Application Proof of

JTF INTERNATIONAL HOLDINGS LIMITED
金泰豐國際控股有限公司

(the "**Company**")

(Incorporated in the Cayman Islands with limited liability)

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JTF INTERNATIONAL HOLDINGS LIMITED
金泰豐國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

[REDACTED] FROM GEM TO THE MAIN BOARD of the whole of the issued share capital comprising [REDACTED] ordinary shares of par value of HK$0.01 each on THE STOCK EXCHANGE OF HONG KONG LIMITED

Stock Code on Main Board: [●]

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[REDACTED]

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This summary aims to give you an overview of the information contained in this document. As it is a summary, it does not contain all the information that may be important to you. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the Shares of the Company and read this document in its entirety.

There are risks associated with any investment. Some of the particular risks in investing in the Shares of the Company are set out in the section headed "Risk Factors" in this document. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the Shares of the Company.

OVERVIEW

Based in the Guangdong province of the PRC, our Group is principally engaged in the wholesale of oil and other petrochemical products. The oil products that we trade can be broadly categorised into (i) refined oil; (ii) fuel oil; and (iii) other petrochemical products. The following tables set forth a breakdown of our revenue contribution, sales volume, average selling price, gross profit and gross profit margin by type of trading product during the Track Record Period:

(i) Revenue

Product type	Year ended 31 December						Six months ended 30 June			
	2019		2020		2021		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
1. Sales of goods										
(i) Refined oil	1,790,014	83.6	728,805	66.2	1,334,091	65.3	623,057	57.6	365,995	91.5
— Gasoline	1,443,175	67.4	558,082	50.7	1,120,408	54.8	422,011	39.0	351,967	88.0
— Diesel	280,025	13.1	162,115	14.7	210,490	10.3	197,853	18.3	14,028	3.5
— Kerosene	66,814	3.1	8,608	0.8	3,193	0.2	3,193	0.3	—	—
(ii) Fuel oil	258,651	12.0	164,441	15.0	91,535	4.5	91,401	8.4	—	—
— Blended	257,786	12.0	121,692	11.1	90,293	4.4	90,293	8.3	—	—
— Unblended	865	0.0	42,749	3.9	1,242	0.1	1,108	0.1	—	—
(iii) Other petrochemical products	86,770	4.1	179,266	16.3	613,385	30.0	363,474	33.6	33,083	8.2
— MTBE	58,537	2.7	14,054	1.3	15,173	0.7	—	—	11,673	2.9
— Isooctane	11,813	0.6	52,008	4.7	170,612	8.4	125,284	11.6	—	—
— Mixed aromatics	—	—	51,090	4.6	355,231	17.4	181,304	16.8	—	—
— Others	16,420	0.8	62,114	5.7	72,369	3.5	56,886	5.3	21,410	5.3
Subtotal — Sales of goods	2,135,435	99.7	1,072,512	97.5	2,039,011	99.8	1,077,932	99.6	399,078	99.7
2. Service income	6,098	0.3	27,750	2.5	4,366	0.2	4,366	0.4	1,048	0.3
(i) Refined oil	6,098	0.3	25,664	2.3	3,945	0.2	3,945	0.4	—	—
— Gasoline	4,048	0.2	14,812	1.3	—	—	—	—	—	—
— Diesel	—	—	1,254	0.1	1,696	0.1	1,696	0.2	—	—
— Kerosene	2,050	0.1	9,598	0.9	2,249	0.1	2,249	0.2	—	—
(ii) Fuel oil	—	—	1,259	0.1	421	0.0	421	0.0	—	—
— Blended	—	—	—	—	—	—	—	—	—	—
— Unblended	—	—	1,259	0.1	421	0.0	421	0.0	—	—
(iii) Other petrochemical products	—	—	827	0.1	—	—	—	—	—	—
— MTBE	—	—	—	—	—	—	—	—	—	—
— Isooctane	—	—	340	0.0	—	—	—	—	—	—
— Others	—	—	487	0.1	—	—	—	—	1,048	0.3
Total	2,141,533	100.0	1,100,262	100.0	2,043,377	100.0	1,082,298	100.0	400,126	100.0

(ii) Sales volume and average selling price

	Year ended 31 December									Six months ended 30 June					
	2019			2020			2021			2021			2022		
Product type	Number of customers	Total sales volume	Average selling price *(Note)*	Number of customers	Total sales volume	Average selling price *(Note)*	Number of customers	Total sales volume	Average selling price	Number of customers	Total sales volume	Average selling price *(Note)*	Number of customers	Total sales volume	Average selling price *(Note)*
		(Tonnes)	*RMB*		*(Tonnes)*	*RMB*		*(Tonnes)*	*RMB*		*(Tonnes)*	*RMB*		*(Tonnes)*	*RMB*
1. Sales of goods															
(i) Refined oil	70	315,289	5,677	79	154,138	4,728	83	211,555	6,306	55	112,903	5,519	28	46,184	7,925
— Gasoline	15	250,955	5,751	21	116,188	4,803	18	166,483	6,730	12	69,874	6,040	6	44,236	7,957
— Diesel	51	50,909	5,501	55	35,253	4,599	65	44,097	4,773	43	42,053	4,705	22	1,948	7,200
— Kerosene	7	13,425	4,977	7	2,698	3,191	4	975	3,274	4	975	3,274	—	—	—
(ii) Fuel oil	25	67,566	3,828	8	47,799	3,440	10	27,512	3,327	9	27,491	3,325	—	—	—
— Blended	21	67,390	3,825	8	37,921	3,209	8	27,193	3,320	8	27,193	3,320	—	—	—
— Unblended	4	176	4,915	1	9,878	4,328	2	319	3,892	1	298	3,717	—	—	—
(iii) Other petrochemical products	2	17,793	4,877	4	57,143	3,137	14	127,200	4,822	10	77,679	4,679	3	4,824	6,858
— MTBE	2	11,364	5,151	1	5,041	2,788	1	3,008	5,044	—	—	—	2	1,848	6,315
— Isooctane	1	2,495	4,735	3	15,818	3,288	8	34,871	4,893	6	26,114	4,798	—	—	—
— Mixed aromatics	—	—	—	1	16,637	3,071	11	74,696	4,756	7	39,940	4,539	—	—	—
— Others	2	3,934	4,174	4	19,645	3,162	5	14,625	4,948	4	11,625	4,893	1	2,976	7,195
2. Service income															
(i) Refined oil	3	29,937	204	9	145,815	176	3	34,494	114	3	34,494	114	—	—	—
— Gasoline	1	11,117	364	5	53,529	277	—	—	—	—	—	—	—	—	—
— Diesel	—	—	—	2	6,010	209	2	13,344	127	2	13,344	127	—	—	—
— Kerosene	2	18,820	109	2	86,276	111	1	21,150	106	1	21,150	106	—	—	—
(ii) Fuel oil	—	—	—	1	11,254	112	1	4,992	84	1	4,992	84	—	—	—
— Blended	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
— Unblended	—	—	—	1	11,254	112	1	4,992	84	1	4,992	84	—	—	—
(iii) Other petrochemical products	—	—	—	3	13,957	59	—	—	—	—	—	—	—	—	—
— MTBE	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
— Isooctane	—	—	—	1	2,957	115	—	—	—	—	—	—	—	—	—
— Others	—	—	—	2	11,000	44	—	—	—	—	—	—	2	10,331	101

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

(iii) Gross profit and gross profit margin

	Year ended 31 December						Six months ended 30 June			
	2019		2020		2021		2021		2022	
Product type	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
1. Sales of goods										
(i) Refined oil	79,055	4.4	27,851	3.8	52,975	4.0	34,505	5.5	13,719	3.7
— Gasoline	68,788	4.8	28,532	5.1	43,034	3.8	26,034	6.2	13,043	3.7
— Diesel	8,827	3.2	(1,168) *(Note 1)*	(0.7) *(Note 1)*	9,731	4.6	8,261	4.2	676	4.8
— Kerosene	1,440	2.2	487	5.7	210	6.6	210	6.6	—	—
(ii) Fuel oil	8,107	3.1	7,555	4.6	2,578	2.8	2,575	2.8	—	—
(iii) Other petrochemical products	2,547	2.9	6,295	3.5	30,814	5.0	18,031	5.0	2,963	9.0
— MTBE	1,596	2.7	432	3.1	193	1.3	—	—	515	4.4
— Isooctane	378	3.2	2,119	4.1	5,525	3.2	3,306	2.6	—	—
— Mixed aromatics	—	—	1,421	2.8	23,593	6.6	13,876	7.7	—	—
— Others	573	3.5	2,323	3.7	1,503	2.1	849	1.5	2,448	11.4
Subtotal — Sales of goods	89,709	4.2	41,701	3.9	86,367	4.2	55,111	5.1	16,682	4.2
2. Service income *(Note 2)*	6,098	N.A.	27,750	N.A.	4,366	N.A.	4,366	N.A	1,048	N.A.
Total	95,807	4.5	69,451	6.3	90,733	4.4	59,477	5.5	17,730	4.4

Notes:

1. We experienced a gross loss and gross loss margin for the sales of diesel products mainly because in early 2020, most of our diesel products were sold under the sale from inventory model and at a loss due to the unprecedented drop in oil price. For details of our sales from inventory model, please refer to the section headed "Business — Business model — (ii) Sales from inventory model" in this document.
2. As service income was reported on a net basis, it was directly recognised as both our revenue and gross profit. As such, gross profit margin is not applicable for outport trades. Please refer to the table below for the service income margin of our outport trades, which is presented for illustrative purpose only.

Service income (outport trades)

The following table sets forth a breakdown of the gross income, related cost, gross profit (i.e. service income) and service income margin of outport trades during the Track Record Period:

	Year ended 31 December												Six months ended 30 June							
	2019				2020				2021				2021				2022			
Product type	Gross income	Related costs	Gross profit (i.e. service income)	Service income margin *(Note)*	Gross income	Related costs	Gross profit (i.e. service income)	Service income margin *(Note)*	Gross income	Related costs	Gross profit (i.e. service income)	Service income margin *(Note)*	Gross income	Related costs	Gross profit (i.e. service income)	Service income margin *(Note)*	Gross income	Related costs	Gross profit (i.e. service income)	Service income margin *(Note)*
	RMB'000	*RMB'000*	*RMB'000*	%	*RMB'000*	*RMB'000*	*RMB'000*	%	*RMB'000*	*RMB'000*	*RMB'000*	%	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	%	*RMB'000*	*RMB'000*	*RMB'000*	%
Refined oil	156,245	150,147	6,098	3.9	550,134	524,470	25,664	4.7	141,012	137,067	3,945	2.8	141,012	137,067	3,945	2.8	—	—	—	—
— Gasoline	61,686	57,638	4,048	6.6	239,360	224,548	14,812	6.2	—	—	—	—	—	—	—	—	—	—	—	—
— Diesel	—	—	—	—	25,900	24,646	1,254	4.8	70,308	68,612	1,696	2.4	70,308	68,612	1,696	2.4	—	—	—	—
— Kerosene	94,559	92,509	2,050	2.2	284,874	275,276	9,598	3.4	70,704	68,455	2,249	3.2	70,704	68,455	2,249	3.2	—	—	—	—
Fuel oil	—	—	—	—	46,105	44,846	1,259	2.7	24,388	23,967	421	1.7	24,388	23,967	421	1.7	—	—	—	—
Other petrochemical products	—	—	—	—	45,609	44,782	827	1.8	—	—	—	—	—	—	—	—	77,768	76,720	1,048	1.3
Total	156,245	150,147	6,098	3.9	641,848	614,098	27,750	4.3	165,400	161,034	4,366	2.6	165,399	161,033	4,366	2.6	77,768	76,720	1,048	1.3

Note: As service income was reported on a net basis, it was directly recognised as both our revenue and gross profit. As such, gross profit margin is not applicable for outport trades. The above table presenting, among others, the service income margin (calculated based on service income divided by the gross income for outport trades multiplied by 100%) of our outport trades is for illustrative purpose only.

In line with our business strategies to reduce reliance on the fuel oil market and expand our business in the refined oil market so as to capture the increasing market demand for gasoline, over the three years ended 31 December 2021, the total sales volume of our fuel oil decreased whilst the number of customers we have secured for the sale of our refined oil gradually increased. We did not sell any fuel oil for the six months ended 30 June 2022. For the three years ended 31 December 2021 and the six months ended 30 June 2022, sales of refined oil accounted for approximately 83.6%, 66.2%, 65.3% and 91.5%, respectively, of our total revenue, and sales of gasoline accounted for approximately 67.4%, 50.7%, 54.8% and 88.0%, respectively, of our total revenue. We believe that further development into the gasoline market can enhance our earning capability as gasoline products have broader end user base as compared to fuel oil and diesel products. For the six months ended 30 June 2022, our sales of refined oil decreased by 41.3% when compared to the corresponding period in 2021, because the sales volume decreased by 58.7% as a result of (i) the outbreak of the COVID-19 Omicron variant in China since late 2021 and the strict and widespread lockdown measures imposed by the PRC government in a number of major Chinese cities since late March 2022 which led to disruption to traffic and economic activities; and (ii) the drastic inflation in international oil price caused by the political crisis between Russia and Ukraine from late 2021 to early 2022, as a result of which oil market participants in general became more conservative and prudent in the trading of oils. We entered into significantly fewer sales orders for refined oil during the six months ended 30 June 2022 when compared to the corresponding period in 2021. For the six months ended 30 June 2022, we entered into 25 sales orders for refined oil whilst for the six months ended 30 June 2021, we had a total of 63 sales order for refined oil.

Our gross profit margin of refined oil decreased to 3.7% for the six months ended 30 June 2022 from 5.5% for the corresponding period in 2021. The decrease was primarily attributable to the decrease in our gross profit margin of gasoline from 6.2% for the six months ended 30 June 2021 to 3.7% for the six months ended 30 June 2022 because of the harsh market environment as a result of strict and widespread lockdown measures imposed by the PRC government in a number of major Chinese cities since late March 2022, as well as the drastic inflation in international oil price caused by the political crisis between Russia and Ukraine, which would in turn affect our Group's ability to negotiate a better term with both our customers and suppliers.

The gross profit margin of diesel experienced relatively greater fluctuation than other products during the Track Record Period. For the year ended 31 December 2019, the total sales volume of our diesel products was relatively larger, which involved trades with PRC State-owned Enterprises in bulk shipment and the gross profit margin of which was comparatively lower. For the year ended 31 December 2020, we experienced a gross loss and gross loss margin for the sales of diesel products, mainly because in early 2020, most of our diesel products were sold under the sale from inventory model and at a loss due to the unprecedented drop in oil price.

The decrease in gross profit of our Group's fuel oil products over the three years ended 31 December 2021 is largely attributable to (i) our business strategies to reduce reliance on the fuel oil market as mentioned above; and (ii) the decrease in gross profit margin from approximately 3.1% for the year ended 31 December 2019 to approximately 2.8% for the year ended 31 December 2021. We recorded a decrease of approximately RMB94.2 million for the sale of fuel oil for the year ended 31 December 2020 when compared to 2019, which was mainly due to (i) the decrease in sales volume from approximately 67,566 tonnes for the year ended 31 December 2019 to approximately 47,799 tonnes for the year ended 31 December 2020; and (ii) our limited ability to increase the selling price of oil products as compared to our purchase price under volatile market conditions due to the outbreak of the COVID-19 Pandemic.

We recorded a high gross profit margin of 9.0% for the sales of other petrochemical products for the six months ended 30 June 2022 because of the relatively high profit margin of 11.4% for the sales of petroleum mixed xylene to Guangxi Free Trade Zone Guobin Haike Petrochemical Trading Co., Ltd.* (廣西自貿區國賓海科化工貿易有限公司) ("**Guobin Haike**"), one of our five largest customers for the six months ended 30 June 2022. We were able to achieve such a high profit margin because we secured purchases of petroleum mixed xylene from Qinzhou Tianheng Petrochemical Co., Ltd.* (欽州天恒石化有限公司), one of our five largest suppliers for the year ended 31 December 2021 and the six months ended 30 June 2022, at a relatively low purchase price in early 2022 when the international oil price had just started surging as a result of the Russia-Ukraine crisis, whilst the corresponding sales contract with Guobin

Haike was only finalized in June 2022 as the process was delayed due to the sudden outbreak of the COVID-19 Omicron variant and strict lockdown measures in China since late March 2022, therefore allowing us to fix a relatively high selling price in light of the continuous inflation of oil price in the first half of 2022. The relatively high selling price also reflects the storage service we provided since we stored the batch of petroleum mixed xylene in our Gaolan Oil Depot for around three months before we delivered them to Guobin Haike.

As explained above, service income was directly recognised as both our revenue and gross profit. Our service income increased from approximately RMB6.1 million for the year ended 31 December 2019 to approximately RMB27.8 million for the year ended 31 December 2020. Our service income increased significantly for the year ended 31 December 2020 as our Group shifted to engage in relatively more outport trades for the following reasons:

- The sales cycle and payment collection cycle is shorter in general for outport trades. In light of the harsh and volatile economic environment in 2020, we adopted a more prudent approach and engaged in more outport trades to lessen the pressure on our cash flow.
- More than half of the oil products we sold under outport trades for the year ended 31 December 2020 were kerosene. Currently, only our Zengcheng Oil Depot has the appropriate and suitable facilities for the storage of kerosene. Therefore, the capacity of our Group to store kerosene was limited and most of the kerosene we sold to our customers had to be delivered to or collected by our customers directly. For better risk management under the harsh market condition in 2020, we took up more sales orders for kerosene to diversify our product mix.
- Under volatile market conditions, we would be able to stabilise our gross profit margin by keeping our inventory at a minimal level and engaging in more outport trades for which no inventory need to be maintained.
- Crude oil price was near its all-time low since 2015 in April 2020. Against such background, more sales orders which requested for delivery in one batch were placed with us as oil trading companies purchased oil products at such unprecedentedly low oil price in 2020 in anticipation of subsequent recovery of the oil market. Therefore it was more cost effective for us to deliver single batch of oil products from our suppliers to our customers directly; whereas for sales requiring delivery in several batches, it would be more cost effective for us to first ship the bulk of oil products back to our oil depots in order to arrange further logistics and apportionment for delivery in multiple batches.
- In response to the emergency measures in relation to the COVID-19 Pandemic, the operations of our oil depots were kept at a minimal functioning level. Therefore, more oil products were directly delivered to our customers without first shipping back to our oil depots.

Our service income decreased to RMB4.4 million in 2021, primarily because the general market environment had been improving as the impacts of the COVID-19 Pandemic and the drastic drop in oil price in early 2020 started to dissipate. As a result, as compared to the situation in 2020 as elaborated above, we no long had the pressing need to shift to engage in more outport trade for the year ended 31 December 2021. Our service income decreased from RMB4.4 million for the six months ended 30 June 2021 to RMB1.0 million for the six months ended 30 June 2022 because we entered into fewer sales orders in general and we sold other petrochemical products through outport trade to only two customers during the period.

Our wholesale business operations are primarily conducted through two oil depots located in Zengcheng and Gaolan Port Economic Zone, respectively, which are all within the Pearl River Delta region of Guangdong Province, the PRC. Our Zengcheng Oil Depot is mainly used for storage and trading of refined oil and fuel oil and Gaolan Port Oil Depot for storage and trading of gasoline and petrochemical products. Currently, we have leased the Gaolan Port Oil Depot from Independent Third Party. Apart from the wharf, storage tanks for oil products and tanker truck loading bays which are owned by our Group, the remaining facilities including lands and buildings at Zengcheng Oil Depot are leased from Mr. Xu and Ms. Huang. For the three years ended 31 December 2021 and the six months ended 30 June 2022, approximately 98.5%, 94.6%, 98.1% and 96.2% of our Group's revenue were derived from operations in oil depots leased from Independent Third Party landlords respectively.

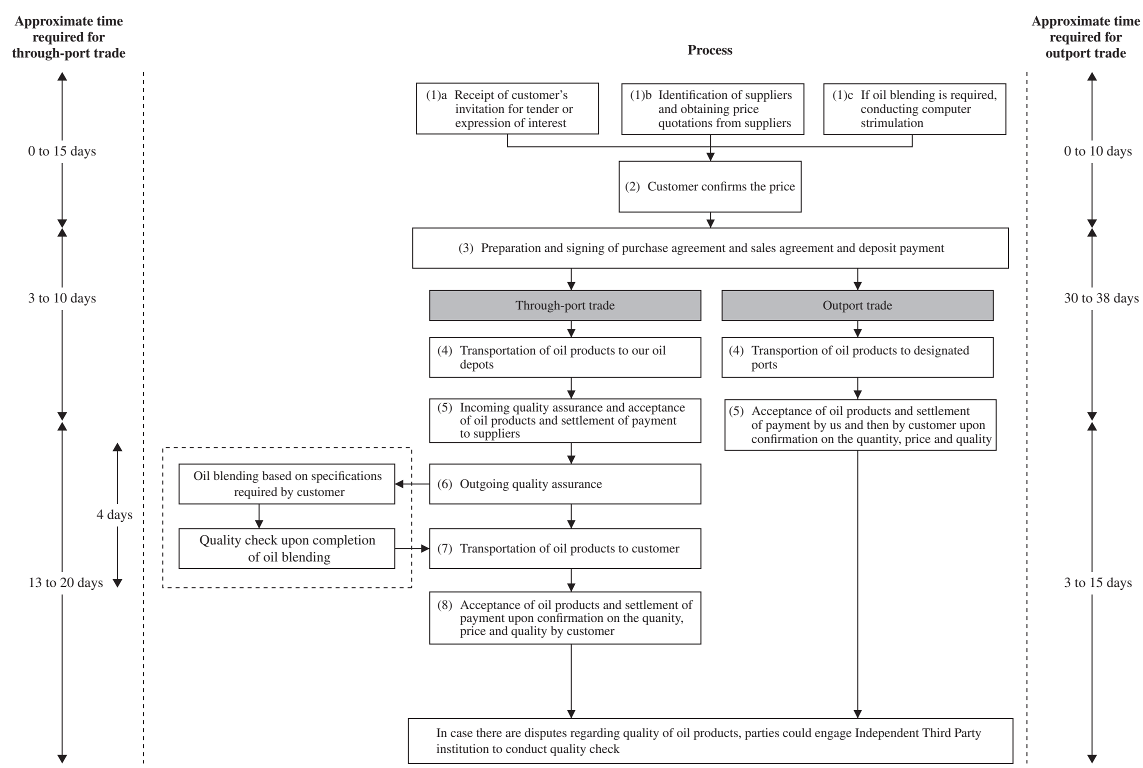
All of our Group's products are sold in the PRC with a primary focus in Guangdong Province. For the three years ended 31 December 2021 and the six months ended 30 June 2022, approximately 83.7%, 58.7%, 63.6% and 90.4%, respectively, of our total revenue were derived from customers in Guangdong Province. We have developed sound reputation in southern part of China and maintained close relationships with certain established customers and suppliers, including PRC State-owned Enterprises. For the three years ended 31 December 2021 and the six months ended 30 June 2022, our sales to PRC State-owned Enterprises amounted to approximately 58.2%, 45.3%, 57.0% and 82.5% of our total revenue respectively, and our purchases from PRC State-owned Enterprises amounted to approximately 69.5%, 28.2%, 6.2% and 17.2% of our total purchases respectively.

