—	73
Depreciation charges	(593)	(260)	(285)	—	(1,138)
Closing net book amount	10,022	3,712	588	1,750	16,072
At 31 December 2022					
Cost	20,384	4,818	2,098	1,750	29,050
Accumulated depreciation	(9,673)	(1,106)	(1,510)	—	(12,289)
Accumulated impairment	(689)	—	—	—	(689)
Net book amount	10,022	3,712	588	1,750	16,072

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

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Distribution expenses	549	553	618
Administrative expenses	589	579	520
	1,138	1,132	1,138

(b) As at 31 December 2020, 2021 and 2022, assets under construction mainly included upgrade of the wharf berth capacity.

15 LEASE

(a) Amounts recognised in consolidated statements of financial position

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Right-of-use assets			
Land, buildings and offices	4,681	4,259	3,837
Lease liabilities			
Current	336	353	370
Non-current	4,407	4,054	3,684
	4,743	4,407	4,054

There were no additions to the right-of-use assets during the years ended 31 December 2021 and 2022. The additions of new lease amounted to RMB912,000 and the reductions for not exercising extension options amounted to RMB452,000 during the year ended 31 December 2020.

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

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Depreciation charge of right-of-use assets	722	422	422
Interest expenses (included in finance costs)	245	224	207
Expenses relating to short-term leases (included in distribution expenses and administrative expenses)	8,943	6,127	4,297

The total cash payment for leases during the years ended 31 December 2020, 2021 and 2022 was RMB8,817,000, RMB4,879,000, and RMB6,121,000 respectively.

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

The Group leases land, buildings, 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:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Deferred income tax assets:			
— to be recovered after more than 12 months	708	733	813
Deferred income tax liabilities:			
— to be recovered after more than 12 months	(12,373)	(16,187)	(19,472)
Deferred income tax liabilities — net	(11,665)	(15,454)	(18,659)

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

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of the year	(9,349)	(11,665)	(15,454)
Tax charged to profit or loss	(2,316)	(3,789)	(3,205)
At end of the year	(11,665)	(15,454)	(18,659)

(b) The movements in deferred income tax assets and liabilities during the years ended 31 December 2020, 2021 and 2022, 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, impairment and timing difference on lease adopted	Payroll accruals	PRC withholding income tax on unremitted retained earnings of the group company in the PRC	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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)
At 1 January 2021	361	487	153	(12,373)	(293)	(11,665)
Tax credited/(charged) to profit or loss	—	21	—	(3,814)	4	(3,789)
At 31 December 2021	361	508	153	(16,187)	(289)	(15,454)
At 1 January 2022	361	508	153	(16,187)	(289)	(15,454)
Tax credited/(charged) to profit or loss	—	17	—	(3,285)	63	(3,205)
At 31 December 2022	361	525	153	(19,472)	(226)	(18,659)

17 INVESTMENT IN AND AMOUNTS DUE FROM/(TO) SUBSIDIARIES — THE COMPANY

	As at 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Non-current portions:			
— Unlisted investment, at costs (a)	72,210	72,210	72,210
— Amounts due from subsidiaries (b)	152,951	151,951	151,951
	225,161	224,161	224,161
Current portions:			
— Amounts due to subsidiaries (c)	(10,590)	(13,438)	(21,006)

(a) Investment in a subsidiary is stated at cost, which is the fair value of the consideration paid.

(b) Amounts due from subsidiaries included in non-current portions are unsecured, interest-free and repayable on demand. The Company does not expect to demand the repayment within one year.

(c) Amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

(d) Refer to Note 30 for the list of principal subsidiaries of the Group.

18 INVENTORIES

	As at 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Refined oil	72,945	14,397	118,111
Fuel oil	7,905	1,551	—
Other petrochemical products	—	26,183	6,029
	80,850	42,131	124,140

During the years ended 31 December 2020, 2021 and 2022, the cost of inventories recognised as expenses and included in "cost of sales" in profit and loss amounted to RMB1,029,732,000, RMB1,951,223,000 and RMB1,460,417,000 respectively. There was no write-down of inventory during the years ended 31 December 2020, 2021 and 2022.