BUSINESS MODEL

Our sales models can be divided into two models, namely matched trade sales model (including through-port trade and outport trade) and sales from inventory model. For the three years ended 31 December 2021 and the six months ended 30 June 2022, approximately 89.6%, 95.8%, 98.1% and 96.2%, respectively, of our total revenue were generated through matched trade sales model and approximately 10.4%, 4.2%, 1.9% and 3.8%, respectively, of our total revenue were generated through sales from inventory model.

(i) Matched trade sales

Set out below is the flow chart illustrating the procedures of our matched trade sales model:



Our matched trade sales model is further subdivided into two categories: through-port trade and outport trade. If the parties opt for through-port trade, the oil products will first arrive at one of our oil depots for storage before transporting to the customer's designated location. When outport trade is chosen, we act as agent in matching suppliers and customers and settle the trade without physical delivery through our oil depots for transportation cost saving purpose. We earn service income for conducting outport trades.

(ii) Sales from inventory model

Depending on our inventory level and the requirements of our customers, we would also sell our existing stock, usually in small quantity, in our warehouses to our customers. After receipt of the specifications of oil products required by our customers, we will ascertain our inventory level for the required oil products and if we have sufficient stock (either in our inventory or is able to replenish the same for delivery of our confirmed matched trade sales) to fulfill the purchases, we will arrange to trade with those customers. Due to the small quantity transacted, the customers usually arrange for collection of the oil products at our oil depots themselves.

COMPETITIVE STRENGTHS

We believe we have the following competitive strengths:

- we adopt a comprehensive and stringent quality control system
- we benefit from our close proximity to our customers
- we are able to maintain a stable business network of suppliers and customers
- we have an experienced management team and skilled employees

For details of our competitive strengths, please refer to the section headed "Business — Our competitive strengths" in this document.

BUSINESS STRATEGIES

Our Group's key business strategies have remained unchanged since the GEM Listing.

Our primary objectives are to continue to expand our scale of operations to achieve business growth and increase our market share in the industry. We have traded in fuel oil and diesel products for over 14 years. It has been our strategy to reduce reliance on the fuel oil market. For the three years ended 31 December 2021 and the six months ended 30 June 2022, revenue from sales of fuel oil accounted for 12.0%, 15.0%, 4.5% and nil of our Group's revenue, respectively. We tried to diversify our product mix in 2020 in order to mitigate the adverse impact of the COVID-19 Pandemic and the drastic fluctuation in oil price during the year. Therefore, our sales of other petrochemical products accounted for a significant proportion of our total revenue for the year ended 31 December 2021. For the three years ended 31 December 2021 and the six months ended 30 June 2022, revenue from sales of other petrochemical products accounted for 4.1%, 16.3%, 30.0% and 8.2%, respectively, of our total revenue.

In order to realise our development plan, we have continued to carry out the upgrading, refurbishment and enhancement works in our Zengcheng Oil Depot during the Track Record Period. After the completion of such works, the wharf of our Zengcheng Oil Depot will be enlarged from 300 tonnage to 1,000 tonnage of tanker loading and our oil tank facilities in Zencheng Oil Depot will be upgraded to increase the oil flow rate so as to speed up the loading process for large oil tanker vessels. Our Group believes that through enlarging our wharf berth capacity and upgrading of oil tank facilities, we will be able to develop Zengcheng Oil Depot into an entrepot for wholesale of oil products for downstream customers located along the inland regions of Dongguan and Huizhou.

CUSTOMERS AND SUPPLIERS

Customers

Our Group has a diversified customer base in the PRC which includes private, public and PRC State-owned Enterprises in industries such as retailing, oil trading, logistics, manufacturing and oil refining. During the three years ended 31 December 2021 and the six months ended 30 June 2022, we generated revenue from a total of 93, 86, 101 and 33 customers, respectively, out of whom, 51, 51, 54 and 20 were recurring customers, representing approximately 54.8%, 59.3%, 53.5% and 60.6% of our total customers for these respective periods. We have established business relationships with our five largest customers ranging from less than a year to 11 years, all of whom are domestic customers in the PRC.

The following table sets forth a breakdown of our Group's revenue by type of customers during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2019		2020		2021		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Product type										
1. Sales of goods										
(i) Refined oil										
— Oil retailers	1,303,370	60.9	344,886	31.3	417,948	20.5	143,836	13.3	334,194	83.5
— Industrial users	23,804	1.1	8,657	0.8	8,764	0.4	3,938	0.4	3,905	1.0
— Oil traders	454,819	21.2	369,235	33.6	895,562	43.8	470,557	43.5	21,759	5.4
— Logistics companies	2,599	0.1	3,320	0.3	6,145	0.3	3,134	0.3	1,620	0.4
— Others	5,422	0.3	2,707	0.2	5,672	0.3	1,593	0.1	4,517	1.1
Subtotal — refined oil	1,790,014	83.6	728,805	66.2	1,334,091	65.3	623,057	57.6	365,995	91.5
(ii) Fuel oil										
— Oil retailers	15,381	0.7	7,805	0.7	17,196	0.9	17,196	1.5	—	—
— Oil traders	206,380	9.6	154,542	14.0	74,339	3.6	74,205	6.9	—	—
— Logistics companies	36,768	1.7	2,094	0.2	—	—	—	—	—	—
— Industrial users	123	0.01	—	—	—	—	—	—	—	—
Subtotal — fuel oil	258,651	12.0	164,441	15.0	91,535	4.5	91,401	8.4	—	—
(iii) Other petrochemical products										
— Oil traders	86,770	4.1	179,266	16.3	597,379	29.2	363,474	33.6	—	
— Oil retailers	—	—	—	—	16,006	0.8	—	—	33,083	8.2
Subtotal — other petrochemical products	86,770	4.1	179,266	16.3	613,385	30.0	363,474	33.6	33,083	8.2
Subtotal — Sale of goods	2,135,435	99.7	1,072,512	97.5	2,039,011	99.8	1,077,932	99.6	399,078	99.7
2. Service income	6,098	0.3	27,750	2.5	4,366	0.2	4,366	0.4	1,048	0.3
Total	2,141,533	100.0	1,100,262	100.0	2,043,377	100.0	1,082,298	100.0	400,126	100.0

During the Track Record Period, the major customers of our Group's refined oil products were oil trading customers and oil retailers such as gas station operators. We also sell diesel products to industrial users including manufacturers in the surrounding regions of our oil depots for furnace burning. Our Group's fuel oil products are primarily sold to oil trading customers which mainly consist of PRC State-owned Enterprises who mostly purchased blended fuel oil from us for further selling to their targeted customers. Our Group's other petrochemical products are mainly sold to trading companies.

Over the years of operations, we have established close business relationships with our customers, including PRC State-owned Enterprises. For the three years ended 31 December 2021 and the six months ended 30 June 2022, approximately 58.2%, 45.3%, 57.0% and 82.5% of our total revenue, respectively, was contributed by PRC State-owned Enterprises.

The table below sets forth the number of our customers, churned customers and customer churn rate for the Track Record Period:

	Year ended 31 December			Six months ended 30 June
	2019	**2020**	**2021**	**2022**
Total number of customers at the beginning of the relevant year/period	130	93	86	101
Total number of customers at the end of the relevant year/period	93	86	101	33
Total number of churned customers during the relevant year/period	79	42	32	81
Customer churn rate *(Note)*	70.9%	46.9%	34.2%	120.9%

Note: Customer churn rate is calculated as the total number of churned customers during the relevant year/period divided by the average of the total number of customers at the beginning of the relevant year/period and the total number of customers at the end of the relevant year/period, and multiplied by 100%.

Our customer churn rates were relatively high for the year ended 31 December 2019 because churned customers were mostly customers who made small purchases of fuel oil from us and we believe these customers reduced purchases of fuel oil due to the PRC government's increasing environmental protection and emission requirements, which was in line with the market trend as identified in the Frost & Sullivan Report.

Our customer churn rates were relatively high for the six months ended 30 June 2022. We recorded a significant decrease in number of customers because such period only covers six months and disregards customers who may enter into sales orders with us in the second half of 2022. A majority of the churned customers during the six months ended 30 June 2022 were private companies in the PRC who made small purchases of diesel or fuel oil from us. This is in line with our business strategy to reduce reliance on fuel oil and to capture more sales of gasoline as gasoline products have broader end user base as compared to fuel oil and diesel products. We did not sell any fuel oil during the six months ended 30 June 2022. Despite the relatively high customer churn rate for the six months ended 30 June 2022, up to the end of 30 September 2022, our total number of customers has increased back to 70, with 27 of them being new customers procured since 30 June 2022.

Our Directors believe that having a relatively high customer churn rate in general whilst continuously procuring new customers conform with the industry norm in the PRC oil industry. During the Track Record Period, we procured 42, 35, 47 and 13 new customers, respectively. Our Directors also believe that sustainability of the Group's business will not be materially affected in light of the significant loss in number of customers, especially in the six months ended 30 June 2022, because churned customers only contributed to a small portion of our total revenue. During the three years ended 31 December 2021 and the six months ended 30 June 2022, our recurring customers contributed to 83.5%, 64.6%, 81.8% and 87.0%, respectively, of our total revenue.

Suppliers

We make purchases from our suppliers after execution of the sales agreement or confirmation of sales order from our customers. We generally source the oil products namely gasoline, diesel, fuel oil and other petrochemical products from various suppliers (which are Independent Third Parties) to satisfy the demand of our customers. In particular for the purpose of fuel oil blending, it is necessary to source and procure different qualities and properties of oil products from diverse suppliers to meet our customers' specifications and requirements. We generally select suppliers with consideration in respect of product availability, transportation costs, product quality and suppliers' creditability.

During the three years ended 31 December 2021 and the six months ended 30 June 2022, we had purchased from a total of 18, 19, 22 and 11 suppliers, respectively. We have established business relationships with our five largest suppliers ranging from one year to seven years, all of whom are domestic suppliers in the PRC.

During the Track Record Period, all of our products were sourced from suppliers in the PRC, primarily in Guangdong and Liaoning Provinces. For the three years ended 31 December 2021 and the six months ended 30 June 2022, 23.8%, 19.5%, 18.7% and 52.0% of our purchases were sourced from suppliers in Liaoning Province respectively, while 70.2%, 76.9%, 62.1% and 21.4% of our purchases were sourced from suppliers in Guangdong Province respectively. In 2021, Liaoning Province and Guangdong Province was the second largest and third largest production base, respectively, of both gasoline and diesel in China.

KEY OPERATIONAL AND FINANCIAL DATA

The following is a summary of our operational and financial information for the Track Record Period and should be read in conjunction with our financial information in the accountant's report set out in Appendix I to this document.

Consolidated Statements of Comprehensive Income

	Year ended 31 December			Six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Revenue	2,141,533	1,100,262	2,043,377	1,082,298	400,126
Cost of sales	(2,045,726)	(1,030,811)	(1,952,644)	(1,022,821)	(382,396)
Gross profit	**95,807**	**69,451**	**90,733**	**59,477**	**17,730**
Other (losses)/gains — net	(825)	1,418	6	1	(220)
Distribution expenses	(25,175)	(20,570)	(21,791)	(11,819)	(7,431)
Administrative expenses	(12,371)	(20,699)	(12,354)	(5,645)	(5,952)
Net reversal of impairment losses/(impairment losses) on financial assets	3,221	(295)	—	—	—
Operating profit	**60,657**	**29,305**	**56,594**	**42,014**	**4,127**
Finance income	376	291	291	252	635
Finance costs	(260)	(864)	(240)	(115)	(107)
Finance income/(costs) — net	116	(573)	51	137	528
Profit before income tax	**60,773**	**28,732**	**56,645**	**42,151**	**4,655**
Income tax expense	(20,906)	(13,527)	(19,559)	(14,457)	(2,166)
Profit for the year/period	**39,867**	**15,205**	**37,086**	**27,694**	**2,489**
Other comprehensive income	—	—	—	—	—
Total comprehensive income for the year/period	**39,867**	**15,205**	**37,086**	**27,694**	**2,489**
Earnings per share					
— Basic and diluted (RMB)	7.4 cents	1.6 cents	4.0 cents	3.0 cents	0.3 cents

Our revenue decreased by approximately RMB1,041.2 million or 48.6% from approximately RMB2,141.5 million for the year ended 31 December 2019 to approximately RMB1,100.3 million for the year ended 31 December 2020.

The decrease in revenue for the year ended 31 December 2020 was mainly attributable to the decrease in number of sales orders and the decrease in the price of refined oil as impacted by the outbreak of the COVID-19 Pandemic and the drastic fall of international crude oil price since March 2020. Please refer to the section headed "Business — Impact of the COVID-19 Pandemic outbreak and drastic fluctuations in crude oil price on our business" in this document for further details.

Our revenue increased by approximately RMB943.1 million, or 85.7%, to approximately RMB2,043.4 million for the year ended 31 December 2021, when compared with the year ended 31 December 2020. Such increase was mainly attributable to (i) an increase of RMB605.3 million in the sales of our refined oil; and (ii) an increase of RMB434.1 million in the sales of our other petrochemical products. In general, our business performance in the year ended 31 December 2021 gradually improved and we were able to sell our oil at a higher average selling price as economic activities started to resume in the PRC and the adverse impacts brought about by the COVID-19 Pandemic and the drastic drop in oil price in early 2020 started to dissipate in 2021.

Our revenue decreased by 63.0% from RMB1,082.3 million for the six months ended 30 June 2021 to RMB400.1 million for the six months ended 30 June 2022. Such decrease was attributable to the significant decrease in the number of sales orders as a result of (i) the outbreak of the COVID-19 Omicron variant in China since late 2021 and the strict and widespread lockdown measures imposed by the PRC government in a number of major Chinese cities since late March 2022 which led to disruption to traffic and economic activities; and (ii) the drastic inflation in international oil price caused by the political crisis between Russia and Ukraine from late 2021 to early 2022, as a result of which oil market participants in general became more conservative and prudent in the trading of oils.

Our overall gross profit decreased by approximately 27.5% from approximately RMB95.8 million for the year ended 31 December 2019 to approximately RMB69.5 million for the year ended 31 December 2020. Our gross profit decreased over such period because our revenue decreased by 48.6% as we entered into fewer sales contracts and the average selling price of our oil products dropped as a result of the outbreak of the COVID-19 Pandemic and the drastic drop in oil price in early 2020 (please refer to the section headed "Business — Impact of the COVID-19 Pandemic outbreak and drastic fluctuations in crude oil price on our business" in this document for further details).

Our overall gross profit increased considerably by 30.6% from RMB69.5 million for the year ended 31 December 2020 to RMB90.7 million for the year ended 31 December 2021 because our revenue increased significantly by 85.7% as a result of improvement of our business performance for reasons explained above.

Our overall gross profit decreased by 70.2% from RMB59.5 million for the six months ended 30 June 2021 to RMB17.7 million for the corresponding period in 2022. Such decreased was primarily attributable to the decrease in our revenue for reasons explained above.

Our net profit decreased by RMB24.7 million from RMB39.9 million for the year ended 31 December 2019 to RMB15.2 million for the year ended 31 December 2020 mainly because of the decrease in our revenue and gross profit for reasons explained above and the increase in our administrative expenses as a result of the [REDACTED] expense of RMB[REDACTED] million incurred during the year. For the year ended 31 December 2021, our net profit increased by RMB21.9 million to RMB37.1 million. Such significant increase was attributable to the fact that our business performance significantly improved as the adverse impacts of the COVID-19 Pandemic and the drastic drop in oil price in early 2020 started to wane in 2021.

Our net profit decreased by RMB25.2 million from RMB27.7 million for the six months ended 30 June 2021 to RMB2.5 million for the corresponding period in 2022. Such decrease was primarily attributable to the significant decrease in our revenue for reasons explained above, partially offset by a decrease of RMB12.3 million income tax expense.

Highlights of our consolidated statements of cash flow

	Year ended 31 December			Six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Cash and cash equivalents at beginning of the year/period	26,699	42,580	63,695	63,695	7,805
Net cash (used in)/generated from operating activities	(29,995)	(32,403)	(55,307)	3,904	98,627
Net cash (used in)/generated from investing activities	(9,538)	(282)	(7)	102	511
Net cash generated from/(used in) financing activities	55,312	54,419	(560)	(380)	(380)
Net increase/(decrease) in cash and cash equivalents	15,779	21,734	(55,874)	3,626	98,758
Exchange differences on cash and cash equivalents	102	(619)	(16)	27	74
Cash and cash equivalents at end of the year/period	42,580	63,695	7,805	67,348	106,637

For analysis of our cash flows, please refer to the section headed "Financial Information — Liquidity and capital resources" in this document.

The following table sets forth a breakdown of our cash flows from operating activities:

	Year ended 31 December			Six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Operating profit before movement in working capital	58,875	31,471	58,148	42,787	4,905
Changes in working capital	(76,647)	(47,422)	(97,240)	(30,172)	98,384
Cash (used in)/generated from operations	(17,772)	(15,951)	(39,092)	12,615	103,289
Income tax paid	(12,223)	(16,452)	(16,215)	(8,711)	(4,662)
Net cash (used in)/generated from operating activities	(29,995)	(32,403)	(55,307)	3,904	98,627

We had negative cash flow from operating activities for the three years ended 31 December 2021, which was mainly attributable to adjustments for movements in working capital. For the year ended 31 December 2019, the decrease in working capital was mainly attributable to (i) an increase in prepayments of RMB68.4 million; and (ii) an increase in inventories of RMB20.0 million. For the year ended 31 December 2020, the decrease in working capital was mainly attributable to (i) an increase in trade and other receivables of RMB78.4 million; and (ii) a decrease in contract liabilities of RMB14.2 million. For the year ended 31 December 2021, the decrease in working capital was mainly attributable to an increase in trade and other receivables of RMB357.9 million, partially offset by an increase in trade and other payables of RMB150.1 million. Our trade receivables of RMB460.7 million as at 31 December 2021 were due from four major customers who made purchases from us close to year end or delayed setting the invoices with us due to their prudent credit policy adopted. All of the net trade receivables due from such four major customers had been subsequently settled in 2022. Such fluctuations of working capital depend much on the timing of sales towards period ends and on the prepayment terms we negotiate with our suppliers and customers. Our management would closely monitor and regularly evaluate our cash flows, as well as review our working capital forecast to ensure our cash flow position remains healthy. We also manage our borrowings carefully. We had not obtained any bank facilities during the Track Record Period, but would constantly review our need to obtain bank borrowings to finance our working capital.

For the six months ended 30 June 2022, we recorded a cash inflow of RMB98.6 million from operating activities, which was primarily attributable to a decrease of RMB415.9 million in trade and other receivables.

Our Directors are of the view that the measures described below would enable us to improve our liquidity position in view of the net operating cash outflows for the three years ended 31 December 2021:

(a) closely and continuously monitor our net current assets position. Our net current assets improved for the three years ended 31 December 2021 from RMB265.0 million as at 31 December 2019 to RMB338.8 million as at 31 December 2020 and further to RMB380.6 million as at 31 December 2021;

(b) conduct credit assessments on our new customers, such as their background, reputation and financials, upon customer acceptance; and

(c) follow up on the overdue trade receivables including (i) actively communicate with customers on the settlement dates; (ii) update their results of credit assessment if there are material changes on their operations or credit worthiness; (iii) make adequate provisions for irrecoverable amounts; and (iv) take appropriate legal actions if necessary.

We have also adopted treasury policies to manage our daily expenses and cash withdrawals, so as to ensure our working capital would be utilised efficiently. For bookkeeping and monitoring purposes, all receipts and withdrawals are recorded in our daily cash flow record. Detailed policies were also implemented to closely monitor our receivables and payables. We would better utilise different payment terms through negotiation to optimise payment schedules under contracts with our suppliers to match our collection of payments from our customers.

Highlights of our consolidated statements of financial position

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets	304,940	377,305	570,082	430,650
— Inventories	85,742	80,850	42,131	103,936
— Prepayments	107,684	85,689	15,210	131,006
— Trade and other receivables	68,934	147,071	504,936	89,071
— Cash and cash equivalents	42,580	63,695	7,805	106,637
Current liabilities	39,920	38,526	189,525	46,978
— Trade and other payables	11,221	29,590	179,700	15,154
— Contract liabilities	16,456	2,210	3,527	28,193
— Lease liabilities	612	336	353	362
— Current income tax liabilities	11,631	6,390	5,945	3,269
Net current assets	265,020	338,779	380,557	383,672
Non-current assets	28,388	27,554	26,323	25,632
Non-current liabilities	14,442	16,780	20,241	20,176
Total equity	278,966	349,553	386,639	389,128

Our Group's net current assets increased from RMB265.0 million as at 31 December 2019 to RMB338.8 million as at 31 December 2020. The increase of RMB73.8 million was mainly attributable to the increase in trade and other receivables of approximately RMB78.1 million. Our Group's net current assets increased from RMB338.8 million as at 31 December 2020 to RMB380.6 million as at 31 December 2021. The increase of RMB41.8 million was mainly attributable to the increase in trade and other receivables of RMB357.9 million, partially offset by (i) an increase in trade and other payables of RMB150.1 million; (ii) a decrease in prepayments of RMB70.5 million; and (iii) a decrease in cash and cash equivalents of RMB55.9 million. Our net current assets then increased slightly by RMB3.1 million primarily because we recorded (i) a decrease of RMB164.5 million in trade and other payables; (ii) an increase of RMB115.8 million in prepayments; (iii) an increase of RMB98.8 million in cash and cash equivalents; and (iv) an increase of RMB61.8 million in inventories, partially offset by a decrease of RMB415.9 million in trade and other receivables.

Our Group's trade and other receivables increased by approximately RMB78.1 million, or 113.4% from approximately RMB68.9 million as at 31 December 2019 to approximately RMB147.1 million as at 31 December 2020. The increase was mainly attributable to the increase in net trade receivables due to the increase in sales for certain major customers under both outport and through-port trades close to year end. All of the net trade receivables due from the three major customers that contributed to approximately 81.2% or RMB111.7 million of the trade receivables as at 31 December 2020 had been subsequently settled in 2021. Our Group's trade and other receivables increased by approximately RMB357.9 million, or 243.3% from approximately RMB147.1 million as at 31 December 2020 to approximately RMB504.9 million as at 31 December 2021. The increase was primarily attributable to the increase in our trade receivables. As at 31 December 2021, approximately RMB320.6 million were due from our PRC State-owned Enterprise customers and approximately 92.5% or RMB460.7 million were due from four major customers who made purchases from us close to year end or delayed settling the invoices with us due to their prudent credit policy adopted. All of the net trade receivables due from such four major customers had been subsequently settled in 2022. Our trade and other receivables decreased by RMB415.9 million, or 82.4%, from RMB504.9 million as at 31 December 2021 to RMB89.1 million as at 30 June 2022. Such decrease was primarily attributable to the decrease of RMB445.5 million in our trade receivables, which was in line with the decrease in our revenue for the six months ended 30 June 2022. Our trade receivables were due from 17 customers as at 30 June 2022, compared to 27 customers as at 31 December 2021.

Our Group's inventories decreased slightly by approximately RMB4.8 million, or 5.6% from approximately RMB85.7 million as at 31 December 2019 to approximately RMB80.9 million as at 31 December 2020. The change in our inventories level was mainly attributable to the decrease of fuel oil inventories due to our sales of products delivered before 31 December 2020. Our inventory decreased by

RMB38.7 million, or 47.9%, from RMB80.9 million as at 31 December 2020 to RMB42.1 million as at 31 December 2021. The decrease was primarily attributable to the decrease in refined oil inventories of RMB58.5 million due to our sales of products delivered before 31 December 2021, partially offset by the increase of RMB26.2 million in inventories of other petrochemical products. Our inventory increased by RMB61.8 million, or 146.7%, from RMB42.1 million as at 31 December 2021 to RMB103.9 million as at 30 June 2022 because our refined oil inventories increased by RMB61.6 million. The refined oil inventories consisted mostly of gasoline to cope with the expected rise in the demand for and market price of gasoline in the remainder of 2022.

As at 31 December 2019, 2020, 2021 and 30 June 2022, our prepayments amounted to approximately RMB112.3 million, RMB90.3 million, RMB19.4 million and RMB135.2 million respectively. Such fluctuation over the Track Record Period was mainly due to the difference in prepayment terms agreed with different suppliers. We recorded a relatively large amount of prepayments for inventories of RMB106.9 million as at 31 December 2019 because RMB75.9 million of prepayments for inventories we paid to Liaoning Baolai Group, one of our five largest suppliers throughout the Track Record Period, was not realised as at year end. We also recorded a large amount of current prepayments in the amount of RMB131.0 million as at 30 June 2022, because we made prepayment for inventories to a total of five suppliers, three of whom were our five largest suppliers during the period. Up to 31 October 2022, all of our Group's prepayments for inventories as at 30 June 2022 had been subsequently utilised and the corresponding inventories had been delivered to our customers.

Our cash and cash equivalents increased by RMB21.1 million from RMB42.6 million as at 31 December 2019 to RMB63.7 million as at 31 December 2020 because we completed a [REDACTED] in January 2020 with [REDACTED] of RMB[REDACTED] million, partially offset mainly by net cash used in operating activities of RMB32.4 million. Our cash and cash equivalents then decreased to RMB7.8 million as at 31 December 2021 primarily because we recorded net cash used in operating activities of RMB55.3 million for the year. Our cash and cash equivalents increased by RMB98.8 million from RMB7.8 million as at 31 December 2021 to RMB106.6 million as at 30 June 2022 primarily because we recorded net cash generated from operating activities of RMB98.6 million.

Our trade and other payables increased by approximately RMB18.4 million from approximately RMB11.2 million as at 31 December 2019 to approximately RMB29.6 million as at 31 December 2020. The increase was mainly due to the increase in (i) trade payables of approximately RMB14.8 million; and (ii) the accruals for [REDACTED] expenses of approximately RMB[REDACTED] million, which was offset by the decrease in other payables of approximately RMB1.5 million. Our trade and other payables increased by approximately RMB150.1 million from approximately RMB29.6 million as at 31 December 2020 to approximately RMB179.7 million as at 31 December 2021. The increase was primarily attributable to the increase in trade payables of approximately RMB140.8 million and increase in other payables of RMB6.3 million. Our trade payables increased to approximately RMB157.0 million as at 31 December 2021 mainly because we had a total of RMB135.5 million of trade payables due to two of our five largest suppliers for the year ended 31 December 2021, from whom we made purchases close to year end. Our trade and other payables decreased by RMB164.5 million from RMB179.7 million as at 31 December 2021 to RMB15.2 million as at 30 June 2022. The decrease was primarily attributable to the decrease in trade payables of RMB157.0 million, which was mainly due to our timely settlement with major suppliers up to the end of the reporting period.

Our contract liabilities decreased from approximately RMB16.5 million as at 31 December 2019 to approximately RMB2.2 million as at 31 December 2020 and subsequently increased slightly to approximately RMB3.5 million as at 31 December 2021 and then increased to RMB28.2 million as at 30 June 2022. The fluctuation was mainly attributable to the difference in prepayment terms agreed with various customers. We recorded a relatively large amount of contract liabilities as at 31 December 2019 because we received RMB10.0 million from Jin Sheng but the corresponding oil products had not been delivered as at year end. We also recorded a large amount of contract liabilities as at 30 June 2022 because we received cash from more customers (i.e. 13 customers) for which goods had not been delivered as at period end. As at 31 December 2019, 2020 and 2021, such number of customers were six, six and two respectively.

For analysis of our financial positions, please refer to the section headed "Financial Information — Discussion on major items of the consolidated statements of financial position" in this document.

KEY FINANCIAL RATIOS

	As at 31 December			As at 30 June
	2019	2020	2021	2022
Current ratio	7.6	9.8	3.0	9.2
Quick ratio	2.8	5.5	2.7	4.2
Gearing ratio	—	—	—	—
Debt to equity ratio	(15.3)%	(18.2)%	(2.0)%	(27.4)%

	Year ended 31 December			Six months ended 30 June
	2019	2020	2021	2022
Return on equity	14.3%	4.3%	9.6%	0.6%
Return on assets	12.0%	3.8%	6.2%	0.5%
Net profit margin	1.9%	1.4%	1.8%	0.6%

For analysis of our financial ratios, please refer to the section headed "Financial Information — Key financial ratios" in this document.

SUSTAINABILITY OF OUR BUSINESS

Impact of the COVID-19 Pandemic and the drastic fluctuation in oil price

The outbreak of the COVID-19 Pandemic and the drastic drop in oil price in early 2020 have affected our revenue and financial performance for the year ended 31 December 2020. Economic activities were almost brought to a halt in China from January 2020 to March 2020 due to the outbreak of the COVID-19 Pandemic. As our Group's major operating entity is domiciled in China and our revenue was solely derived from the market in China, the number of sales contracts that we entered into dropped significantly during such period. In addition, in the first half of 2020, the international market oil price experienced a plummet after OPEC's failure to strike a deal with its allies on the output cut in March 2020 and Saudi Arabia's reaction intensified the situation by way of cutting oil prices and boosting production. The global outbreak of the COVID-19 Pandemic also restrained the demand for crude oil, which further intensified oil supply and demand imbalance. Please refer to the section headed "Business — Impact of the COVID-19 Pandemic outbreak and drastic fluctuation in crude oil price on our business" in this document for further details.

As a result of the aforementioned unprecedented volatile market conditions, our total sales volume (excluding outport trade) decreased by approximately 35.3% from 400,648 tonnes for the year ended 31 December 2019 to 259,079 tonnes for the year ended 31 December 2020. As economic activities were almost brought to a halt in China in the first quarter of 2020, the number of sales contracts that we entered into dropped significantly during such period. Moreover, for the year ended 31 December 2020, the average selling price of our refined oil dropped by 16.7% while that of other petrochemical products dropped by 35.7% when compared to those for the year ended 31 December 2019. Our management believe that, based on their industry experience, our customers' tolerance for price increase would be at a relatively low level under great market volatility, therefore our ability to increase the selling price as compared to the purchase price of our products was limited even though we adopt a cost-plus pricing policy.

The Russia-Ukraine crisis since late 2021 and the nation-wide strict lockdown measures imposed by the Chinese government in the second quarter of 2022 in response to the outbreak of the COVID-19 Omicron variant also adversely affected our revenue and financial performance for the six months ended 30 June 2022. Because of the harsh and volatile economic environment during such period, oil market participants in general became more conservative and prudent in the trading of oils. Our revenue decreased by 63.0% from RMB1,082.3 million for the six months ended 30 June 2021 to RMB400.1 million for the six months ended 30 June 2022, which was attributable to the significant decrease in the number of sales orders that we entered into.

Although we are inevitably exposed to the risk of oil price fluctuation, to mitigate the potential adverse impacts on our Group brought about by a future drop in the international oil price, we will continue to:

(a) adopt a cost-plus pricing policy, which takes into account our cost of sales and targeted margin to ensure we can meet our target profit margin. However, our adoption of a cost-plus pricing policy could not completely eliminate the adverse impacts of volatile market condition and there is no guarantee that we could always meet our target profit margin. For example, as a result of the drastic drop in oil price and the outbreak of the COVID-19 Pandemic in 2020, our overall gross profit margin (excluding service income) decreased from 4.2% for the year ended 31 December 2019 to 3.9% for the year ended 31 December 2020. Therefore, in times of volatile market condition, we would take a comprehensive approach and in addition to adopting a cost-plus pricing policy, we would also adopt measures discussed below to mitigate the adverse impacts;

(b) maintain a flexible inventory level, and if the oil price is fluctuating, minimize inventory and engage in more outport trades for which no inventory need to be maintained. Oil price fluctuations would adversely affect the gross profit margin of our products, especially those sold under our sales from inventory model, since our ability to raise the selling price against the purchase price would be limited. For example, we experienced a gross loss margin for the sales of diesel in the year ended 31 December 2020 as most of such sales in early 2020 were under the sale from inventory model and sold at a loss due to the unprecedented drop in oil price. As such, when oil price fluctuates drastically, we would be able to stabilise our gross profit margin by lowering our inventory level and engage in more outport trades; and

(c) diversify our product mix in times of harsh market environment to widen our revenue source. The domestic demand for and market price of one particular oil product may be less susceptible to a drop in international oil price than that of another oil product. Having a diversified product mix allows our Group the flexibility to respond to market changes.

Please refer to the section headed "Business — Customers, sales and marketing — Limited exposure to oil price volatility" in this document for further details.

Sustainability of our business

Notwithstanding the above impacts of the COVID-19 Pandemic and the drastic fluctuation in crude oil price, we believe our business is sustainable based on the following reasons:

(i) Our Directors believe that, based on information up to the Latest Practicable Date, the impact of the COVID-19 Pandemic is only temporary and would not result in a material or long term disruption to our business operations because (a) our revenue are mainly derived from customers in Guangdong Province where economic activities have largely resumed; (b) according to the Frost & Sullivan Report, the demand for blended fuel oil (which is normally consumed as the fuel of large-scale shipping vessels and industrial furnaces) in PRC and Guangdong Province is estimated to be further stimulated in the future along with growing capacity of water transportation as well as the PRC's national strategy of the construction of Guangdong-Hong Kong-Macao Greater Bay Area. While the demand for blended fuel oil might have been hindered by the global outbreak of the COVID-19 Pandemic in 2020, it is forecasted to gradually resume and maintain at a stable level in the following years after 2021; (c) as at the Latest Practicable Date, we have not encountered any difficulty in sourcing oil products from our suppliers due to outbreak of the COVID-19 Pandemic, and according to the Frost & Sullivan Report, the COVID-19 Pandemic did not have much influence on domestic crude oil production in China under PRC government's strong policy support on domestic production resumption; and (iv) as at the Latest Practicable Date, no contract for the sales of our products or services has been terminated due to the COVID-19 Pandemic and none of our customers who had entered into contracts with us before the outbreak of the COVID-19 Pandemic have terminated their contracts with us after the outbreak.

(ii) Our management believes that although the COVID-19 Pandemic will likely persist in the foreseeable future, the adverse impacts of the pandemic will gradually wane as economic activities resume to normal. During the year ended 31 December 2021, our business performance gradually improved, as indicated by (i) a significant increase of RMB943.1 million, or 85.7%, in our revenue; and (b) a considerable increase of RMB21.3 million, or 30.6%, in our gross profit, when compared to 2020. Such increases were mainly attributable to the fact that the oil market has been gradually recovering since the drastic drop in oil price in early 2020, we were able to sell our oil at a higher selling price in general during 2021. For example, the average selling price of our refined oil sold during the year ended 31 December 2021 amounted to RMB6,306 per tonne, as compared to RMB4,728 per tonne for the year ended 31 December 2020. According to the Frost & Sullivan Report, the average market price of refined oil increased from RMB5,026 per tonne for the year ended 31 December 2020 to RMB6,606 per tonne for the year ended 31 December 2021, in particular, the average market price of gasoline increased by 34.3% from RMB5,803 per tonne to RMB7,792 per tonne over the same periods. In addition, although our business performance in the six months ended 30 June 2022 was adversely affected by the Russia-Ukraine crisis and the outbreak of the COVID-19 Omicron variant, our business performance improved in July 2022. Our monthly sales volume (including outport trades) for July 2022 amounted to 29,708 tonnes, representing an increase of 19,485 tonnes or 190.6% when compared to the average monthly sales volume (including outport trades) of 10,223 tonnes for the six months ended 30 June 2022, or an increase of 9,485 tonnes or 46.9% when compared to the monthly sales volume (including outport trades) of 20,223 tonnes for the corresponding month in 2021.

(iii) To mitigate the effect of this adverse economic environment in the short run, during 2020, our Group shifted to engage in more outport trades for which we do not have to maintain inventory. For the year ended 31 December 2019 and the year ended 31 December 2021, service income accounted for 0.3% and 0.2%, respectively, of our total revenue. Service income from outport trades amounted to approximately RMB27.8 million, accounting for approximately 2.5% of our total revenue for the year ended 31 December 2020. During the three years ended 31 December 2021, gross profit from our outport trades accounted for approximately 6.4%, 40.0% and 4.8% respectively of our total gross profit. Meanwhile, the average monthly sales volume of outport trades services amounted to approximately 14,252 tonnes for the year ended 31 December 2020, compared to 2,495 tonnes for the year ended 31 December 2019. Although we shifted to engage in more outport trades in 2020, we expect that through-port trades will remain as our principal business model because we normally enjoy a higher gross profit margin for through-port trades (as compared with the service income margin for outport trades) due to our ability to make bulk purchases from our suppliers and, as our Directors believe, our customers' general willingness to pay more for through-port trades as we provide storage services which offer them greater flexibility in collecting the oil in various batches. Generally, we would apportion one bulk shipment from a supplier to fulfil the orders, usually of smaller quantity, from various customers purchasing the same products. As such, after collection of the bulk shipment from our suppliers, we would need to transport the oil back to our own oil depots in order to arrange for apportionment and logistics as different orders may have different delivery terms. During the Track Record Period, our gross profit margin of sales of goods (including through-port trades and sales from inventory) were 4.2%, 3.9%, 4.2% and 4.2% respectively while the service income margin of outport trades were 3.9%, 4.3%, 2.6% and 1.3% respectively. For the reasons behind such relatively high service income margin for the year ended 31 December 2020, please refer to the section headed "Financial Information — Discussion on major items of the consolidated statements of comprehensive income — Gross profit and gross profit margin — Service income (outport trades)" in this document.

(iv) We have been expanding into the gasoline market in Guangdong Province, which has considerable growth potential. According to the Frost & Sullivan Report, from 2016 to 2021, consumption of gasoline in Guangdong Province increased at a CAGR of 3.0%, and will continue to increase at a CAGR of 2.8% from 2021 to 2026 which is contributed by various market drivers such as the growing automobile population and the potential development of industry in Guangdong Province. As a result of our continuous effort in expanding into the gasoline market, our number of customers for gasoline products increased from 15 for the year ended 31 December 2019 to 21 for the year ended 31 December 2020. Meanwhile, our Group's sales of gasoline increased from RMB558.1 million for the year ended 31 December 2020 to RMB1,120.4 million for the year ended 31 December 2021. For further details of such business strategy, please refer to the section headed "Business — Our business strategies — market profile".

(v) We are in the process of upgrading our Zengcheng Oil Depot and will develop it into a logistic and storage point to better accommodate our business strategy to expand into the gasoline market in Guangdong Province. We believe given the prime location of our Zengcheng Oil Depot, i.e. near the Dong River which is connected to a number of neighbouring cities in Guangdong Province, we will be able to better serve our customers in terms of delivery time, and to further lower our transportation costs, thereby improving our business and financial performance.

(vi) During the two years ended 31 December 2020, our cash inflow mainly came from the [REDACTED] of the GEM Listing, the [REDACTED] of our Company in June 2019 and the [REDACTED] to Thrive Shine and Thrive Era in January 2020. We generated net cash used in operating activities for the three years ended 31 December 2021, which was mainly because of the fluctuations in the amounts of (a) prepayments paid by us to our suppliers; (b) prepayments paid to us by our customers; and (c) trade and other receivables, close to the respective year ends. As such fluctuations depend much on the timing of sales towards period ends and on the prepayment terms we negotiate with our suppliers and customers, we believe our business sustainability would not be hindered merely because we recorded net cash outflow from operating activities in the past. For the six months ended 30 June 2022, we recorded a cash inflow of RMB98.6 million from operating activities.

(vii) To mitigate the expected slowdown of growth of the refined oil trading market in Guangdong Province from a CAGR of 1.6% from 2016 to 2021 to a CAGR of 0.5% from 2021 to 2026, if we cannot capture further demand for refined oil, our Group retains the flexibility to diversify its product mix in order to maintain our business sustainability. This is reflected by the increase in the sales volume and contribution to total revenue of other petrochemical products for the three years ended 31 December 2021. The total sales volume of petrochemical products was 17,793 tonnes, 71,100 tonnes and 127,200 tonnes for the years ended 31 December 2019, 2020 and 2021 respectively. Revenue from other petrochemical products accounted for 4.1%, 16.3% and 30.0% of our total revenue for the years ended 31 December 2019, 2020 and 2021 respectively. Having a mix of oil products for generating revenue, our Directors believe that the slowdown of the growth of the refined oil trading market would not have any material impact on the business sustainability of our Group.

RECENT DEVELOPMENT

Since the GEM Listing and up to the Latest Practicable Date, there were no material acquisitions and disposals of subsidiaries, associates or joint venture of our Group.

Our business and revenue model and cost structure remained largely unchanged subsequent to the Track Record Period and up to the Latest Practicable Date.

Since June 2022, despite that a number of Chinese cities continued to be subject to partial or full lockdown measures, the PRC government has been gradually easing the city-wide strict lockdown measures in major Chinese cities, such that businesses and transportation could gradually resume operations. Since August 2022, in Guangzhou, additional restrictions have been imposed on districts experiencing a rise in COVID-19 cases, whereas in Shenzhen, there has been a phased easing of COVID-19 restrictions since early September 2022, allowing communities without any new confirmed COVID-19 cases to be at their normal state. As a result of the gradually easing lockdown measures as compared to the first half of 2022, our Group could resume negotiations of sales contracts and deliver our oil products and services to our customers since July 2022. Notwithstanding the adverse impact of the Ukraine crisis and the outbreak of the COVID-19 Omicron variant which has led to a decrease in our Group's sales volume for the six months ended 30 June 2022 and the constantly changing lockdown policies and other COVID-19 restrictions imposed by the PRC government, our Directors believe that such impact is only temporary and there is no material or long term disruption to our business operations, as reflected by our Group's significantly improved performance in the third quarter of 2022. Our average monthly sales volume (including outport trades) for the three months ended September 2022 amounted to 35,988 tonnes, representing an increase of 25,765 tonnes or 252.0% when compared to the average monthly sales volume (including outport trades) of 10,223 tonnes for the six months ended 30 June 2022, or an increase of 14,176 tonnes or 65.0% when compared to the average monthly sales volume (including outport trades) of 21,812 tonnes for the corresponding period in 2021. For the nine months ended 30 September 2022, our revenue amounted to approximately RMB936.0 million, representing a decrease of RMB540.3 million or 36.6% when compared to that of the corresponding period in 2021. For the nine months ended 30 September 2022, our gross profit amounted to approximately RMB48.6 million, representing a decrease of RMB22.9 million or 32.1% when compared to that of the corresponding period in 2021. The decrease in revenue and gross profit for the nine months ended 30 September 2022 was mainly attributable to the adverse impact of the Ukraine crisis and the outbreak of the COVID-19 Omicron variant in the first half of 2022 as mentioned above. Despite the above, attributable to the aforementioned easing lockdown measures in major Chinese cities and the recovery of businesses and transportation in the PRC during the third quarter of 2022, our Group recorded revenue and gross profit of approximately RMB535.9 million and RMB30.9 million for the three months ended 30 September 2022, representing an increase of 36.0% and 155.8% comparing with the corresponding period in 2021, respectively. As seen from the notable improvement in our business performance in the third quarter of 2022, our Directors believe that the impact of the Ukraine crisis and the lockdown measures in China is only temporary and would not have a material adverse impact on the business sustainability of our Group.