19 PREPAYMENTS

	As at 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Prepayments for inventories	84,756	14,753	173,263
Others	5,577	4,651	4,668
Total prepayments	90,333	19,404	177,931
Less: non-current portion of prepayments	(4,644)	(4,194)	(4,194)
Current portion of prepayments	85,689	15,210	173,737

20 TRADE AND OTHER RECEIVABLES

	As at 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	138,974	499,491	34,306
Less: provision for impairment of trade receivables	(1,443)	(1,443)	(1,443)
Trade receivables — net	137,531	498,048	32,863
VAT recoverable	7,443	3,725	14,740
Purchase refund receivables *(note (d))*	—	—	6,812
Deposits and others *(note (c))*	2,097	3,163	7,549
Trade and other receivables	147,071	504,936	61,964

(a) Ageing analysis of trade receivables (net of provision) based on the dates when the trade receivables are recognised is as follows:

	As at 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Less than 30 days	137,358	69,346	32,703
31 days to 90 days	137	388,922	—
Over 90 days	36	39,780	160
	137,531	498,048	32,863

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, 2021 and 2022, trade receivables of RMB1,443,000, RMB1,443,000 and RMB1,443,000 were impaired and provisions were made as follows:

	Year ended 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	1,148	1,443	1,443
Provision for impairment of trade receivables	295	—	—
At end of the year	1,443	1,443	1,443

(b) Trade and other receivables were denominated in:

	As at 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
— RMB	147,024	504,892	61,920
— HK$	47	44	44
	147,071	504,936	61,964

(c) As at 31 December 2021, cash and cash equivalents of RMB2,318,000 were placed under custody of People's Court of Zengcheng District of Guangzhou City (廣州市增城區人民法院) (the "Court of Zengcheng District"). In January 2022, further cash and cash equivalents of RMB4,777,000 were placed under custody of the Court of Zengcheng District. As at 31 December 2022, cash and cash equivalents of totalling RMB7,095,000 were under custody of the Court of Zengcheng District, which were recognized as other receivables from the Court of Zengcheng District. As advised by the PRC counsel engaged by the Group, the receivables are to be returned to the Group after Nansha Court passes a judgement for the case and JTF (PRC) having fulfilled all its obligations and responsibilities resulting from the judgement (if any). Management considers these receivables are fully recoverable as the Controlling Shareholders have agreed to indemnify JTF (PRC) against any claims, liabilities, losses or other expenses arising from any disputes relating to the settlement of the Loan, and the possibility of Nansha Court to uphold the Current Creditor's allegations with regard to the settlement of the Loan against JTF (PRC) is remote. Please refer to Note 27 for details.

(d) The amount represented deposit refundable to the Group from the supplier due to the supplier could not meet the delivery schedule and the purchase contract was cancelled upon mutual agreement. The amount was subsequently refunded to the Group in January 2023.

(e) As at 31 December 2020, 2021 and 2022, the carrying amounts of each class of trade and other receivables represented the Group's maximum exposure to credit risk. The Group did not hold any collateral as security.

(f) As at 31 December 2020, 2021 and 2022, the carrying amounts of each class of trade and other receivables approximated to their fair value due to their short maturities.

21 CASH AND CASH EQUIVALENTS

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Cash at banks and cash on hand denominated in:			
— RMB	61,997	6,234	104,945
— HK$	1,698	1,571	1,500
	63,695	7,805	106,445

(a) As at 31 December 2021, the cash at banks amounting to RMB5,988,000 was frozen by the Court of Zengcheng District and it was subsequently unfrozen in January 2022, please refer to Note 27 for details.

(b) 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.

22 SHARE CAPITAL

	Note	Number of ordinary shares	Nominal value of ordinary shares HK$	Equivalent nominal value of ordinary shares RMB
Authorised:				
Ordinary shares as at 31 December 2020 and 2021		1,000,000,000	10,000,000	
Increase	(a)	1,000,000,000	10,000,000	
Balance as at 31 December 2022		2,000,000,000	20,000,000	
Issued and fully paid:				
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, 2021 and 2022		930,000,000	9,300,000	7,980,009

(a) Pursuant to the written resolutions passed by the shareholders on 11 April 2022, the authorised share capital of the Company was increased from HK$10,000,000 divided into 1,000,000,000 Shares of HK$0.01 each to HK$20,000,000 divided into 2,000,000,000 Shares of HK$0.01 each. There was no change in the issued shares during the year ended 31 December 2022.