Our Directors expect that the gross profit, gross profit margin and net profit of our Group will decrease for the year ending 31 December 2022 after taking into account (i) the impacts of the Ukraine crisis and the COVID-19 Pandemic variant (Omicron); (ii) the impact of the COVID-19 lockdown measures in China; and (iii) the estimated [REDACTED] expenses in relation to the [REDACTED]. It is expected that our costs of oil products will increase for the year ending 31 December 2022 due to the unstable oil prices brought about by the Ukraine crisis, which would in turn affect our Group's ability to negotiate a better term with both our customers and suppliers. However, our Directors believe that the adverse impacts of the Ukraine crisis, the COVID-19 Pandemic variant (Omicron) and the COVID-19 lockdown measures in China would be short term and would not have any material long term effect on the market demand and consumption of oil products in the PRC.

For the estimated [REDACTED] expenses in relation to the [REDACTED], please refer to the section headed "Financial Information — [REDACTED] expenses" in this document for further details.

Save as disclosed above, there has been no material adverse change in the financial and trading position or prospects of our Group since 30 June 2022 and that there has been no event since the Latest Practicable Date that would affect the information shown in the accountant's report set out in Appendix I to this document. Our financial information for the nine months ended 30 September 2022 has been reviewed by our reporting accountant in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. For further details, please refer to the section headed "Financial Information of our Group for the nine months ended 30 September 2022"in Appendix IA to this document. Our Directors consider that all information necessary for the investing public to make an informed judgement as to the business activities and financial position of our Group has been included in this document.

[REDACTED] FROM GEM SHARE OFFER

The [REDACTED] from the GEM Share Offer, net of [REDACTED] [REDACTED] and relevant expenses, amounted to approximately RMB[REDACTED] million. An analysis of the utilisation of the [REDACTED] from the GEM Share Offer up to the Latest Practicable Date is set out below:

	[REDACTED] to be applied in the percentage allocation stated in the GEM Prospectus *(RMB'000)*	Accumulated actual use of [REDACTED] up to 30 June 2022 *(RMB'000)*	Accumulated actual use of [REDACTED] up to the Latest Practicable Date *(RMB'000)*	Unutilised amount of [REDACTED] up to the Latest Practicable Date *(RMB'000)*
Upgrading of the wharf berth capacity at Zengcheng Oil Depot	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Refurbishment of oil tanks, pipelines and other oil depot facilities at Zengcheng Oil Depot	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

The business objectives, future plans and planned [REDACTED] as stated in the GEM Prospectus were based on the best estimate of the future market conditions made by our Group at the latest practicable date of the GEM Prospectus. As at the Latest Practicable Date, our Group has applied the [REDACTED] from the GEM Share Offer according to the plans disclosed in the section headed "Future Plans and [REDACTED]" in the GEM Prospectus despite experiencing certain delay when compared to the planned schedule. Such schedule has been delayed mainly because (i) we incurred additional time to identify a suitable main contractor, as the operation of our Zengcheng Oil Depot involve dangerous goods, relatively more stringent criteria were adopted in identifying a suitable main contractor who has similar experience in wharf berth capacity upgrading works; and (ii) there was a delay in the processs of approval by the relevant government authorities, which our Directors believe was attributable to the outbreak of the COVID-19 Pandemic. It is expected that all construction works relating to the upgrade of our Zengcheng Oil Depot will be completed by the first half of 2023. The [REDACTED] was applied in accordance with the actual development of the market. Our Group will continue to apply the [REDACTED] from the GEM Share Offer in accordance with the [REDACTED] allocation set out in the GEM Prospectus.

Our Directors will from time to time assess our Group's business objectives and [REDACTED] to ensure it is able to execute its business strategies and cope with changing market conditions.

PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2022

Forecast consolidated profit attributable to owners of our Company
for the year ending 31 December 2022 .... not less than RMB[REDACTED] million
(approximately HK$[REDACTED] million)

The Directors believe that, on the bases and assumptions set out in the Profit Forecast in Appendix III to this document and in the absence of unforeseen circumstances, our forecast consolidated net profit attributable to owners of the Company for the year ending 31 December 2022 is unlikely to be less than RMB[REDACTED] million. The profit forecast has been prepared by the Directors based on the audited consolidated results of our Group for the six months ended 30 June 2022, the unaudited consolidated results of our Group for the four months ended 31 October 2022 and a forecast of the consolidated results of our Group for the remaining two months ending 31 December 2022. The forecast has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by our Group as set out in Note 2 of the Accountants' Report, the text of which is set out in Appendix I to this document.

There can be no assurance that such estimates will ultimately be realized, or if not realized, that the failure to realize such results will not have a material and adverse impact on our financial condition or results of operations.

REASONS FOR THE [REDACTED]

Our Board believes that the [REDACTED] will enhance the corporate profile and public recognition of our Company. This will in turn enhance the business prospects of our Group and add to its competitive strength in attracting, retaining and augmenting our Group's qualified staff and client base. Our Board also expects that the Main Board trading platform will lead to a larger investor base of our Company and greater trading liquidity of our Shares. All of these factors will ultimately contribute to increasing shareholder value. Accordingly, our Board is of the view that the [REDACTED] is beneficial to the future growth and development of our Group and is in the overall interests of our Company and our Shareholders.

[REDACTED] EXPENSES

Our estimated [REDACTED] expenses for the [REDACTED] primarily consist of professional fees paid to the Sole Sponsor, legal advisers and the reporting accountant for their services rendered in relation to the [REDACTED]. None of such [REDACTED] expenses is underwriting-related as the [REDACTED] is not an underwritten offering, or an offering of any kind. The total estimated [REDACTED] expenses will be approximately RMB[REDACTED] million, of which the whole sum is expected to be chargeable to the consolidated statements of profit or loss and other comprehensive income for the years ended 31 December 2020 and 2021 and the year ending 31 December 2022. [REDACTED] expenses of approximately RMB[REDACTED] million, RMB[REDACTED] million and RMB[REDACTED] was recognised during the years ended 31 December 2020 and 2021 and the six months ended 30 June 2022, respectively. The remaining [REDACTED] expenses of approximately RMB[REDACTED] million is expected to be charged to our consolidated statements of profit or loss and other comprehensive income for the six months ending 31 December 2022. The estimated [REDACTED] expenses are subject to adjustments based on the actual amount incurred or to be incurred. Our Directors do not consider any item of the [REDACTED] expenses material or unusually high.

Our Directors expect that our financial performance for the year ending 31 December 2022 will be adversely affected by such expenses in relation to the [REDACTED].

DIVIDENDS AND DIVIDEND POLICY

There were no dividends paid or payable by our Company in respect of the Track Record Period.

Our Company does not have a dividend policy or any pre-determined dividend distribution ratio. The declaration of future dividends will be subject to the recommendation by the Board at its discretion in accordance with our Articles of Association and will depend on a number of factors, including market conditions, our strategic plans and prospects, business opportunities, financial condition and operating results, working capital requirements and anticipated cash needs, statutory and contractual restrictions on the payment of dividends by us and other factors that our Board considers relevant. In addition, the Controlling Shareholders will be able to influence our dividend policy. Cash dividends on Shares, if any, will be paid in Hong Kong currency.

SHAREHOLDERS' INFORMATION

As at the Latest Practicable Date, Thrive Shine, Mr. Xu and Ms. Huang were regarded as controlling shareholders of our Company under the Main Board Listing Rules on the following bases:

1. Thrive Shine is entitled to exercise 30% or more of the voting power at general meetings of our Company;
2. Mr. Xu holds 80% interest in Thrive Shine and so controls the exercise of the voting power of Thrive Shine in our Company; and
3. Ms. Huang is part of the controlling group of Shareholders for being holder of 20% interest in Thrive Shine and the spouse of Mr. Xu.

Since the GEM Listing and up to the Latest Practicable Date, there had been no change in our Controlling Shareholders, namely Thrive Shine, Mr. Xu and Ms. Huang.

As at the GEM Listing, our Controlling Shareholders comprised Thrive Shine, Mr. Xu and Ms. Huang with Thrive Shine holding 170,100,000 Shares, representing 40.5% of the then total issued share capital of the Company; Mr. Xu holding 80% interest in Thrive Shine and so controlled the exercise of the voting power of Thrive Shine in the Company; and Ms. Huang being part of the controlling group of Shareholders for being holder of 20% interest in Thrive Shine and the spouse of Mr. Xu. There has been no change in the shareholding of Thrive Shine and the spousal relationship between Mr. Xu and Ms. Huang.

Each of our Controlling Shareholders undertook to our Company that he/she/it would not and would procure that the relevant registered holder(s) and his/her/its associates and companies controlled by him/her/it would not in the period commencing from the GEM Listing Date and ending on 16 January 2020, being the date which is 24 months from the GEM Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any option, right, interest or encumbrance over in respect of, any of the Shares in respect of which it is shown by the GEM Prospectus to be the beneficial owner. Save as the aforesaid undertaking, the Controlling Shareholders have not given any undertaking that would prevent him/her/it from disposing of any Shares which he/she/it is a beneficial owner upon the [REDACTED].

On 11 June 2019, the Company completed a [REDACTED] of [REDACTED] shares at HK$0.31 per [REDACTED] and upon completion of the [REDACTED], [REDACTED] Shares were held by Thrive Shine. On 10 January 2020, a total of [REDACTED] Shares were issued and allotted by the Company to Thrive Shine at HK$0.211 per share (the "**Subscription**"), and upon completion of the Subscription, [REDACTED] Shares were held by Thrive Shine. Since then and up to the Latest Practicable Date, Thrive Shine had been interested in approximately [REDACTED]% of our total issued Shares.

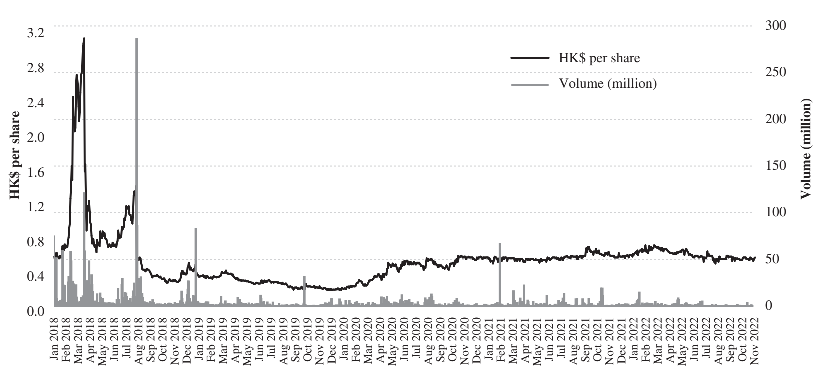
Our Company has conducted public float search against our shareholding distribution pursuant to section 329 of the SFO. Please refer to the section headed "Share Capital" in this document for further details.

HISTORICAL NON-COMPLIANCE INCIDENTS

In the 12 months since the GEM Listing and up to the Latest Practicable Date, our Group had not been subject to any disciplinary investigation relating to serious or potentially serious breach of any GEM Listing Rules. Save as disclosed in the section headed "Business — Legal and regulatory compliance — Non-compliance" in this document, we had complied with all relevant laws and regulations in all material respects in relation to our business since the GEM Listing and up to the Latest Practicable Date. No litigation or claims of material importance were ongoing, pending or threatened against any member of our Group as at the Latest Practicable Date.

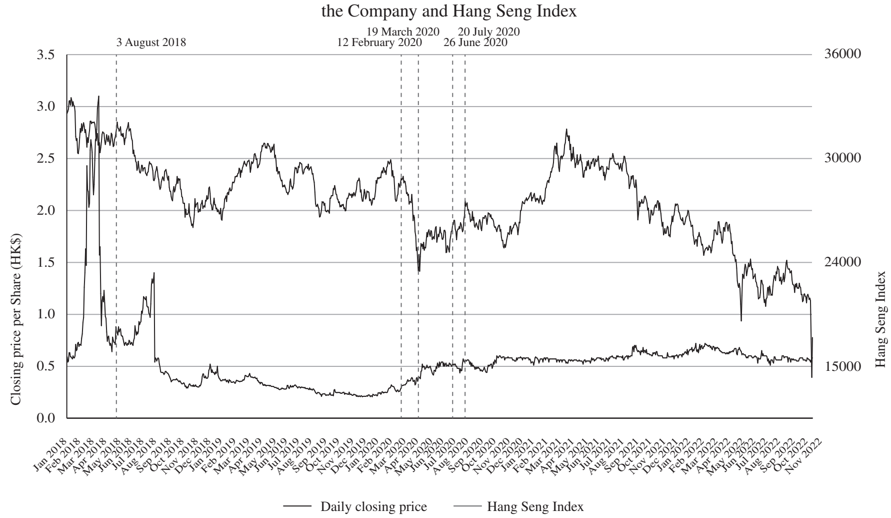
SHARE PRICE VOLATILITY

Our Shares have been listed on GEM by way of share offer since 17 January 2018. The offer price of the GEM Share Offer was HK$0.50 per Share. The following chart sets forth the daily closing price per Share and daily trading volume of our Shares since the GEM Listing Date and up to the Latest Practicable Date:



The highest closing price and lowest closing price at which our Shares were traded on GEM since 17 January 2018 and up to the Latest Practicable Date were HK$3.1 per Share (on 29 March 2018) and HK$0.206 per Share (on 14 November 2019 and 5 December 2019), respectively. Our Group recorded the highest average daily trading volume of approximately 33.3 million Shares in January 2018, representing approximately 7.9% of the then total number of our issued Shares. Our Group recorded the lowest average daily trading volume of approximately 0.1 million Shares in September 2021, representing approximately 0.01% of the total number of our issued Shares. The average daily trading volume of our Shares since the GEM Listing Date and up to the Latest Practicable Date amounted to approximately 2.0 million Shares, representing approximately 0.2% of the total number of our issued Shares.

Comparision between the closing price of the Company and Hang Seng Index



Since the GEM Listing Date and up to the Latest Practicable Date, the highest closing price of the Shares was HK$3.1 recorded on 29 March 2018 and the lowest closing price of the Shares was HK$0.206 recorded on 14 November 2019 and 5 December 2019. Set out below are the quantitative information and explanations on material fluctuations in our Company's share price during this period:

— the closing price of the Shares increased from HK$0.55 per Share on the GEM Listing Date to HK$3.1 on 29 March 2018, representing an increase of approximately 463.6%; and the closing price of the Shares decreased from HK$3.1 per Share on 29 March 2018 to HK$1.4 per Share on 3 August 2018, representing a decrease of approximately 54.8%. Our Directors confirmed that they are not aware of any changes in our Company's circumstances leading to the said fluctuation in the share price;

— the closing price of the Shares decreased from HK$1.4 per Share on 3 August 2018 to HK$0.29 per Share on 12 February 2020, representing a decrease of approximately 79.3%. We observed that there is no material fluctuation except for (i) the decrease in price and increase in trading volume of the Shares on 6 August 2018, on which we were informed by Trophy Plus, our former substantial shareholder of our Company that it disposed of 50,000,000 Shares, representing approximately 11.9% of the total issued share capital of our Company through The Stock Exchange of Hong Kong Limited voluntarily on the same day; and (ii) the decrease in price and increase in trading volume on 21 December 2018 and the increase in both price and trading volume on 12 September 2019. Our Directors confirmed that they are not aware of any change in our Company's circumstances leading to the said fluctuation in the Share price;

— the closing price of the Shares increased from HK$0.29 on 12 February 2020 to HK$0.38 on 19 March 2020, representing an increase of approximately 31.0%. Our Directors believe that such increase might be brought along by our positive profit alert dated 12 February 2020 regarding the annual results for the year ended 31 December 2019;

— the closing price of the Shares increased from HK$0.38 on 19 March 2020 to HK$0.46 per Share on 26 June 2020, representing an increase of approximately 21.1%. Our Directors believe that such increase might be brought along by our annual results announcement for the year ended 31 December 2019 dated 13 March 2020 and was generally in line with the upward trend of the Hang Seng Index during the same period;

— the closing price of the Shares experienced an upward trend from HK$0.46 on 26 June 2020 to HK$0.57 on 30 June 2020, representing an increase of approximately 23.9%. The closing price of the Shares then generally hovered within the range between HK$0.52 and HK$0.56 during the period from 2 July 2020 up to 16 July 2020. The closing price of the Shares went back to

HK$0.50 on 17 July 2020 and rebounded to HK$0.53 on 20 July 2020. During the period, the average trading volume was approximately 2.9 million Shares, representing an increase of 208.7% in trading volume as compared to the average daily trading volume in 2020. Our Directors considered that such volatility in the closing prices of the Shares and the trading volume may be due to the market reaction and speculation activities relating to our Company's application for the proposed [REDACTED] on 10 July 2020;

— the closing price of the Shares remained relatively stable between HK$0.53 on 20 July 2020 and HK$0.55 on 31 March 2021, representing an increase of approximately 3.8%. We observed that there was no material fluctuation except for the decrease in price and increase in trading volume on 23 December 2020. Our Directors are of the view that such fluctuation was primarily due to the placing of 29,900,000 Shares held by Thrive Era through placing agent to 25 placees on 23 December 2020;

— the closing price of Shares remained relatively stable between HK$0.55 on 1 April 2021 and HK$0.60 on 14 July 2021. The closing price increased from HK$0.60 on 14 July 2021 to HK$0.70 on 22 July 2021, which our Directors believe to be brought along by the positive profit alert of the Company;

— the closing price of Shares went back to HK$0.60 on 25 August 2021 and maintained relatively stable within the range between HK$0.57 and HK$0.72 since then and up to 16 May 2022 (except on 22 April 2022, the closing price of the Shares was HK$0.53, which was reverted to HK$0.58 on the next trading day). There was no material fluctuation in the closing price of the Shares during the period except for a decrease from HK$0.72 on 2 December 2021 to HK$0.65 on 3 December 2021. Our Directors confirmed that they are not aware of any changes in our Company's circumstances leading to the aforementioned fluctuations in closing price; and

— the closing price of the Shares fell to HK$0.51 on 23 May 2022 and maintained relatively stable at the range of HK$0.52 to HK$0.60 since then and up to the Latest Practicable Date. Our Directors are of the view that such fluctuation was primarily due to (i) the downward trend of the Heng Seng Index during the same period; (ii) our first quarterly results announcement for the three months ended 31 March 2022 dated 13 May 2022; (iii) our profit warnings dated 22 June 2022, 15 July 2022 and 2 August 2022 regarding the interim results for the six months ended 30 June 2022; and (iv) our third quarterly results announcement for the nine months ended 30 September 2022. The closing price of the Shares was HK$0.58 on 11 November 2022.

The price and trading volume of the Shares have been volatile since the GEM Listing and may continue to be volatile upon [REDACTED] on the Main Board. Attention of the Shareholders and potential investors of our Company is drawn to the potential risks and they are advised to exercise caution when dealing in the Shares.

DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings in this document. Certain other terms are explained in the section headed "Glossary of Technical Terms" of this document.

"Articles of Association" or "Articles"	the articles of association of our Company, a summary of which is contained in Appendix IV to this document, as supplemented, amended or otherwise modified from time to time
"associate(s)"	has the meaning ascribed to it under the Main Board Listing Rules
"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors
"business day(s)"	any day (other than a Saturday, Sunday or public holiday) on which banks are generally open for business in Hong Kong
"BVI"	the British Virgin Islands
"CAGR(s)"	compound annual growth rate(s), representing the year-over-year growth rate of a value over a specified period of time, taking into account the effects of compounding
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Operational Procedures"	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"close associate(s)"	has the meaning ascribed to it under the Main Board Listing Rules
"Companies Act"	the Companies Act, Chapter 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Company" or "our Company"	JTF International Holdings Limited (金泰豐國際控股有限公司), an exempted company with limited liability incorporated in the Cayman Islands on 23 October 2014 and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 23 December 2014, the Shares of which have been listed on GEM from 17 January 2018 to [REDACTED] and will be [REDACTED] on the Main Board starting from [REDACTED]
"Compliance Committee"	the compliance committee of the Board
"connected person(s)"	has the meaning ascribed to it under the Main Board Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Main Board Listing Rules and in the context of our Company, means Thrive Shine, Mr. Xu and Ms. Huang or any of them
"core connected person(s)"	has the meaning ascribed to it under the Main Board Listing Rules
"Deed of Indemnity"	the deed of indemnity dated [REDACTED] given by each of our Major Shareholders in favour of our Group, details of which are set forth in the paragraph headed "E. Other information — 1. Tax and other indemnity" in Appendix V to this document
"Deed of Non-competition"	the deed of non-competition dated [REDACTED] given by each of our Major Shareholders in favour of our Group, details of which are set forth in the section headed "Relationship with Controlling Shareholders — Non-competition undertakings" of this document
"Director(s)"	the director(s) of our Company
"EIT"	the Enterprise Income Tax of the PRC
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an Independent Third Party
"Frost & Sullivan Report"	an independent market research report of Frost & Sullivan commissioned by our Company on the oil industry in the PRC
"Gaolan Port Oil Depot"	our oil depot at Gaolan Port Economic Zone in Zhuhai, Guangdong Province, the PRC
"GDP"	gross domestic product
"GEM"	the GEM operated by the Stock Exchange

"GEM Listing"	the listing of our Shares on GEM
"GEM Listing Date" or "date of Listing on GEM"	17 January 2018, being the date on which dealings in our Shares first commenced on GEM
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited, as amended, supplemented and/or otherwise modified from time to time
"GEM Prospectus"	the prospectus issued by our Company dated 29 December 2017 for the GEM Share Offer and GEM Listing
"GEM Share Offer"	the issue and offer of the Shares for subscription by public and placing of the Shares by the placing underwriters on behalf of our Company at the offer price of HK$0.50 per Share for Listing on GEM
"General Rules of CCASS"	the terms and conditions regulating the use of CCASS, as may be amended, modified or supplemented from time to time and where the context so permits, shall include the CCASS Operational Procedures
"g/l"	gram(s) per litre
"Gold Pledge"	Gold Pledge Holding Limited (金諾控股有限公司), a company incorporated in BVI with limited liability on 25 September 2013 and owned by Mr. Xu, Ms. Huang and Mr. Choi as to 60%, 15% and 25%, respectively
"Group", "we", "our", "us" or "our Group"	our Company and its subsidiaries or, where the context refers to any time prior to our Company becoming the holding company of its present subsidiaries, the present subsidiaries of our Company or the businesses carried on by such subsidiaries or (as the case may be) their predecessors or any of them
"HK$" or "Hong Kong dollar(s)" and "HK cent(s)"	Hong Kong dollar(s) and cent(s), respectively, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Branch Share Registrar"	Tricor Investor Services Limited

"Independent Third Party(ies)"	individual(s) or company(ies) which is(are) independent from and not connected with (within the meaning of the Main Board Listing Rules) any directors, chief executive or substantial shareholders of our Company, our subsidiaries or any of their respective associates
"JTF (HK)"	JTF (Hong Kong) Limited (金泰豐(香港)有限公司), a company incorporated in Hong Kong with limited liability on 27 September 2012 and a wholly owned subsidiary of the Company
"JTF (PRC)"	Zengcheng City Jin Taifeng Fuel Oil Company Limited* (增城市金泰豐燃油有限公司), a company established in the PRC with limited liability on 6 July 1998 and an indirect wholly owned subsidiary of the Company
"kg/m^3"	kilogram(s) per cubic metre
"kPa"	kilopascal
"Latest Practicable Date"	11 November 2022, being the latest practicable date prior to the date of this document for the purpose of ascertaining certain information contained in this document
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Division"	the Listing Division of the Stock Exchange
"Main Board"	the stock market (excluding the options market) operated by the Stock Exchange which is independent from and operated in parallel with GEM
"Main Board Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, modified or supplemented from time to time
"Major Shareholder(s)"	the Controlling Shareholders, Thrive Era and Mr. Choi, or any of them
"matched trade sales model"	the trade model of entering into sales agreement or confirming a sales order with a customer before entering into purchase agreement with a supplier for a specified product
"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company, a summary of certain provisions of which is set out in Appendix IV to this document, and as amended from time to time
"m^3"	cubic metre(s)

"m/m"	mass per mass
"mm^2/s"	square millimetre(s) per second
"Mr. Choi"	Mr. Choi Sio Peng (徐小平), an executive Director and a Major Shareholder
"Mr. Xu"	Mr. Xu Ziming (徐子明), an executive Director and the Chairman of our Board, a Controlling Shareholder and the spouse of Ms. Huang
"Ms. Huang"	Ms. Huang Sizhen (黃四珍), an executive Director, a Controlling Shareholder and the spouse of Mr. Xu
"Ms. Kung"	Ms. Kung Sau Kwan (龔秀筠), the owner of Trophy Plus
"Nomination Committee"	the nomination committee of the Board
"Old Dongguan Oil Depot"	our previous oil depot in Dongguan, Guangdong Province, the PRC, the lease of which was terminated in October 2019
"Old Gaolan Port Oil Depot"	our previous oil depot in Gaolan Port Economic Zone in Zhuhai, Guangdong Province, the PRC, the lease of which was terminated in June 2019
"Old Panyu Oil Depot"	our previous oil depot in Panyu, Guangzhou, Guangdong Province, the PRC, the lease of which was terminated in December 2018
"OPEC"	Organization of the Petroleum Exporting Countries, a permanent intergovernmental organization of 13 oil-exporting developing nations that coordinates and unifies the petroleum policies of its member countries
"Panyu Oil Depot"	our oil depot at Panyu, Guangzhou, Guangdong Province, the PRC, the lease of which was early terminated in June 2021
"PRC" or "China"	the People's Republic of China and for the sole purpose of this document shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"PRC Government"	the government of the PRC
"PRC Legal Advisers"	King & Wood Mallesons, the legal advisers to our Company as to PRC law
"PRC State-owned Enterprise(s)"	company(ies) which is/are wholly or partially owned by the PRC Government

"[REDACTED]"	the [REDACTED] of a total of [REDACTED] new Shares of our Company at HK$0.31 per [REDACTED], which was completed on 11 June 2019
"[REDACTED]"	the prospectus of our Company dated 17 May 2019 and issued to our Shareholders containing, among other things, the details of the [REDACTED]
"RMB"	Renminbi, the lawful currency of the PRC
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	share(s) with a nominal value of HK$0.01 each in the share capital of our Company
"Shareholder(s)"	holder(s) of Share(s)
"Sole Sponsor"	Honestum International Limited (竑信國際有限公司) a licensed corporation under the SFO and permitted to carry out Type 6 (advising on corporate finance) regulated activities as defined under the SFO, acting as the sole sponsor to the [REDACTED]
"sq.m."	square metre(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Companies Ordinance
"substantial Shareholder(s)"	has the same meaning ascribed to it under the Main Board Listing Rules
"Takeovers Code"	the Code on Takeovers and Mergers of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Tank Transfer"	in case the oil products we purchase or sell are located in the same oil depot as our oil tanks, then the parties will engage the help of such oil depot to arrange for transportation of oil products between the tanks

"Three State-owned Giants"	the three PRC State-owned Enterprises which are major refining manufacturers and dealers of refined oil in China, namely, China Petroleum & Chemical Corporation (SINOPEC), China National Petroleum Corporation (CNPC) and China National Offshore Oil Corporation (CNOOC)
"Thrive Era"	Thrive Era Investments Limited (康時投資有限公司), a company incorporated in BVI with limited liability on 10 September 2013 and wholly owned by Mr. Choi, and a substantial Shareholder
"Thrive Shine"	Thrive Shine Limited (興明有限公司), a company incorporated in BVI with limited liability on 24 September 2013 and owned by Mr. Xu and Ms. Huang as to 80% and 20% respectively, and a Controlling Shareholder
"Track Record Period"	the period comprising the three financial years ended 31 December 2021 and the six months ended 30 June 2022
"[REDACTED]"	[REDACTED]
"Trophy Plus"	Trophy Plus Global Limited (冠柏環球有限公司), a company incorporated in BVI with limited liability on 2 September 2016 and wholly owned by Ms. Kung
"United States" or "U.S."	the United States of America
"US$" or "US dollar(s)"	US dollar(s), the lawful currency of the United States
"VAT"	value-added tax
"Zengcheng"	Zengcheng District, Guangzhou, Guangdong Province, the PRC
"Zengcheng Oil Depot"	our oil depot at Zengcheng Property
"Zengcheng Property"	a piece of land, an office building and various ancillary structures in Zengcheng as further described in the section headed "Connected transactions" of this document
"Zengcheng Property Agreement"	the agreement dated 1 June 2017 between (a) Mr. Xu; (b) Ms. Huang; and (c) JTF (PRC) in respect of the Zengcheng Property, particulars of which are set out in the section headed "Connected Transactions" in this document
"%"	per cent

* *For identification purpose only*

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this document in connection with our business. These terminologies and their given meanings may not correspond to those standard meanings and usage adopted in the industry.

"barrel"	a barrel, which is equivalent to 158.988 litres or 0.134 tons of oil (at an API gravity of 33 degrees)
"blended fuel oil"	oil product which combine different grades of fuel oil with specific physiochemical properties for its intended application, and is normally used in large-scale shipping vessel engines and industrial furnaces
"crude oil"	petroleum as it comes from the ground, before refining
"diesel oil"	any liquid fuel used in diesel engines, whose fuel ignition takes place, without spark, as a result of compression of the inlet air mixture and then injection of fuel. Diesel oil can generally be classified into light diesel oil and heavy diesel oil, depending on the freezing points
"flash point"	the temperature at which a particular organic compound gives off sufficient vapour to ignite in air
"fuel oil"	oil that makes up the distillation residue, and comprises all residual fuel oils (including those obtained by blending). Its kinetic viscosity is above 10 centistokes, a unit for measuring viscosity, at 80 degree Celsius. The flash point is always above 50 degree Celsius and the density is always more than 900 gram per litre
"litre" or "L"	a measurement unit for diesel oil
"oil depot"	industrial facility for the storage of oil and/or petrochemical products and from which these products are usually transported to end users
"oil refinery"	an industrial process plant where crude oil is processed and refined into more useful oil products
"MTBE"	methyl tertiary butyl ether
"petroleum products"	useful materials derived from crude oil as it is processed in oil refineries
"pour point"	the temperature of the liquid at which it becomes semi solid and loses its flow characteristics

"wharf"'	a structure that is built on the shore of or projecting into a harbor, stream, etc. so that vessels may be moored alongside to load or unload or to lie at rest
"tanker ship"	a merchant vessel designed to transport oil products in bulk and major types of tanker ship include oil tanker, chemical tanker and gas carrier
"TEU"	twenty-foot equivalent unit, a unit of measurement of the volumetric capacity of a container with a length of 20 feet, height of 8 feet and 6 inches and width of 8 feet
"vapour pressure"	the state and measurement of the volatility in gasoline
"viscosity"	the state and measurement of the resistance in a fluid

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed in the section headed "Risk Factors" in this document, which may cause our actual results, performance or achievements to be materially different from the performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business prospects;
- our business and operating strategies and its ability to implement such strategies;
- our operations and business prospects, including development plans for its existing and/or new businesses;
- our ability to further development and manage our projects as planned;
- our ability to reduce costs;
- the amount and nature of, and potential for, future development of our business;
- future developments, trends and conditions in the industry and markets in which we operate or plan to operate;
- our dividend policy;
- the regulatory environment in terms of changes in laws and government regulations, policies and approval processes in the regions where we develop or manage our projects;
- the actions and developments of our competitors;
- capital market developments; and
- all other risks and uncertainties described in the section headed "Risk Factors" in this document.

The words "aim", "anticipate", "believe", "could", "estimate", "expect", "going forward", "intend", "may", "plan", "seek", "should", "ought to", "will", "would" and the negative of these terms and other similar expressions, as they relate to our Group, are intended to identify a number of these forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategy and the environment in which it will operate. They reflect the current views of our management with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this document, and are not a guarantee of future performance.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. Hence, should one or more of these risks or uncertainties materialise, or should underlying assumptions prove to be incorrect, our financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, or expected. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on such forward-looking information. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set out in this section.

In this document, statements of or references to our intentions or those of any of our Directors are made as of the date of this document. Any such intentions may change in light of future developments.

Potential investors should consider carefully all the information set out in this document and should consider and evaluate the following risks associated with an investment in our Company before making any investment decision in relation to our Company. Additional risks and uncertainties not presently known to our Group or that our Group currently deems immaterial could also harm the business, financial condition and operating results of our Group. The trading prices of our Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our business and results of operations may be negatively affected by fluctuations in market prices, availability or quality of oil products which are driven by factors beyond our control

During the Track Record Period, we derived approximately 83.6%, 66.2%, 65.3% and 91.5% of our revenue from the sales of refined oil, respectively, approximately 12.0%, 15.0%, 4.5% and nil of our revenue from the sales of fuel oil, respectively and approximately 4.1%, 16.3%, 30.0% and 8.2% of our revenue from the sales of other petrochemical products, respectively. Since our Group does not engage in any hedging activities, our financial condition and operating results may be affected by fluctuations in the price of crude oil as prices of fuel oil and refined oil generally follow the trend of crude oil price in the PRC and international market, and have mainly been driven by various market forces, such as financial crises, government regulations, and development of alternative energy technology, which are beyond our control. During the Track Record Period, the average market price of refined oil per tonne in the PRC was approximately RMB6,370, RMB5,026, RMB6,606 and RMB8,424 respectively, and the average market price of fuel oil per tonne in the PRC was approximately RMB3,280, RMB2,575, RMB3,333 and RMB4,538 respectively. For instance, during the period when crude oil price is rising, we may not be able to pass all or part of the increased costs to our customers in a timely manner. Further, if our selling price for oil products cannot maintain a positive margin, or if market demand for fuel oil and refined oil dampens for any reason, our profitability and financial condition could be adversely affected. Although we try to minimise our price volatility risks and counterparty risks by entering into purchase and sales agreements with our suppliers and customers respectively within a short period of time and require some of our customers to place initial deposit to secure their orders, we cannot guarantee that we are able to procure sufficient oil products at competitive pricing at the quality required by our customers. In the event that the prices of oil products fluctuate under abnormal condition and/or there is shortage in supply, it may result in disruption to our Group's delivery schedule and could lead to a negative impact on our Group's financial condition and profitability. We are unable to predict the timing or the extent of impact or the duration of any fluctuations of crude oil price. As a result, our past results of operations had varied, and our future results of operations may continue to vary depending upon the fluctuation of crude oil price.

Our customers are not subject to any minimum purchase requirement to purchase products from us

Although we may enter into non-binding framework agreements with our customers setting out the expected sales volumes for a specific period, the actual sales volume may be significantly different from such expected sales volume as customers' orders are confirmed in individual agreements. In addition, our customers are not subject to any minimum purchase requirement to purchase products from us. Their actual orders are placed through separate agreements for products at such prices and quantities as agreed with the Group on a case-by-case basis. There is no assurance that these customers will continue to purchase from us in the future. If any of our major customers terminates its business relationship with us, and we fail to secure new orders in on a timely basis, there may be an adverse impact on our business operations, financial performance and profitability. Furthermore, if we fail to meet their needs or we are unable to deliver oil products requested by them at the designated place in a timely manner, our reputation and cash flow will suffer and our business operations may be adversely affected.

The risk of disintermediation in the industry chain of petrochemical products could materially and adversely affect our business, results of operations, financial condition and business prospects.

Our Group operates as a midstream oil dealer serving as a bridge between our customers and suppliers, and as a wholesaler for our customers. According to the Frost & Sullivan Report, midstream oil dealers play an important role in the value chain of the refined and fuel oil industry primarily because dealers have the logistics, storage, processing and network capability to facilitate prompt delivery of refined and fuel oil products from a large number of producers to numerous and dispersed downstream distributors, which can relieve upstream producers' burden of arranging products delivery and payment collection from downstream players, and allow them to focus their resources on refining, research and development and sourcing of raw materials for their oil products. On the other hand, upstream suppliers such as local refineries and their sales agents often require their customers to place upfront deposits for initiating purchase (i.e. 10% to 20% of the total purchase price) and make full payment upon delivery to safeguard their default risk given that oil products are valuable commodities with fluctuating prices. Our Directors believe such mismatch in payment terms hinders direct trade between upstream customers and downstream suppliers but create a niche role for the midstream dealers under this industry landscape.

However, there is no guarantee that such industry landscape will continue to persist or that our suppliers or customers will continue to rely on us as midstream dealer to sell or procure the desired oil products. If, for whatever reasons, upstream suppliers decide to set up their own oil dealing business or downstream customers decide to bypass us to buy oil products directly from upstream oil manufacturers or refineries, disintermediation would be created and our value as a midstream oil dealer in the industry chain of petrochemical products would be diminished. Our business, results of operations, financial condition and business prospects would be materially and adversely affected should there emerge such trend of disintermediation.

We are subject to certain risks relating to the storage and transportation of our oil products, including our reliance on Independent Third Party logistics companies

Before delivery of oil products to our customers, we may store them in storage tanks in our oil depots in the PRC. If any accidents, including fires and flooding, were to occur, causing leakage or damage to our products or our oil depots, it may affect our ability to supply the oil products to our customers on time and, hence, our market reputation, financial condition, results of operations or business could be materially and adversely affected.

For sales that require our delivery, we will engage Independent Third Party logistics companies for the delivery of oil products to the destinations as agreed by the parties. During the Track Record Period, we have engaged 66 Independent Third Party logistics companies in total in the PRC. Reliance on these Independent Third Party logistics companies may expose us to business risks that we may fail to deliver the oil products on time as we do not have control on goods in transit following offloading from our oil depots. Delivery of our oil products may also be affected if unforeseen events occur which are beyond our control, such as Independent Third Party logistics companies' poor handling of and damage to our oil products, transportation bottlenecks and/or labour strikes. If our oil products are not delivered on time or are leaked during delivery, our market reputation could be adversely affected. Disruptions in the delivery of our oil products due to work stoppages by employees or contractors of any of these Independent Third Party logistics companies could delay the timely delivery of our oil products. There can be no assurance that such stoppages or disruptions will not occur in the future. The occurrence of any of these problems alone, or together, could have a material adverse effect on our business, financial condition and results of operations.

We typically enter into agreements with Independent Third Party logistics companies on a one-off basis. We cannot assure you that these Independent Third Party logistics companies will continue to provide services to us. If any of these major Independent Third Party logistics companies refuses to provide services to us, we may not be able to secure suitable alternative providers in a timely and efficient manner. If the Independent Third Party logistics companies are unable to fulfill their obligations under the agreements or unable to renew their agreements with us, this may materially and adversely affect our business, financial condition and results of operations.

We may experience inventories obsolescence if we fail to effectively manage our inventory, and our results of operations and financial condition may be materially and adversely affected

Since the majority of our businesses are conducted through matched trade sales model where we match suppliers in sourcing oil products after customers' demands arise, we generally do not have to acquire and store any inventory in our oil depots except for confirmed matched trades for our business operation. However, as there may be minor surplus in the actual amount of oil products delivered to us by the suppliers as allowed under our contract terms (i.e. up to 10% deviation of the agreed quantity), such small amount of surplus oil products are being stored at our oil depots and are sold to customers through sales from inventory model when customers approach us for small amount and unplanned purchase. By the above practice, we are able to maintain a low but sufficient level of inventory at our oil depots (mainly for our sales from inventory transactions) adequate to meet our customers' orders on a timely basis while reducing our exposure on prices of oil products. As at the end of each of the years/period during the Track Record Period, the total amount of our inventories were approximately RMB85.7 million, RMB80.9 million, RMB42.1 million and RMB103.9 million, respectively.

We closely monitor our inventory level to meet our requirements, minimise wastage, and avoid stocking up on obsolete inventory, and we plan our inventory levels based on our internal assessment and forecasts of market demands. However, our internal assessment and forecasts are subject to a variety of factors which are beyond our control such as fluctuating market demands. If we fail to accurately forecast the demand, we may experience inventory obsolescence risk. Inventory levels in excess of demand may result in inventory write-downs or write-offs and the sale of excess inventory at discounted prices, which may lead to lower profit margin and have an adverse effect on our profitability, results of operations and financial position. There was no write-down of inventory during the Track Record Period.

Natural disasters, acts of war, political unrest and epidemics, which are beyond our control, may cause damage, loss or disruption to our business

Natural disasters, acts of war, political unrest and epidemics, which are beyond our control, may materially and adversely affect the economy, infrastructure and livelihood of our customers in the PRC. In particular, some cities in the PRC are susceptible to flood, earthquakes, sandstorms, snowstorms and droughts. Our business, financial condition, results of operations and prospects may be materially and adversely affected if such natural disasters occur in places where we operate or where our products are sold, whether directly or indirectly. Political unrest, acts of war and terrorists attacks may cause unfavourable movement in oil prices and the stability of oil supply, any of which could materially and adversely affect our sales, cost of sales, overall results of operations and financial condition. The potential for war or terrorists attacks may also cause uncertainty and cause our business to suffer in ways beyond our prediction.

In particular, the outbreak of the COVID-19 Pandemic has affected our revenue and financial performance for the year ended 31 December 2020 and the six months ended 30 June 2022. In an attempt to control the outbreak of the disease, the PRC Government imposed lockdown measures on various PRC cities since January 2020 and ordered nationwide postponement of business operations following the Chinese New Year holidays until February 2020. Subsequently in the second quarter of 2022, the COVID-19 Omicron variant outbreak had again led to nation-wide strict lockdown measures in major Chinese cities. We entered into relatively fewer sales contracts during such periods as compared to the corresponding periods in 2019 and in 2021, respectively as economic activities were almost brought to a halt in China in early 2020 and in the second quarter of 2022. Please refer to the section headed "Business — Impact of the COVID-19 Pandemic Outbreak and drastic fluctuations in crude oil price on our business" in this document for further details.

Although economic activities was gradually resuming in China as at the Latest Practicable Date, the ultimate impact of the COVID-19 Pandemic is highly uncertain and the continued outbreak of the pandemic may affect consumers' confidence and may eventually bring economic recession. The full extent of the impacts of the COVID-19 Pandemic on our business, our operations, the PRC economy or the global economy are yet to be known and will depend on future developments, which are highly uncertain and unpredictable, such as the severity of the outbreak, as well as the measures to contain the outbreak (e.g. social distancing, quarantines and lockdowns measures across China where we, our customers and our suppliers operate) and their impact. For example, during the outbreak of the COVID-19 Pandemic (or any other diseases or epidemic), we may not be able to negotiate sales contracts and deliver our oil products and services as efficiently and effectively as before since we may not be able to conduct physical meetings or deliveries of products with our customers or our customers may be less inclined to meet with us physically. Moreover, our trade receivables turnover days may increase if there is delay in delivery of our oil products or if our customers experience cash flow difficulties due to the outbreak. As a result, we may experience disruption in our business operations and our business, financial condition and results of operations may be materially and adversely affected.

In addition, if our employees are infected with COVID-19, quarantines, temporary closures or suspension of operation of our offices and oil depots may be required. While we have employed various precautionary measures to prevent an outbreak among our employees, we cannot assure you that our efforts will always be effective or at all. Please refer to the section headed "Business — Impact of the COVID-19 Pandemic Outbreak and drastic drop in crude oil price on our business" in this document for details of such precautionary measures.

Moreover, the political crisis between Russia and Ukraine since late 2021 has led to drastic inflation in international oil price since late 2021 through the first half of 2022. As a result, oil market participants in general became more conservative and prudent in the trading of oils. Our Group's sales volume dropped significantly in early 2022, which adversely affect our business performance for the six months ended 30 June 2022. As of the Latest Practicable Date, although the dramatic surge in international oil price has stopped gradually, the Ukraine crisis is still underway and its outcome remains uncertain. We cannot predict how the oil market will react to future news of the Ukraine crisis, or other wars, natural disasters or social unrest, and our business performance, results of operations and financial condition could be adversely affected should any of these events happen in the future.

Our business involves inherent risks and occupational hazards, which could harm our reputation, subject us to liability claims and cause us to incur substantial costs

Our operations are subject to occupational hazards inherent in the oil and gas industry, such as fires, explosions, blowouts, and oil spills that can cause personal injury or loss of life, damage to or destruction of property or equipment, pollution and other damage to the environment. Any of these consequences, to the extent they are significant, could result in business interruption or suspension of operations, legal liability and damage to our business reputation and corporate image.

Any litigation arising from a catastrophic occurrence at a location where our services are engaged may result in us being named as a defendant in legal proceedings involving potentially large and time-consuming claims, including claims brought by our customers alleging deficiencies in safety or failures in our products or services. If any such accident or litigation were to occur, our reputation could be materially and adversely affected and substantial costs could be incurred, and our business, results of operations and financial condition could be materially and adversely affected.