(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.

23 OTHER RESERVES

(a) Other reserves — the Group

	Recapitalisation reserves	Share premium	Capital reserves	Statutory reserves	Safety reserves	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				Note (i)	*Note (ii)*	
At 1 January 2020	56,125	116,618	300	14,958	22,531	210,532
Issuance of shares *(Note 22(b))*	—	53,853	—	—	—	53,853
Share issuance costs	—	(1,150)	—	—	—	(1,150)
Appropriation to safety reserves	—	—	—	—	7,604	7,604
Appropriation to statutory reserves	—	—	—	2,542	—	2,542
At 31 December 2020	56,125	169,321	300	17,500	30,135	273,381
At 1 January 2021	56,125	169,321	300	17,500	30,135	273,381
Appropriation to safety reserves	—	—	—	—	4,843	4,843
Appropriation to statutory reserves	—	—	—	4,238	—	4,238
At 31 December 2021	56,125	169,321	300	21,738	34,978	282,462
At 1 January 2022	56,125	169,321	300	21,738	34,978	282,462
Appropriation to safety reserves	—	—	—	—	5,461	5,461
Appropriation to statutory reserves	—	—	—	3,650	—	3,650
At 31 December 2022	56,125	169,321	300	25,388	40,439	291,573

(i) 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.

(ii) Safety reserves

Pursuant to certain regulations issued by the Ministry of Finance and the State Administration of Work Safety of the PRC, since 14 February 2012 the Group's PRC subsidiary was required to set aside an amount to safety reserve at progressive rates from 0.2% to 4% of the total revenue of the previous year from the sales of hazardous chemical. Pursuant to the amendment of the regulations in November 2022, the range of aforesaid appropriation rates has been revised as 0.2% to 4.5%, and the PRC subsidiary can temporarily suspend the appropriation to the safety reserve when the unused monthly opening balance of the safety reserve exceeds three times of the required appropriation amount of the previous year. 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.

(b) Other reserves — the Company

	Other reserves	Accumulated losses
	RMB'000	*RMB'000*
At 1 January 2020	189,174	(22,901)
Loss for the year	—	(13,988)
Issuance of shares *(Note 22(b))*	53,853	—
Shares issuance costs *(Note 22(b))*	(1,150)	—
Others	(346)	—
As at 31 December 2020	241,531	(36,889)
At 1 January 2021	241,531	(36,889)
Loss for the year	—	(4,873)
As at 31 December 2021	241,531	(41,762)
At 1 January 2022	241,531	(41,762)
Loss for the year	—	(5,564)
As at 31 December 2022	241,531	(47,326)

24 TRADE AND OTHER PAYABLES

	As at 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Trade payables *(Note (a))*	16,243	157,030	—
Accruals for listing expenses	2,236	2,728	2,691
Accruals for staff costs and allowances	2,538	2,903	2,410
Accruals for handling charges	1,216	2,540	216
Accruals for short term lease expenses	1,089	1,808	544
Accruals for construction projects	251	251	251
Other payables	5,753	12,093	5,250
Other tax payables	264	347	3,974
Trade and other payables	29,590	179,700	15,336

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

	As at 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Less than 30 days	16,243	32,044	—
31–180 days	—	124,986	—
	16,243	157,030	—

(b) Trade and other payables were denominated in:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
— RMB	26,072	175,850	11,304
— HK$	3,518	3,850	4,032
	29,590	179,700	15,336

(c) As at 31 December 2020, 2021 and 2022, the fair values of trade and other payables approximated their carrying amounts due to their short-term maturities.

25 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 during the years ended 31 December 2020, 2021 and 2022 were as below:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Revenue recognised that was included in the contract liabilities at the beginning of the year	16,456	2,210	3,527

As at 1 January 2020, the Group recognised contract liabilities of RMB16,456,000.