Our performance depends on our ability to renew the current lease agreements with Independent Third Party landlords in respect of suitable oil depots for storage of our oil products

Our performance depends, to a significant extent, on the use of our oil depots leased from Independent Third Party landlords. For the three years ended 31 December 2021 and the six months ended 30 June 2022, approximately 98.5%, 94.6%, 98.1% and 96.2% of our Group's revenue were derived from oil depots leased from Independent Third Party landlords respectively. Our oil depot handling charges and expenses relating to short term leases were approximately RMB14.2 million, RMB13.5 million, RMB11.1 million and RMB4.6 million or 37.8%, 32.6%, 32.6% and 34.0% of our total expenses (distribution expenses and administrative expenses) for the same periods. We believe the current locations of our oil depots at Zengcheng and Gaolan Port Economic Zone within the Pearl River Delta are key to access to our targeted customer groups. Our ability to renew the existing leases upon their expiry is crucial to our operations and profitability. At the end of each lease term, we and the landlords may not be able to negotiate an extension of the lease, and may therefore be forced to move to a less favourable location. We may also not be able to renew the existing leases at reasonable rent or on commercially acceptable terms and conditions that are viable to us. In addition, we compete with our competitors for premises at desirable oil depot locations and/or of desirable sizes. Therefore, we may not be able to obtain new leases at desirable locations or renew our existing leases on acceptable terms in a timely fashion at all, which could materially and adversely affect our business and results of operations.

We have relatively thin profit margins during the Track Record Period

During the Track Record Period, our gross profit margins were 4.5%, 6.3%, 4.4% and 4.4% respectively, and our net profit margins were approximately 1.9%, 1.4%, 1.8% and 0.6% respectively. The sustainability of our profit margin depends on a number of factors, including the types and specifications of products traded by us, selling prices and purchase costs. The selling price and purchase cost for each transaction vary depending on a combination of factors including, but not limited to, our bargaining power relative to the supplier and buyer, demand and supply in the market and the market price trend. Therefore, the selling price and purchase cost may differ for the same product traded within the same period. We cannot guarantee that our profit margins will not fluctuate from period to period. Our pricing strategy and policy may not be effective in maintaining our financial performance and any unfavourable changes of the market conditions could have a material adverse effect on our sales, operations, financial condition, profitability and/or cash flows. Please refer to the section headed "Financial Information — Sensitivity analysis" in this document for a detailed illustration on the impact of hypothetical fluctuation in selling prices and purchase costs on our profitability. Further, please refer to the sections headed "Business — Pricing policy" and "Business — Our business model" of this document for details of our pricy policy and trading strategy.

We may need to make provision of impairment loss for or write down prepayments, which could negatively affect our business, financial conditions and results of operations

Our prepayments primarily consist of prepayments for inventories, which are amounts paid to suppliers while the inventories are yet to be received by our Group in the ordinary course of business. As at 31 December 2019, 2020 and 2021 and 30 June 2022, the total amount of our prepayments for inventories were approximately RMB106.9 million, RMB84.8 million, RMB14.8 million and RMB130.6 million, respectively. If our suppliers fail to provide relevant oil products to us in a timely manner or at all, we may be exposed to prepayment default risk and impairment loss risk in relation to the prepayments, which may in turn materially and adversely affect our business and financial position. Moreover, our trading activities of petrochemical products are subject to the risk of volatility of crude oil price, which in turn is affected by a wide range of global and domestic factors that are beyond the control of our Group, such as the economic impact of the unprecedented COVID-19 Pandemic. Changes in the oil market condition may affect our management's critical accounting estimates in determining the net realisable value of prepayments for inventories, and we may be required to write down their carrying value, and this would negatively affect our business, financial conditions and results of operations.

Our future expansion plans are subject to uncertainties and risks and therefore may not materialise

We have set out our future plans in the sections headed "Business — Implementation of business strategies and [REDACTED]" and "Future Plans and Prospects" in this document. Whether our future expansion plans can be implemented successfully may be affected by events beyond our control, such as changes in general market conditions and rules and regulations applicable to us.

Our ability to achieve our growth objectives also depends heavily on the level of success in implementing our future business plans. We give no assurance that our future business plans will be materialized as we originally expect or will be executed within the intended timeframe, or will result in revenue or profit as expected. As these business plans inherently involve substantial time, investment, cash flows and market risks, our profitability, operations, prospects and/or financial condition may deteriorate if any or all of our future plans cannot be accomplished in the manner described in the sections headed "Business — Implementation of business strategies and [REDACTED]" and "Future plans and Prospects" of this document.

In addition, the general economic environment and the development of oil products in the market globally may be unpredictable. In view of such uncertainty, there is no assurance that we will be able to secure stable supply from suppliers and/or increase sales to customers and/or maintain profit margins that are consistent with the level that we had achieved during the Track Record Period or at all.

We may come across other opportunities to expand our business. In such circumstances, the [REDACTED] of the GEM Share Offer may not be sufficient to develop these opportunities and we may need to obtain additional financing to fund our future capital expenses. If we are unable to secure adequate funds for our business needs in a timely manner, we may not be able to fully implement our future plans effectively and successfully.

Any loss of our senior management and failure to attract and retain qualified personnel could affect our operations and growth prospects

The talent, experience and leadership of our executive Directors, namely Mr. Xu, Ms. Huang and Mr. Choi, are critical to the success of our business. Please see the section headed "Directors and senior management" of this document for further details. In addition, other members of our senior management team have substantial experience and expertise in our business and have made significant contributions to our growth and success. The unexpected loss of services of one or more of these individuals could have a materially adverse effect on us.

Our future success also depends substantially on our ability to recruit, train and retain experienced employees. For example, our business is dependent on our sales team for the sales of oil products and procurement team for sourcing suitable oil products. We are especially reliant on our operations team to ensure the prompt receipt and delivery of oil products and services to our customers. Competition for talent in some areas of the PRC oil industry is intense, and qualified and experienced individuals can be difficult to recruit. Consequently, we may not be able to easily and quickly replace lost personnel and we may incur additional expenses to recruit, train and retain new hires. Significant increases in labour costs due to competition for talents could have a material adverse effect on our results of operations and financial condition.

Our Group's past revenue and profit margin may not be indicative of our Group's future revenue and gross profit margin

For the three years ended 31 December 2021 and the six months ended 30 June 2022, our Group recorded revenue of approximately RMB2,141.5 million, RMB1,100.3 million, RMB2,043.4 million and RMB400.1 million, respectively. We cannot assure you that existing customers will continue to purchase products from us, or that we will continue to secure new business in the future and therefore it may be difficult to forecast the volume of our future business. As such, our historical growth rate, revenue and gross profit margin may not be indicative of our future performance. Our financial results may vary from period to period in response to a variety of factors beyond our control, including general economic conditions, market sentiment, regulations pertaining to the oil industry in the PRC and our ability to secure new business in the future. For instance, a slowdown of economic growth in the PRC where our Group operates may significantly affect the demand of oil products and as a result our Group's business, financial condition and results of operations could be materially and adversely affected. We cannot assure you that we can achieve the same level of performance as that during the Track Record Period in the future and there is no guarantee that we can maintain our historical growth rate and gross profit margin in the future.

We recorded net cash used in operating activities of approximately RMB30.0 million, RMB32.4 million and RMB55.3 million for the three years ended 31 December 2021, respectively. We recorded net cash used in investing activities of approximately RMB9.5 million, RMB0.3 million and RMB0.01 million for the three years ended 31 December 2021, respectively. If we record net cash outflow from operating activities or investing activities in the future, our liquidity and financial condition may be materially and adversely affected

We recorded net cash used in operating activities of approximately RMB30.0 million, RMB32.4 million and RMB55.3 million for the three years ended 31 December 2021, respectively, which were primarily attributable to an increase in prepayments of approximately RMB68.4 million, an increase in trade and other receivables of approximately RMB78.1 million and an increase in trade and other receivables of RMB357.9 million, respectively.

We recorded net cash used in investing activities of approximately RMB9.5 million, RMB0.3 million and RMB0.01 million for the three years ended 31 December 2021, respectively. For such periods, the net cash used in investing activities consisted mainly of purchases of property, plant and equipment.

In the event that we are unable to generate sufficient cash flow for our operations or investments or otherwise unable to obtain sufficient funds to finance our business, our liquidity and financial condition may be materially and adversely affected. We can give no assurance that we will have sufficient cash from alternative sources to fund our operations. If we resort to other financing activities to generate additional cash, we will incur additional financing costs, and we cannot guarantee that we will be able to obtain the financing on terms acceptable to us, or at all.

We may be adversely affected by any decrease in our sales to our key customers or our customers' default on their obligations under our agreements with them

For the three years ended 31 December 2021 and the six months ended 30 June 2022, our Group's five largest customers accounted for approximately 72.0%, 56.0%, 56.8% and 90.3% of our total revenue, respectively, and our largest customer accounted for approximately 29.5%, 15.1%, 22.2% and 53.8% of our Group's total revenue, respectively.

Some of our key customers are national-scale state-owned oil giants or sizeable privately-held petrochemical groups and we trade with a number of their subsidiaries or affiliates within the same groups. It is essential for us to maintain close and mutually beneficial relationships with them. We cannot assure you that our major customers will continue their purchases, if at all, from us at the current levels.

Moreover, our revenue is also subject to our customers' business, product quality, sales strategy, industry conditions and the overall economic market environments. We cannot rule out the risk that our customers may terminate their agreements with us, become insolvent or fail to pay for their purchases in accordance with the agreements. As a result, counterparty risk is largely assessed on the basis of their reputation in the market and we cannot assure you that any of our customers can fulfill their obligations under the agreements we entered into with them. During the Track Record Period, we had not experienced any material difficulties in collecting payments from our customers, but we cannot assure you that we will not encounter such difficulties in the future. Any default by our customers on their obligations under our agreements with them may have an adverse effect on our business, financial position and results of operations.

If we are unable to perform our contracts, our results of operations and financial condition may be adversely affected

As at 31 December 2019, 2020 and 2021 and 30 June 2022, we had contract liabilities of RMB16.5 million, RMB2.2 million, RMB3.5 million and RMB28.2 million, respectively. Our contract liabilities are primarily advance payments from customers before goods are delivered. The ability to deliver oil products to our customers on a timely basis in accordance with contractual terms is critical to the success of our business. However, we are subject to risks of disruptions due to various reasons beyond our control, for instance, transportation delay, unexpected weather conditions, natural disasters as well as labour strikes which could lead to disruption to the delivery schedule or loss of deliveries. If we fail to honor our obligations under our contracts with customers, we may not be able to convert our contract liabilities into revenue, and our customers may also require us to refund the prepayments they have made, which may adversely affect our cash and liquidity position and financial condition. It may also put a strain on the relationship between our Group and our customers, and we may lose certain customers and suffer harm to our reputation, which could in turn materially and adversely affect our business and our results of operations in the future.

We may be involved in disputes or legal proceedings as a result of non-compliance with statutory regulations

Non-compliance with any statutory regulations may lead us to be subject to legal proceedings or unfavourable decrees that may result in our liabilities. Our Group may also be involved in disputes or legal proceedings in relation to any act of negligence, error or omission committed by our employees in non-compliance with any statutory regulations. The occurrence of any of the above may have material adverse impact on our business prospects, as well as our financial and operational position.

We may be involved in litigation, arbitration, administrative or other legal proceedings from time to time that require extensive management attention and resources and may be costly, time-consuming and disruptive

From time to time, we may be involved in litigation, arbitration, administrative or other legal proceedings in our ordinary course of business. For example, during the Track Record Period, we were subject to a legal dispute in relation to the settlement of a loan against one of the Group's subsidiaries, JTF (PRC). Our PRC legal counsel has advised us that based on the evidence currently available, the likelihood of the PRC courts upholding the creditor's allegations with regard to the settlement of the loan against JTF (PRC) is remote. Please refer to the sections headed "Business — Litigation and potential claims" and "Contingencies" in the accountant's report set out in Appendix I to this document for details.

Ongoing or threatened litigation, arbitration, administrative or other legal proceedings may divert our management's attention and consume their time and our other resources. In addition, any similar claims, disputes or legal proceedings involving us may result in damages or liabilities, as well as legal and other costs and may cause a distraction to our management. If any verdict or award is rendered against us or if we settle with any third parties, we could be required to pay significant monetary damages and assume other liabilities, such that the actual costs to be incurred in future periods may vary from our estimates for such contingent liabilities. We cannot provide assurance that our reserve set aside and/or insurance coverage will be sufficient to cover these or other liabilities and costs. If we are unable to defend ourselves against such claims, our business, reputation, financial condition and results of operations may be materially and adversely affected.

We require various licences, approvals and permits to operate our business in the PRC

We possess and rely on various licences, approvals and permits to operate our business in the PRC. Please refer to the section headed "Business — Legal and regulatory compliance — Licences and permits" in this document for a summary of such licences, approvals and permits. These licences, approvals and permits may only be valid for a limited period of time and may be subject to periodic reviews and renewal by the relevant authorities. Any expiry, withdrawal, revocation, downgrading and/or failure to renew of any of such licences, approvals and permits would adversely affect our operations and financial results.

Our current insurance coverage may not be sufficient to cover the risks related to our operations

We currently maintain insurance policies covering transportation of oil products by means of maritime or land transportation in the PRC, property risks, public liability and production safety liability, which we believe are consistent with industry practices in the PRC. Please see the section headed "Business — Insurance coverage" in this document for further details. However, we do not maintain business interruption insurance, product liability or third party liability insurance against claims for property damage, product liability, personal injury or environmental liabilities. The occurrence of any of these events may result in interruption of our operations and subject us to significant losses or liabilities. Any losses or liabilities that are not covered by our current insurance policies may have a material adverse effect on our business, financial condition and results of operation.

We operate in a competitive industry and if we are unable to compete successfully against other players, our business, financial condition and operational results may be adversely affected

We operate in a competitive environment. According to the Ministry of Commerce of the PRC, the PRC's refined oil market focuses in Guangdong, Shandong and Fujian Provinces and there were approximately 60, 80 and 30 companies in these provinces respectively that were qualified for engaging in the wholesale business of refined oil in China in 2021. In particular, major PRC State-owned Enterprises dominate the refined oil market, with new private players entering the market. On the other hand, the fuel oil sales market in the PRC is relatively fragmented with a large amount of small-to-middle sized fuel oil traders in the market. Please refer to the section headed "Industry overview" of this document for further details. We therefore compete with both PRC State-owned Enterprises, new entrants and existing oil dealers in the PRC market. Some of the competitors may have longer track records, larger operational scale, greater financial and marketing resources and more established market reputation than us. There is no assurance that we can compete successfully in the future. In the event that we are unable to compete with other market players effectively, our business, financial condition, results of operations and prospects will be materially and adversely affected.

We are subject to challenges from the growing popularity of new energy vehicles

As a wholesaler of diesel and gasoline in the PRC, our products are mainly sold to retailers such as gas stations, which are then sold to individual consumers for the refuelling of their vehicles powered by diesel or gasoline. According to the Frost & Sullivan Report, the possession of new energy vehicles has grown in the PRC in recent years.

If consumers' preference and trends continue to shift towards new energy vehicles, it may have adverse impact on the overall demand of diesel or gasoline products which may lead to the decrease in our sales of diesel or gasoline. In such event, our business, financial condition and results of operations may be materially and adversely affected.

We are exposed to the credit risks of our customers

Our Group adopts prudent credit policy in order to prevent excessive accumulation of trade receivables that may lead to delayed payment and potential bad debts. Before accepting a new customer, our Group will assess the potential customer's credit quality in determining the credit terms. We generally require our non-state-owned enterprise customers to place initial deposit upon entering into sales agreements and all of our customers to settle payments immediately upon acceptance of oil products. However, on a case-by-case basis, we may at our discretion grant more flexible terms to our customers based on their credit history and reputation. In accordance with the above policy, we generally grant an average credit period of 0 to 30 days to our customers. As at 31 December 2019, 2020 and 2021 and 30 June 2022, the balance of our Group's trade receivables amounted to approximately RMB60.5 million, RMB139.0 million, RMB499.5 million and RMB54.0 million, respectively.

There is no assurance that our customers will meet their payment obligations on time, in full or at all, or that our average receivable turnover days will not increase. We cannot guarantee that our Group is able to successfully collect any or all of the debts due, and any failure on the part of our Group's customers to settle or settle on time the amounts due to us may adversely affect our Group's financial condition and operating cash flows. If we fail to adequately manage our credit risks, our bad debt expense could be higher than historic levels, which could adversely affect our business, results of operations and financial condition.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Changes in the economic, political and legal developments in the PRC may significantly affect our business, financial condition, results of operations and prospects

All of our Group's operations and management are currently located in the PRC and we derive all our revenue from the sales of our products in the PRC. Our business, financial condition, results of operations and prospects are therefore subject to the economic, political and legal developments in the

PRC. The PRC economy differs from the economies of numerous developed countries in a variety of respects, including but not limited to social structure, growth rate, control of foreign exchange and allocation of resources. The PRC economy has been transitioning from a planned economy to a more market-oriented economy. In the past decades, the PRC Government has implemented economic reform measures to emphasize the importance in utilisation of market forces for economic development. The PRC's political and social conditions may also affect the implementation of economic reform by the PRC Government. We cannot predict whether changes in the PRC's political, economic and social conditions will have any material adverse effect on our business, financial condition, results of operations and prospects.

The PRC legal system has inherent uncertainties regarding the interpretation and enforcement of PRC laws and regulations which could limit the legal protections available to investors

Substantially all of our operations are conducted in the PRC and are governed by the PRC laws, regulations and rules. The PRC legal system is a civil law system based on written statutes, and prior court decisions can only be cited as reference and have limited precedential value. As many of these laws, regulations and rules are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of the laws, rules and regulations in the PRC may involve uncertainties and may not be consistent or predicable as in other more developed jurisdictions. The legal protections available to us under these laws, regulations and rules may be limited. Any litigation or regulatory enforcement action in the PRC may be protracted and could result in substantial costs and diversion of resources and management attention. In addition, we cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-emption of local regulations by national laws. Any changes to such laws and regulations may materially increase our costs and regulatory exposure in complying with them. Please see the section headed "PRC regulatory overview" of this document for further details.

RISKS RELATING TO THE [REDACTED] AND OUR SHARES

We cannot guarantee the accuracy of facts and other statistics with respect to certain information contained in this document

This document includes certain statistics and facts that have been extracted from different official government publications, available sources from public market research and other sources form independent suppliers, and from the independent industry report prepared by Frost & Sullivan. We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the [REDACTED]. Our Company believes that the sources of these statistics and facts are appropriate for such statistics and facts and has taken reasonable care in extracting and reproducing such statistics and facts. Our Company has no reason to believe that such statistics and facts are false or misleading or that any fact has been omitted that would render such statistics and facts false or misleading.

The information from official government sources has not been independently verified by us, the Sole Sponsor, any of their respective directors and advisers, or any other persons or parties involved in the [REDACTED], and no representation is given as to its accuracy. Accordingly, the information from official government sources contained in this document may not be accurate and should not be unduly relied upon.

The market price and trading volume of our Shares may be highly volatile

The market price and trading volume of our Shares may be highly volatile. Factors such as variations in our Group's revenues, earnings or cash flow and/or announcements of new investments, strategic alliances could cause the market price of our Shares to change substantially. Any such developments may result in large and sudden changes in the volume and market price at which our Shares will be trading. There are no assurances that these developments will or will not occur in the future and it is difficult to quantify the impact on our Group and on the trading volume and market price of our Shares. In addition, our Shares may be subject to changes in the market price, which may not be directly related to our Group's financial or business performance.

You should read the entire document carefully and should not consider any particular statements or any information contained in press articles, media and/or research reports regarding us, our business and/or our industry without carefully considering the risks and other information contained in this document

There may be coverage in the press, media and/or research analyst coverage regarding our Group, our business, our industry and the [REDACTED]. There had been, prior to the publication of this document, and there may be, subsequent to the date of this document but prior to the completion of the [REDACTED], press, media and/or research analyst coverage regarding our Group, our business, our industry and the [REDACTED] containing, among other matters, certain financial information, projections, valuations and other forward-looking information about us and the [REDACTED]. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information.

We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any of the information in the media or publications other than this document is inconsistent or conflicts with the information contained in this document, we disclaim it. Accordingly, you should read the entire document carefully and should not rely on any of the information in press articles or other media coverage. You should only rely on the information contained in this document to make investment decisions about us.

Granting options under the Share Option Scheme would result in the reduction in the percentage ownership of our Shareholders and may result in a dilution in the earnings per Share and net asset value per Share

Our Company has adopted the Share Option Scheme on 28 May 2019, which became effective for a period of 10 years until 27 May 2029. There was no outstanding option, which has been granted under the Share Option Scheme as at the Latest Practicable Date. Any exercise of the options to be granted under the Share Option Scheme in the future and issue of Shares thereunder would result in the reduction in the percentage ownership of our Shareholders and may result in a dilution in the earnings per Share and net asset value per Share, as a result of the increase in the number of Shares outstanding after such issue. Under the HKFRSs, the costs of the options to be granted to staff under the Share Option Scheme will be charged to our Group's consolidated income statement over the vesting period by reference to the fair value at the date on which the options are granted under the Share Option Scheme. As a result, our Group's profitability and financial results may be adversely affected.

Future sales of Shares by existing Shareholders could materially and adversely affect the prevailing market price of our Shares

There are no assurances that any substantial Shareholders or Controlling Shareholders will not dispose of our Shares held by them or any Shares they may come to own in the future. We cannot predict the effect, if any, of any future sales of our Shares by any substantial Shareholder or Controlling Shareholder on the market price of our Shares. Sale of a substantial amount of Shares by any of them or the issue of a substantial amount of new Shares, or the market perception that such sale or issue may occur, could materially and adversely affect the prevailing market price of our Shares.

There is possibility of a lack of an active trading market for our Shares and significant fluctuation of their trading prices

A [REDACTED] application has been made to the Stock Exchange for the [REDACTED] and permission to deal in our Shares on the Main Board of the Stock Exchange. However, [REDACTED] of our Shares on the Main Board does not guarantee a liquid or improved public market for our Shares after the [REDACTED]. If an active public market for our Shares does not develop after the [REDACTED], the market price and liquidity of our Shares may be adversely affected.

There is potential dilution effect of Shares if our Company issues additional Shares in the Future

Our Company may issue equity securities in the future to finance the operations and business strategies (including in connection with acquisitions and other transactions), to adjust the ratio of debt to equity, to satisfy the obligations upon the exercise of outstanding warrants or options or for other reasons. Any issuance of such equity securities could dilute the interests of the existing Shareholders and could substantially decrease the trading price of our Shares.

Investors of our Shares may experience dilution in the net tangible asset book value per Share of their Shares if our Company issues additional Shares in the future at a price which is lower than the net tangible asset book value per Share.

Forward-looking statements contained in this document are subject to risks and uncertainties

This document contains certain statements that are "forward-looking" and indicated by the use of forward-looking terminology such as "aim", "anticipate", "believe", "consider", "could", "estimate", "expect", "forecast", "going forward", "intend", "may", "might", "ought to", "plan", "potential", "project", "seek", "shall", "should", "will" or "would" or similar expressions. You are cautioned that reliance on any forward-looking statement involves risk and uncertainties, any or all of those assumptions could prove to be inaccurate and as a result, the forward looking statements based on those assumptions could also be incorrect. The risks and uncertainties in this regard consist of those identified in the risk factors discussed above. In light of these and other risks and uncertainties, the enclosure of forward-looking statements in this document should not be regarded as representations by our Group that the plans and objectives will be achieved, and you should not place undue reliance on such statements.

In preparation for the [REDACTED], our Company has sought the following waiver from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Main Board Listing Rules, we must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. The principal business operations and office of our Group are primarily located, managed and conducted in the PRC, and our senior management members are and will continue to be based in the PRC. For the purpose of GEM Listing, our Company has established a principal place of business in Hong Kong and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance. However, all the executive Directors are not Hong Kong residents nor based in Hong Kong. Since the business operations of our Group are located in the PRC, and all the executive Directors and senior management of our Company play very important roles in our business operations, we believe that it is in the best interests of our Company that they are based in the places where our Group has significant operations. Our Company does not and will not in the foreseeable future have two executive Directors residing in Hong Kong for the purposes of satisfying the requirement under Rule 8.12 of the Main Board Listing Rules.

As a result, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of Rule 8.12 of the Main Board Listing Rules, on the following conditions to ensure that regular communication is maintained between the Stock Exchange and our Company:

1. our Company has appointed two authorised representatives pursuant to Rule 3.05 of the Main Board Listing Rules, who act as our Company's principal channel of communication with the Stock Exchange. Our Company has appointed Mr. Ng Ka Chai, the company secretary of our Company, who is ordinarily resident in Hong Kong, and Mr. Choi, the executive Director, as the two authorised representatives of our Company. Each of the authorised representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by their respective mobile phone number, office phone number, email address and facsimile number. Each of the two authorised representatives has been duly authorised to communicate on our behalf with the Stock Exchange;

2. both of the authorised representatives of our Company will have means to contact all members of the Board (including the independent non-executive Directors) and of the senior management team promptly at all times as and when the Stock Exchange wishes to contact our Directors and senior management team for any matters;

3. to enhance the communication between the Stock Exchange, the authorised representatives and our Directors, our Company has implemented a policy whereby (a) each executive Director will provide his mobile phone number, office phone number, fax number and email address to the authorised representatives; (b) each executive Director will endeavour to provide valid phone number or means of communication to the authorised representatives when he is traveling; and (c) each Director will provide his mobile phone number, office phone number, fax number and email address to the Stock Exchange and notify the Stock Exchange from time to time of any changes thereof;

4. our Company shall promptly inform the Stock Exchange of any changes on the authorised Main Board representatives and/or the compliance adviser in accordance with the requirements of the Listing Rules;

5. our Company had appointed Kingsway Capital Limited as our compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules for a period commencing on the GEM Listing Date and ended on the date on which we comply with Rule 18.03 of the GEM Listing Rules in respect of our financial results for the second full financial year commencing after the GEM Listing Date, i.e. the date on which we dispatched our annual report for the financial year ended 31 December 2020. Our Company intends to continue to engage a compliance adviser to the date on which we dispatch our annual report for the first full financial year commencing after the [REDACTED]. Our compliance adviser will have access at all times to our authorised representatives, Directors and senior management to ensure that they are in a position to provide prompt responses to any query or request from the Stock Exchange in respect of our Company and will act as an additional channel of communication with the Stock Exchange; and

6. each of the Directors (including the independent non-executive Directors) who is not ordinarily resident in Hong Kong possesses or is able to apply for valid travel documents to visit Hong Kong and will be able to meet with the relevant members of the Stock Exchange within a reasonable period of time, when required.

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. Xu Ziming (徐子明)	302 Biyue Bay Qingxi Town Dongguan, China	Chinese
Ms. Huang Sizhen (黃四珍)	302 Biyue Bay Qingxi Town Dongguan, China	Chinese
Mr. Choi Sio Peng (徐小平)	302 Biyue Bay Qingxi Town Dongguan, China	Chinese
Independent non-executive Directors		
Mr. Tsui Hing Shan (徐興珊)	Flat A, 15th Floor, Block 1 Park Tower 1 King's Road Tin Hau, Hong Kong	Chinese
Mr. Chan William (陳沛衡)	Flat I, 6th Floor Man Wo Garden Mansion 38 Yuet Wah Street Kwun Tong, Hong Kong	Chinese
Mr. Kan Siu Chung (靳紹聰)	1306 Block B, King Tai Service Apartment No. 295 Guangzhou Dadao Zhong Yuexiu District Guangzhou, China	Chinese

For further information on the profile and background of our Directors, please refer to the section headed "Directors and Senior Management" in this document.

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor	**Honestum International Limited** *A licensed corporation under the SFO and permitted to carry out Type 6 (advising on corporate finance) regulated activities as defined in the SFO* Unit 604, 6/F Nam Wo Hong Building 148 Wing Lok Street Sheung Wan Hong Kong
Legal advisers to the Company	*As to Hong Kong law* **ZM Lawyers** 20/F, Central 88 88–98 Des Voeux Road Central Hong Kong *As to PRC law* **King & Wood Mallesons** 25th Floor, Guangzhou CTF Finance Centre No. 6 Zhujiang East Road Zhujiang New Town Tianhe District Guangzhou 510623 PRC *As to Cayman Islands law* **Conyers Dill & Pearman** Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Legal advisers to the Sole Sponsor	*As to Hong Kong law* **Loeb & Loeb LLP** 2206–19 Jardine House 1 Connaught Place Central Hong Kong

	As to PRC law **Beijing Dentons Law Offices, LLP** 16–21F, Tower B ZT INTERNATIONAL CENTRE No. 10, Chaoyangmen Nandajie Chaoyang District Beijing PRC
Reporting accountant and auditor	**PricewaterhouseCoopers** Certified Public Accountants and Registered Public Interest Entity Auditor 22nd Floor, Prince's Building Central Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc.,** **Shanghai Branch Co.** 1014, Tower B Lvdihui Center 500 Yunjin Road Shanghai, 200232 PRC

CORPORATE INFORMATION

Registered Office	Cricket Square, Hutchins Drive PO Box 2681, Grand Cayman KY1-1111, Cayman Islands
Principal place of business in Hong Kong	Unit 1102, 11/F 29 Austin Road Tsim Sha Tsui, Kowloon Hong Kong
Company secretary	Mr. Ng Ka Chai, *CPA* Room 1115, Block M Telford Gardens Kowloon Bay Hong Kong
Authorised representatives ***(for the purpose of the Main Board Listing Rules)***	Mr. Choi Sio Peng 302 Biyue Bay Qingxi Town Dongguan, China Mr. Ng Ka Chai, *CPA* Room 1115, Block M Telford Gardens Kowloon Bay Hong Kong
Compliance adviser	**Kingsway Capital Limited** 7/F, Tower 1 Lippo Centre 89 Queensway Hong Kong
Audit committee	Mr. Chan William *(Chairman)* Mr. Tsui Hing Shan Mr. Kan Siu Chung
Remuneration committee	Mr. Tsui Hing Shan *(Chairman)* Mr. Chan William Mr. Kan Siu Chung
Nomination committee	Mr. Kan Siu Chung *(Chairman)* Mr. Chan William Mr. Tsui Hing Shan

Principal share registrar and transfer office in Cayman Islands	[REDACTED]
Hong Kong branch share registrar and transfer office	[REDACTED]
Principal banker	Bank of Dongguan Co., Ltd. Qingxi Sub-Branch Ground floor and floor 2 Minghui Building No. 5, West Lucheng Road Qingxi Administrative Center Dongguan City Guangdong Province, the PRC
Company's website	www.jtfoil.com *(information contained in this website do not form part of this document)*

The information and statistics set out in this section and other sections of this document were extracted from different official government publications, available sources from public market research and other sources form independent suppliers, and from the independent industry report prepared by Frost & Sullivan. We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the [REDACTED]. The information from official government sources has not been independently verified by us, the Sole Sponsor, any of their respective directors and advisers, or any other persons or parties involved in the [REDACTED], and no representation is given as to its accuracy. Accordingly the information from official government sources contained herein may not be accurate and should not be unduly relied upon.

SOURCE AND RELIABILITY OF INFORMATION

We have commissioned Frost & Sullivan, an Independent Third Party, to conduct a study of China and Guangdong's oil market, with a focus on refined oil and fuel oil market. Founded in 1961, Frost & Sullivan has over 40 global offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists.

RESEARCH METHODOLOGY

During the preparation of the Frost & Sullivan Report, Frost & Sullivan conducted primary research that involved discussing the status of the industry with industry participants and industry experts, as well as secondary research that involved reviewing company reports, independent research reports and Frost & Sullivan's own database.

BASIS AND ASSUMPTION

The Frost & Sullivan Report was compiled based on the following assumptions: (i) China's economy is likely to maintain steady growth in the next decade; (ii) China's social, economic, and political environment is likely to remain stable from 2021 to 2026 (**"Forecast Period**"); (iii) growing number of civil motor vehicles, growth potential for downstream industries, and favourable government policy are likely to drive the future growth of the industry. The assumptions have incorporated the impact of COVID-19.

OVERVIEW OF OIL INDUSTRY IN THE PRC

Introduction of oil industry in the PRC

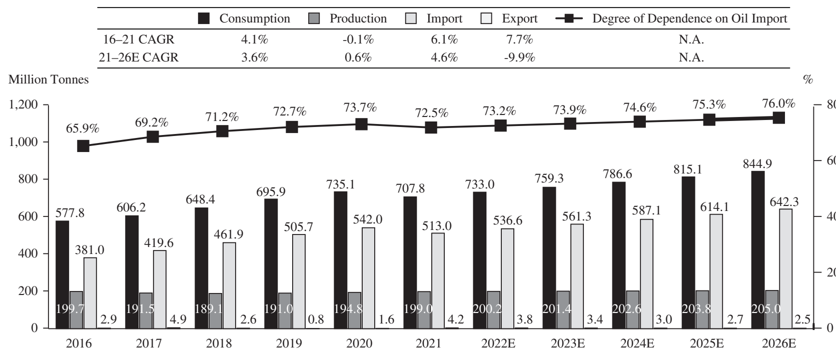
China is the largest energy consumption country in the world, taking up approximately 26% of the world's primary energy consumption. As the second largest economy in the world, China has huge demand for energy to support the modernization and urbanization. Traditional energy like coal and oil is widely used as fuel and still dominates the primary energy consumption of China. In 2021, consumption of coal and oil accounts for around 55.8% and 19.4% in total primary energy consumption in China.

Major oil field in China includes Daqing Oil Field (大慶油田), Liaohe Oil Field (遼河油田), Karamay Oil Field (卡拉瑪依油田), Shengli Oil Field (勝利油田), etc. The oil production in China had declined from 199.7 million tonnes in 2016 to 199.0 million tonnes in 2021. Given the limited domestic oil reserve, China depends largely on import of oil. Major countries that China import oil from are Russia, Saudi Arabia and Angola. From 2016 to 2021, the oil import in China increased from 381.0 million tonnes to 513.0 million tonnes, representing a CAGR of 6.1% during the same period.

From 2021 to 2026, according to the PRC government's energy plan, China's annual oil production volume is expected to maintain at the level of around 200 million tonnes, oil production volume is estimated to be at a CAGR of 0.6%. Meanwhile, increasing motor vehicle possessions in China has driven the demand for oil, resulting in continuous growth of oil import volume. The oil import of China is anticipated to reach 642.3 million tonnes in 2026, with a CAGR of 4.6% from 2021 to 2026.

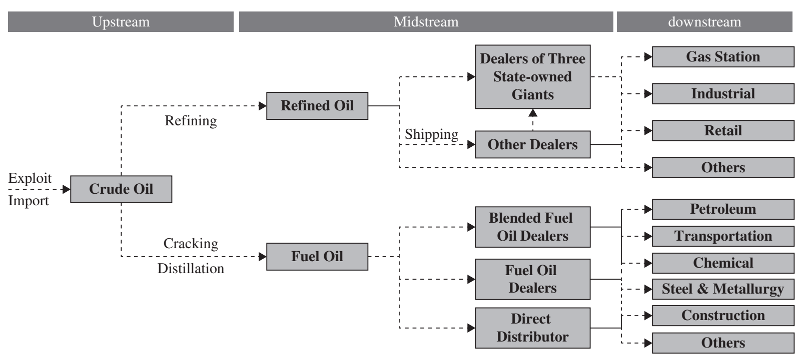
As China itself has limited supply of oil, the import of oil climbs to gain a greater share in total supply. The trend is expected to continue in the Forecast Period. Degree of dependence on import climbed from 65.9% in 2016 to 72.5% in 2021. The figure is expected to reach 76.0% by 2026.

Crude Oil Market Size Overview of PRC, 2016–2026E



Source: National Bureau of Statistics, Frost & Sullivan Analysis

Overall industry value chain of refined oil and fuel oil industry in the PRC



Source: Frost & Sullivan Analysis

The value chain of oil industry in the PRC comprises three main segments: (i) upstream exploration and production; (ii) midstream distribution; and (iii) downstream retail and consumer. The upstream exploration and production is generally dominated by the Three State-owned Giants. There are also a few local non state-owned refineries which engage in production and refinery activities.

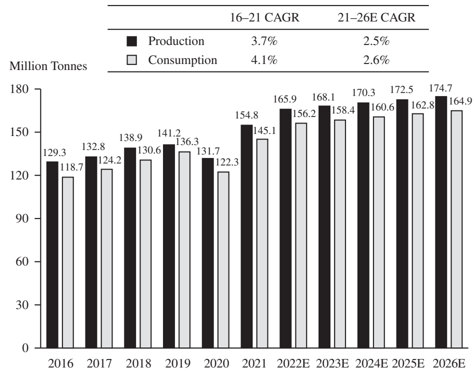
Although the Three State-owned Giants also participate in midstream and downstream distribution, in particular refined oil products (i.e. gas station operations), their primary business focus is exploring oil resources and refining, research and development of their products. Hence, midstream dealers play an important role in the value chain of the refined and fuel oil industry by fulfilling the market needs not served by the Three State-owned Giants as these dealers have the capital, logistics, storage, processing and network capability to facilitate prompt delivery of refined and fuel oil products, enabling them to bridge the gap between upstream producers and downstream users.

OVERVIEW OF REFINED OIL TRADING MARKET IN THE PRC AND GUANGDONG PROVINCE

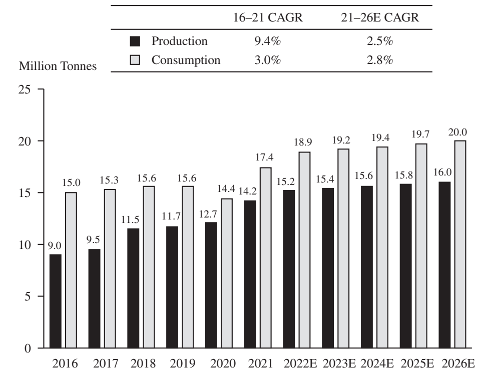
Refined oil mainly refers to gasoline, kerosene and diesel in China. Gasoline, kerosene and diesel are a hydrocarbon compounds extracted as liquid from refined petroleum. Gasoline and diesel are mainly used as engine fuels, while kerosene is widely used as lamp and lighting fuel, heating fuel, chemical properties and so on.

Market size of gasoline in the PRC and Guangdong Province

Gasoline Production and Consumption (China), 2016–2026E



Gasoline Production and Consumption (Guangdong Province), 2016–2026E



Source: National Bureau of Statistics; Frost & Sullivan Analysis

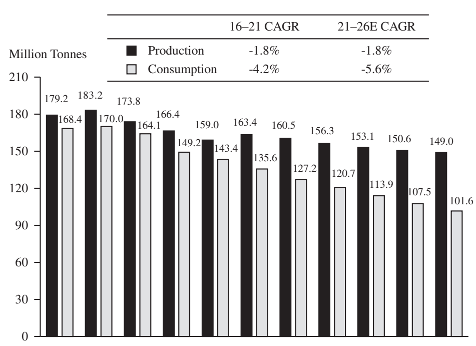
Consumption of gasoline in the PRC grew at a CAGR of approximately 4.1% during the period from 2016 to 2021, whereas the production grew at a CAGR of approximately 3.7% for the same period.

In Guangdong Province, consumption grew at a CAGR of approximately 3.0% during the period from 2016 to 2021, whereas the production grew at a CAGR of approximately 9.4% for the same period.

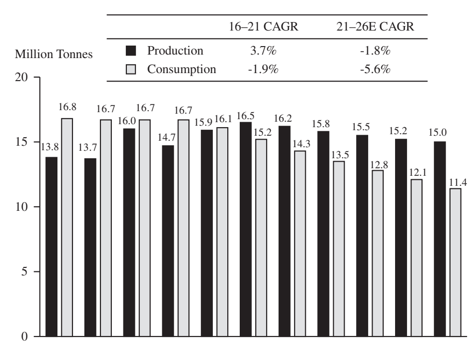
The gasoline markets slightly drop in 2020 due to the limitation of transportation in China and Guangdong in the first several months caused by the spread of the COVID-19 Pandemic. As the outbreak of the COVID-19 Pandemic is largely controlled in China, the gasoline markets are not likely to be strongly impacted in a long run.

Market size of diesel in the PRC and Guangdong Province

Diesel Production and Consumption (China), 2016–2026E



Diesel Production and Consumption (Guangdong Province), 2016–2026E



Source: National Bureau of Statistics; Frost & Sullivan Analysis

Consumption of diesel in the PRC decreased at a CAGR of approximately -4.2% between 2016 and 2021. Meanwhile, production of diesel decreased at a CAGR of approximately -1.8% over the same period.

From 2016 to 2021, production of diesel in Guangdong Province grew from approximately 13.8 million tonnes to approximately 16.5 million tonnes, while the consumption of diesel experienced a decrease at a CAGR of approximately -1.9% during the same period.

The market of diesel in China is forecasted to show a decreasing trend and the growth rate is expected to drop in Guangdong Province due to the growing awareness of environment protection.

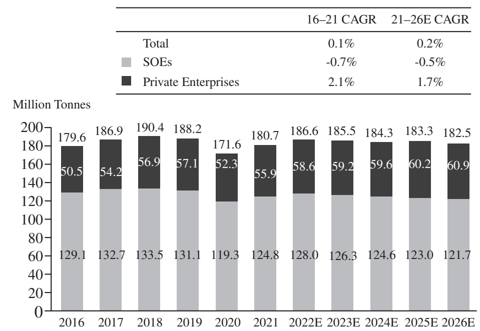
The refined oil trading market in China increased from 179.6 million tonnes in 2016 to 180.7 million tonnes in 2021, representing a CAGR of approximately 0.1%. In 2021, the trading volume of private enterprises accounted for approximately 31.0% of the total trading market.

In 2021, the trading volume of private enterprises accounted for approximately 34.6% of the total trading market in Guangdong Province. The segment increased from 6.0 million tonnes in 2016 to 7.3 million tonnes in 2021 at a CAGR of approximately 3.8%. The market is affected by the spread of COVID-19 in the first several months in 2020 due to the lockdown of cities in China. However, COVID-19 has been largely controlled in China along with government's strict quarantine and prevention measures and is not expected to affect the long-term market in Guangdong Province and the rest of China.

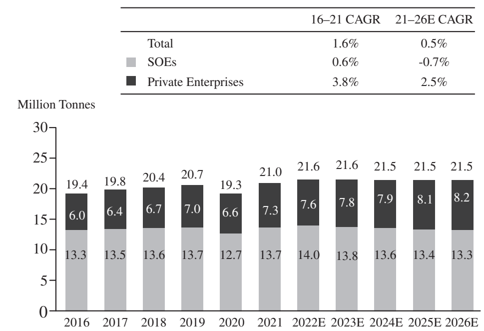
The growth of the refined oil trading market in Guangdong Province from 2021 to 2026 is expected to slow down compared to that of 2016 to 2021, as the macro economy growth of Guangdong Province is expected to slow down during the same period comparing to that of 2016 to 2021. In addition, the trading volume of SOEs is expected to witness a decrease from 2021 to 2026, slowing down the overall market growth while the private enterprises sector is still expected to have a steady growth from 2021 to 2026 with a CAGR of 2.5%.

Market size of refined oil trading in the PRC and Guangdong Province

Refined Oil Trading Market (China), 2016–2026E



Refined Oil Trading Market (Guangdong Province), 2016–2026E



Competitive landscape of the refined oil market in the PRC and Guangdong Province

According to the Ministry of Commerce of the PRC, most of the refined oil dealers are concentrated in Shandong, Guangdong and Fujian Provinces, with approximately 80, 60 and 30 companies who were qualified to engage in refined oil wholesale operation in 2021 respectively. Over 400 companies (including branches) have obtained the qualification for engaging in wholesale business of refined oil in China by the end of 2021. None of the private enterprises accounts for more than 1% in the overall nation-wide market. JTF (PRC) accounted for approximately 0.1% of the overall refined oil trading market in China in 2021.