26 CASH FLOW INFORMATION

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

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

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Profit before income tax	28,732	56,645	49,095
Adjustments for:			
— Depreciation *(Notes 14 and 15)*	1,860	1,554	1,560
— Changes of provision for impairment of trade receivables	295	—	—
— Finance costs/(income) — net	573	(51)	(980)
— Other losses	11	—	—
	31,471	58,148	49,675
Changes in working capital:			
— Inventories	4,892	38,719	(82,009)
— Trade and other receivables	(78,432)	(357,865)	442,972
— Prepayments	21,995	70,479	(158,527)
— Trade and other payables	18,369	150,110	(164,364)
— Contract liabilities	(14,246)	1,317	20,960
Cash (used in)/generated from operations	(15,951)	(39,092)	108,707

(b) Reconciliation of liabilities arising from financing activities

	Lease liabilities
	RMB'000
Balance as at 1 January 2020	5,021
Additions	440
Cash flows	(963)
Interest expenses on lease liabilities	245
Balance as at 31 December 2020	4,743
Balance as at 1 January 2021	4,743
Cash flows	(560)
Interest expenses on lease liabilities	224
Balance as at 31 December 2021	4,407
Balance as at 1 January 2022	4,407
Cash flows	(560)
Interest expenses on lease liabilities	207
Balance as at 31 December 2022	4,054

27 CONTINGENCIES

During the year ended 31 December 2021, it has come to the attention of the Group that, when Zengcheng City Jintaifeng Fuel Co., Ltd. (''JTF (PRC)''), an indirect wholly-owned subsidiary of the Company was still owned by its previous shareholders (the ''Former Shareholders''), JTF PRC entered into a loan agreement as debtor with the Industry and Commercial Bank of China, Zengcheng Branch (the ''ICBC Zengcheng Branch''), in May 2003 with a total borrowing amount of RMB10 million (the ''Loan''). In December 2004 the founders of the Group and current Controlling Shareholders acquired the entire equity interest of JTF (PRC) (the ''Acquisition''). Subsequent to the Acquisition, the Former Shareholders purported to cause JTF (PRC) to enter into a repayment agreement (the ''Repayment Agreement'') to confirm the outstanding balance of the Loan amounting to RMB4,208,500, with one of the Former Shareholders signing in the purported capacity of JTF (PRC)'s legal representative. The Repayment Agreement was then notarized (the ''Notarization'') by Guangdong Provincial Notary Office (廣東省公證處) on 1 February 2005. The Notarization was not authorised by the Controlling Shareholders who were the shareholders of JTF (PRC) at that time, or Ms. Huang Sizhen, the legal representative of JTF (PRC) at that time, and the Controlling Shareholders have not been informed by Former Shareholders the existence of the Loan. Subsequently between 2005 and 2020, there were several transfers of the creditor's rights to the Loan, which were also not aware of by the Controlling Shareholders or JTF (PRC).

In August 2021, the current creditor (the ''Current Creditor'') applied to People's Court of Zengcheng District of Guangzhou City (廣州市增城區人民法院) (the ''Court'') for execution of the Compulsory Enforcement Certificate. As the Court found that the Notarization was unauthorised, it ruled that both the Notarization and the Compulsory Enforcement Certificate will not be enforced in September 2021.

In October 2021, the Current Creditor applied again to the Court for, among others (i) repayment from JTF (PRC) of the full amount of the Loan and all interests and late repayment penalty relating thereto (the ''Repayment Request''); and (ii) interim preservation of JTF (PRC)'s properties prior to trial (the ''Interim Preservation''). Subsequently, the Court made an order to freeze several bank accounts of JTF (PRC) (the ''Bank Accounts''). As at 31 December 2021, JTF (PRC)'s cash and cash equivalents of approximately RMB5,988,000 were frozen, as detailed in Note 21(a).

In November 2021, JTF (PRC) made application to the Court for the unfrozen of the Bank Accounts with a replacement of certain real property (''Certain Real Property'') owned by the Controlling Shareholders and their relatives. In December 2021, the Court made a further ruling which the Bank Accounts would be unfrozen, a portion of JTF (PRC)'s bank balances amount to RMB7,095,000 would be placed under custody of the Court and Certain Real Property would be temporarily seized by the Court. The Bank Accounts were subsequently unfrozen in January 2022 and there has not been any interruption in the business of the Group which has had a material adverse effect on the Group's financial condition and results of operations as a result of the Repayment Request or the Interim Preservation.

The case was transferred to the People's Court of Nansha District of Guangzhou City (廣州市南沙區人民法院) (the "Nansha Court") pursuant to the relevant PRC laws, and two court hearing sessions were held in October 2022 and February 2023 respectively. No new evidence related to this case was proposed by the Current Creditor. Nansha Court has granted a permission to perform authentication for the Repayment Agreement and other documents related to the Loan, and court session was to be adjourned awaiting the result of authentication. Save as the above, Nansha Court has not issued any other ruling, judgment, decision or subpoena relating to the Repayment Request.

As at 31 December 2022, JTF (PRC)'s cash and cash equivalents of approximately RMB7,095,000 were placed under the custody of the Court of Zengcheng District, as detailed in Note 20(c).

Based on a legal opinion issued by a PRC counsel engaged by the Group, which have taken into consideration the Court of Zengcheng District ruling on the Notarization, the Repayment Agreement is null and void, the possibility of upholding the Current Creditor's allegations with regard to the settlement of the Loan against JTF (PRC) by the PRC courts is remote. In addition, pursuant to the agreements between the Controlling Shareholders and the Former Shareholders for the Acquisition, that all rights, obligations and taxes accrued and incurred by JTF (PRC) prior to 30 December 2004 shall be assumed and borne by the Former Shareholders. The Controlling Shareholders have also agreed to indemnify JTF (PRC) against any claims, liabilities, losses or other expenses arising from any disputes relating to the settlement of the Loan.

Based on the above, the directors of the Company are of the view that the disputes relating to the settlement of the Loan will not have a material adverse impact on the Group's business operation and financial performance.

28 CAPITAL COMMITMENTS

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

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	8,483	8,483	8,483

29 RELATED PARTY TRANSACTIONS

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

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

(b) Significant related party transactions

Apart from the disclosure in Note 9, the Group 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	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Interest expenses on lease liabilities			
— The Controlling Shareholders	201	193	185

(c) Balances with related parties

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Lease liabilities			
— The Controlling Shareholders	4,014	3,847	3,672

The balances with related parties were non-trade in nature. The Group will continue to rent the piece of land and office building located in Guangzhou City, Guangdong Province from the Controlling Shareholders upon Transfer of Listing. The lease agreement has a term from 1 April 2017 to 31 March 2037.

(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	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, wages, bonuses, welfare and other benefits	1,063	1,083	1,104
Contributions to employee social security plans	65	126	130
	1,128	1,209	1,234

30 PRINCIPAL SUBSIDIARIES OF THE COMPANY

As at the date of this report, the Company had direct or indirect interests in the following subsidiaries:

Name	**Date and place of incorporation and kind of legal entity**	**Principal activities and place of operations**	**Issued and paid-in capital/ registered capital**	**Attributable equity interest as at 31 December 2020, 2021 and 2022 and as at the date of this report**	*Note*
JTF (Hong Kong)	27 September 2012, Hong Kong, limited liability company	Investment holding in Hong Kong	HK$4 and RMB72,210,355	100%	*(i), (ii)*
JTF (PRC)	6 July 1998, 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%	*(i), (iii), (iv)*

Notes:

(i) All companies comprising the Group have adopted 31 December as their financial year end date.

(ii) The statutory financial statements of this company for the years ended 31 December 2020, 2021 and 2022 were audited by PricewaterhouseCoopers, Certified Public Accountants in Hong Kong.

(iii) No audited financial statements were issued for this company as it is not required to issue audited financial statements under the statutory requirements in the PRC during the Track Record Period.

(iv) Registered as a wholly foreign owned enterprise under PRC law.

31 SUBSEQUENT EVENT

Save as disclosed in Note 27 in this report, there were no other material subsequent events took place after 31 December 2022 and up to the date of this report.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2022 and up to the date of this report. No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2022.