According to the Frost & Sullivan Report, the refined oil market had been largely dominated by the Three State-owned Giants. However, the number of private dealers in the market increases as a response to the growth of both production and consumption of refined oil in the recent years. The table below set forth the refined oil trading volume of the top five private refined oil dealers in Guangdong Province in 2021:

Ranking	Company	Estimated Trading Volume in 2021 *(Thousand Tonnes)*	Estimated Market Shares
1	Company A	630	3.0%
2	Company B	393	1.9%
3	JTF (PRC)	246	1.4%
4	Company C	241	1.1%
5	Company D	238	1.1%
	Top 5	**1,748**	**8.3%**
	Others	**19,264**	**91.7%**
	Total	**21,012**	**100.0%**

Source: Frost & Sullivan Analysis

Note: Company A is a private company established in 1998 in Zhuhai. Company A is mainly engaged in refined oil and fuel oil dealing.

Company B is a private company established in 2006 in Heshan. Company B is mainly engaged in refined oil business.

Company C is a NEEQ listed company established in 1999 in Shenzhen. Company C is mainly engaged in refined oil and oil products dealing.

Company D is a private company established in 1996 in Zhanjiang. Company D is mainly engaged in refined oil dealing and logistics business.

Market Drivers of the refined oil market in the PRC and Guangdong Province

Growing Automobile Population

With increasing disposable income and urbanization, a growing number of residents in the PRC are able to afford vehicles. As automobile industry is a major downstream market of both gasoline and diesel, growing automobile population in China is expected to drive the growth of refined oil consumption in the next few years. Guangdong has one of the largest passenger vehicles population in China among all provinces. In 2021, the passenger vehicles population in Guangdong was 23.7 million, increased from 14.9 million in 2016. The possession of passenger vehicles in the Guangdong Province from 2016 to 2021 grew at a CAGR of approximately 9.8% and the growing trend of the passenger vehicle market in Guangdong Province is expected to continue.

Development of Industry

The consumption of refined oil in Guangdong was relatively concentrated, with Pearl River Delta accounting for a rather high market share. According to the 13th Five-Year-Plan of Guangdong Province, the development of industrial zones in cities other than Pearl River Delta will also be strongly supported by the government. The potential development of industry is likely to strengthen the demand of energies including refined oil.

Stricter Vehicle Emission Standard

As environmental issues, especially air pollution, has been of great concern in China, stricter vehicle emission standard is expected to be imposed. Limits and measurement methods for emissions from light-duty vehicles (China 5) has been imposed nationwide and China 6 has been gradually implemented in 2020. Stricter standard has driven the market for upgraded products which is more expensive, and hence driven the market in terms of revenue.

Promotion of the Belt and Road Strategy

Guangzhou has been one of the pivot cities in China. With the nationwide promotion of the Belt and Road Strategy, Guangdong is likely to become an increasingly important transportation centre in China. The boosting vehicle flow rate is expected to drive the gasoline and diesel oil market in Guangdong. Also, the local government has issued Implementation Scheme of Guangdong's Participation in the Construction of "One Belt, One Road" in June 2015. The local government has invested over US$55 billion to improve the construction of six major industries including infrastructure, energy, manufacturing industry.

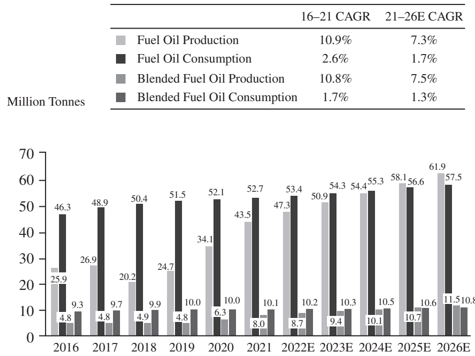
OVERVIEW OF FUEL OIL TRADING MARKET IN THE PRC AND GUANGDONG PROVINCE

Fuel oil is a general term to describe fuel used in furnace and other industrial engines and is a mixture of oil products (distillation residue) produced from crude oil in fractional distillation process. Fuel oil can also be divided into unblended (single grade) and blended (mixed grade) products. Examples of unblended fuel oil products include vacuum residue and slurry oil from oil refineries.

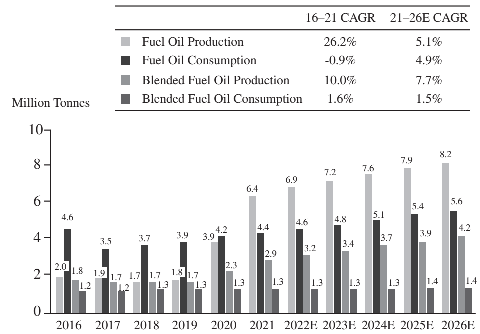
Blended fuel oil is primarily used as fuel in large-scale shipping vessels and industrial furnaces. The quality of unblended fuel oil sometimes cannot meet burning requirements of these furnaces (i.e. viscosity). Thus two or more kinds of (usually unblended) fuel oil products are blended to alter their physio chemical properties for specific engine use.

Market size of fuel oil products in the PRC and Guangdong Province

Fuel Oil Production and Consumption (China), 2016–2026E



Fuel Oil Production and Consumption (Guangdong Province), 2016–2026E



Source: National Bureau of Statistics; Frost & Sullivan Analysis

Consumption of fuel oil in the PRC grew at a CAGR of approximately 2.6% for the period from 2016 to 2021. Such consumption growth was driven by the steady development of major consumption industries (petroleum refining, maritime transportation and chemical). However, consumption in Guangdong Province experienced a slight decline, representing a CAGR of approximately -0.9% from 2016 to 2021, largely attributable to a decrease in unblended fuel oil consumption in downstream heavy industry, power generation and crude oil processing industries. The decrease in demand for fuel oil from the downstream industry from 2015 to 2021 is mainly due to (i) the renovation and shutdown of small-scale companies in downstream heavy industries such as steel, metallurgy and chemical production in order to meet PRC government's increasing environmental protection and emission requirements; and (ii) the decreasing oil consumption in total primary energy consumption along with the promotion of clean energy by the PRC government. In 2020, the fuel oil consumption in Guangdong Province rebounded to 4.2 million tonnes, mainly driven by the robust and resilient industrial production demand since March 2020 after the nationwide lockdown of COVID-19 pandemic in early 2020.

Consumption of fuel oil in PRC and Guangdong Province are expected to maintain at a stable level from 2021 to 2026 along with substantial development of downstream industries, recovering of industrial production after government's cut-down of overcapacity and promotion of the "Belt and Road Initiative" strategy. Production of fuel oil in PRC and Guangdong Province recorded a distinct growth in 2021, with a year-on-year growth of 27.6% and 64.1% respectively, respectively. The prominent growth of fuel oil production in PRC and Guangdong in 2020 were mainly due to the rise in domestic production and supply of very low-sulphur fuel oil (VLSFO) in order to meet the International Maritime Organisation's 0.5pc sulphur cap in marine fuels that took effect in January 2020.

As a kind of customised blending fuel oil products, blended fuel oil can achieve complete combustion with high calorific value. Blended fuel oil has gradually been well-accepted by the downstream fuel oil consumers who usually have high physiochemical index requirements to the fuel oil products. The consumption of blended fuel oil in PRC increased from 9.3 million tonnes in 2016 to 10.1 million tonnes in 2021 with a CAGR of 1.7%. Guangdong Province is one of the key marine trade provinces in the PRC and accounted for approximately 13% of the blended fuel oil consumption in the PRC during 2016 to 2021. Both consumption and production of blended fuel oil products in Guangdong Province experienced a steady growth with CAGR of approximately 1.6% and 10.0%, respectively, over the same period.

Blended fuel oil is normally consumed as the fuel of large-scale shipping vessels and industrial furnaces. The demand for blended fuel oil in PRC and Guangdong Province is estimated to be further stimulated in the future along with growing capacity of water transportation as well as the PRC's national strategy of the construction of Guangdong-Hong Kong-Macao Greater Bay Area. According to the Frost & Sullivan Report, the consumption of blended fuel oil in PRC and Guangdong Province is likely to maintain at a stable level from 2021 to 2026. The demand for blended fuel oil was hindered by the global outbreak of the COVID-19 Pandemic in 2020, but is forecasted to gradually resume in the following years after 2020.

Competitive landscape of the fuel oil market in the PRC and Guangdong Province

According to the Frost & Sullivan Report, the overall fuel oil trading markets in the PRC and Guangdong Province are very fragmented with a large number of small and medium-sized fuel oil dealers. Among the fuel oil dealers in the PRC, there are approximately over 200 fuel oil dealers with fuel oil blending capability. The blended fuel oil market in the PRC is relatively fragmented as at 2021; the top five players accounted for approximately 29% market share in terms of production volume while JTF (PRC) accounted for approximately 0.4% of the market share in the PRC market. Among the fuel oil dealers in Guangdong Province, there are over 30 fuel oil dealers with fuel oil blending capability. The blended fuel oil market in Guangdong Province is relatively concentrated in 2021; the top five players accounted for approximately 29.1% market share in terms of production volume while JTF (PRC) accounted for approximately 0.9% of the market share. This concentrated market structure is mainly due to the high entry barrier for new comers in acquiring the necessary fuel oil blending capability to meet requirements of downstream clients.

The table below sets forth the blended fuel oil production volume of the top five blended fuel oil dealers in Guangdong Province in 2021:

Ranking	**Blended Fuel Oil Trader**	**Estimated Blended Fuel Oil Production Volume in 2021** *(Thousand Tonnes)*	**Estimated Market Shares**
1	Company E	227.1	7.8%
2	Company F	208.1	7.1%
3	Company G	165.1	5.7%
4	Company H	141.3	4.8%
5	Company I	108.1	3.7%
	Top 5	**849.7**	**29.1%**
	JTF (PRC)	**27.2**	**0.9%**
	Others	**2,044.5**	**70.0%**
	Total	**2,921.4**	**100.0%**

Source: Frost & Sullivan Analysis

Note: Company E is a private company established in 2001 in Zhuhai. Company E is mainly engaged in refined oil, fuel oil and chemical products dealing.

Company F is a private company established in 2003 in Guangzhou. Company F is mainly engaged in chemical products, fuel oil and refined oil dealing.

Company G is a private company established in 1996 in Maoming. Company G is mainly engaged in fuel oil and chemical products dealing.

Company H is a private company established in 2005 in Dongguan. Company H is mainly engaged in fuel oil and lubricant dealing.

Company I is a private company established in 2004 in Shenzhen. Company I is mainly engaged in fuel oil and chemical products dealing.

According to Frost & Sullivan who has conducted primary interviews with some of the Group's competitors, the Group's competitors are also engaged in outport trades.

Market drivers of the fuel oil market in the PRC and Guangdong Province

Substantial Development of Downstream Industries

Fuel oil is widely used as the major fuel for industrial boilers in various industries such as petroleum processing, chemical and steel. From 2016 to 2021, major downstream industries of fuel oil products experienced stable development. The crude oil processing volume, production of chemical products and raw steel production volume remained at a stable growth from 2016 to 2021, representing CAGRs of 5.4%, 3.8% and 5.0%, respectively. The substantial growth of downstream industries is expected to further boost the consumption on fuel oil products.

Recovering of Industrial Production

Cut-down of overcapacity in some industry has regenerated the vigor of the industry. Industrial production has been recovering. Meanwhile, the "Belt and Road Initiative" strategy by the PRC government is expected to stimulate the trade of goods and service, driving the industrial production in the long term. The recovering of industrial production is expected to further drive the consumption of fuel oil and thus propel the development of fuel oil market.

National Level Policy and Planning Support

Since the fuel oil is the essential production fuel for various manufacturing industries such as chemical industry and metallurgy industry, nationwide strategic policies and plans on manufacturing also have influence on fuel oil. In recent years, the national strategies such as "One Belt, One Road", which integrate and deepen regional cooperation on manufacturing and infrastructure, are estimated to bring growth potentials for China's manufacturing and also to indirectly motivate the further development of China's fuel oil market.

Continuous Development and Policy Support for the Shipping Industry

According to the latest issued "Opinions on the Acceleration of the Health Development of Shipping Industry"《廣東省人民政府關於促進海運業健康發展的實施意見》issued by the Guangdong provincial government, shipping industry is planned to be developed as one of the pillar industries of Guangdong. By 2020, the size of Guangdong's ocean fleet is estimated to reach around 20 million dead weight tonnage. As one of the major downstream consumption sectors of fuel oil, the further development and concrete policy support of Guangdong's shipping industry is also expected to boost the consumption of and demand for fuel oil in Guangdong province.

OPPORTUNITIES AND THREATS OF REFINED OIL AND FUEL OIL MARKETS IN THE PRC AND GUANGDONG PROVINCE

Opportunities

As environmental issues have become a rising concern in China, the PRC government and consumers have gained a stronger preference towards environmental friendly oil products with high qualities. With the implement of China 5 on 1 January 2017 and the implement of China 6 on 1 July 2020, higher standard and better quality refined oil products are expected to be launched to meet the requirement, of the relevant policies and regulations.

In line with the rapid development of macro economy in Guangdong province, the passenger vehicle population increased from 14.9 million in 2016 to 23.7 million in 2021 at a CAGR of 9.8%, higher than that of total vehicle population. The developing automobile market is likely to drive the demand for gasoline in Guangdong in the future since most of the passenger vehicles in China use gasoline as fuel. Hence, it is likely that the gasoline to diesel ratio would rise in the coming years.

Threats

Transportation industry has a great influence on the refined oil market as it is one of the most important downstream industries. The refined oil market might be affected in the coming years as new energy vehicle (NEV) market develops. The PRC government is promoting green and safe transport comprehensively. With the support from the government, new energy vehicle market is expected to be further developed in the future, which may have an impact on the refined oil market. The number of non-NEVs in China increased from 171.7 million in 2015 to approximately 276.1 million in 2020, and is expected to increase to 348.9 million in 2025. Possession of traditional oil-fueled vehicles in PRC accounts for around 99.7% of total civil motor vehicle possession in 2015 and 98.2% in 2020 and the share of traditional oil-fueled vehicles is expected to decrease to approximately 97.0% in 2025.

Possession of new energy vehicles in PRC increased from approximately 0.6 million in 2015 to approximately 4.9 million in 2020, and is expected to be further increased to 9.8 million in 2025. Possession of new energy vehicles in PRC accounts for around 0.4% of total civil motor vehicle possession in 2015 and 1.8% in 2020 and the share of new energy vehicles is forecasted to be further increased to approximately 3.0% in 2025.

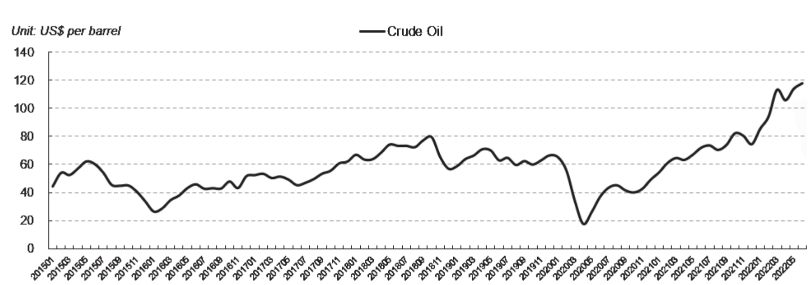
The COVID-19 Pandemic has spread worldwide. The aviation industry is strongly impacted by the spread of COVID-19. In 2020, the airfreight turnover and passenger turnover in China dropped by 38.3% and 36.7%, respectively. The consumption of kerosene would be impacted accordingly.

Under the combined impact of the COVID-19 Pandemic and global economic downturn since early 2020, the global shipping industry is also negatively affected. The BDI (Baltic Dry Index), the benchmark index that measures the global demand for shipping capacity, fell from the highest level in the past five years of approximately 2,500 in September 2019 to less than 700 by the end of April 2020. Maritime transportation is one of the major downstream fuel oil consumption industries, the depressed shipping market is likely to pose threats and uncertainties to the fuel oil market.

PRICE MOVEMENTS OF CRUDE OIL, REFINED OIL AND FUEL OIL IN THE PRC

Crude Oil Price

Crude oil price is greatly influenced by some geopolitics factors such as the diplomatic behaviors of major OPEC countries in the world. In general, the price of crude oil hovered around US$40 to US$80 per barrel during 2015 to 2019. During the period from Jan 2015 to October 2020, the crude oil price showed two slumps in early 2016 and early 2020, respectively. The downward trend in early 2016 was mainly due to the increasing production of shale oil in the U.S. Since 1 January 2020, the international market oil price has been experiencing a plummet after OPEC's failure to strike a deal with its allies on the output cut in March 2020 and Saudi Arabia's reaction intensified the situation by way of cutting oil prices and boosting production. The global outbreak of the COVID-19 Pandemic also restrained the demand for crude oil, which further intensified oil supply and demand imbalance. In April 2020, crude oil price plummeted to below US$20 per barrel. The crude oil price started to rebound since May 2020 due to the rebalancing of oil supply and demand along with world's top oil producers such as Saudi Arabia, UAE and Kuwait ended their voluntary extra oil production. The crude oil price hit over US$40 per barrel in July 2020 and kept increasing after July 2020. The chart below sets forth the international crude oil price from January 2015 to June 2022:

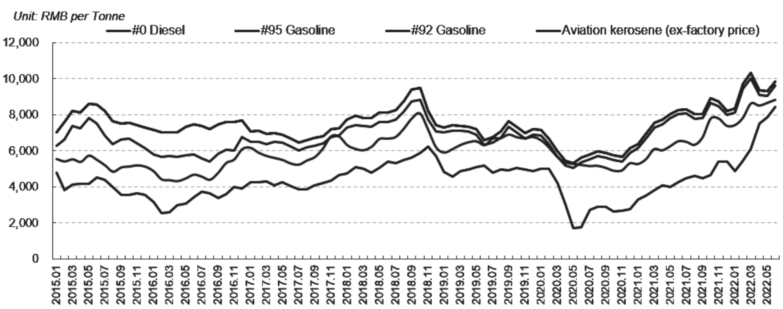


Source: Organization of Petroleum Exporting Countries; Frost & Sullivan Analysis

Refined Oil Price

From January 2015 to January 2021, the average domestic retail price of diesel increased from approximately RMB5,548.7 per tonne to approximately RMB6,370.7 per tonne. The average domestic retail price of overall gasoline decreased from approximately RMB6,640.2 per tonne to approximately RMB5,703.0 per tonne.

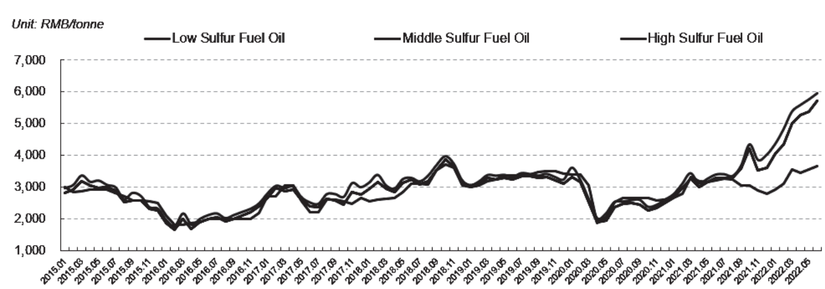
Petroleum product price in China fluctuates with the global crude oil price as well. The retail prices of gasoline, kerosene and diesel also showed a downward trend from May 2015 to April 2016, increased from May 2016 to November 2018 and dropped from November 2018 to May 2020 and increased since then.



Source: National Bureau of Statistics; Frost & Sullivan Analysis

Fuel Oil Price

As a kind of petroleum product, the price of fuel oil fluctuates with the crude oil price as well. The price trend of fuel oil under different sulfur content was consistent with the mega trend of crude oil price. From 2015 to 2019, the price of fuel oil hovered at between RMB2,000 per tonne and RMB4,000 per tonne, while the price slumped to below RMB2,000 per tonne in March 2020 due to the crude oil price slump since March 2020. The price of fuel oil showed a rebound along with the rally of crude oil price increase since May 2020. The chart below sets forth the domestic fuel oil market price trend in the PRC from January 2015 to June 2022:

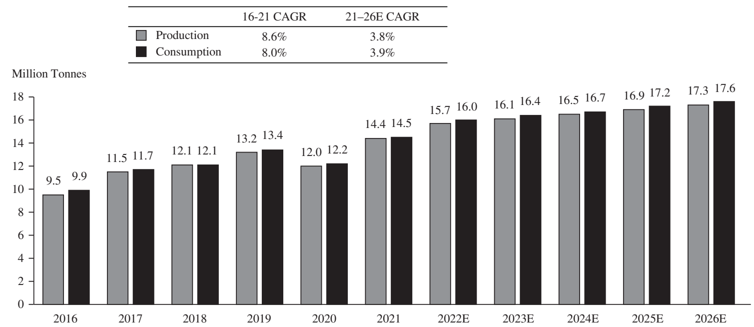


Source: Frost & Sullivan Analysis

OVERVIEW OF MTBE AND ISOOCTANE TRADING MARKET IN THE PRC

Petrochemical products are chemical products derived from crude oil. Other petrochemical products refer to petrochemical products other than refined oil and fuel oil, and mainly include organic chemical materials (approximately 200 types) and synthetic materials (i.e. plastics, synthetic fibers, synthetic rubber, etc.).

Production and Consumption of MTBE (China), 2016–2026E



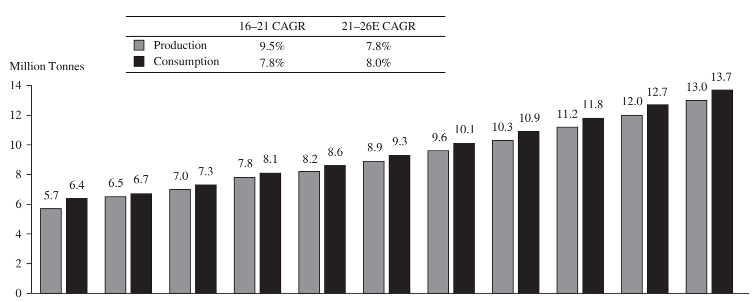
Source: Frost & Sullivan Analysis

MTBE (Methyl tert-butyl ether) is an organic compound with a structural formula (CH3)3COCH3. MTBE is manufactured via the chemical reaction of methanol and isobutylene, and is mostly used as a fuel component in fuel for gasoline engines, as well as diesel and chemical industries.

The production volume of MTBE increased from approximately 9.5 million tonnes in 2016 to approximately 14.4 million tonnes in 2021, representing a CAGR of 8.6%. It is forecasted that the production volume of MTBE is likely to keep a steady growth and reach approximately 17.3 million tonnes in 2026, at a CAGR of 3.8% from 2021 to 2026.

The consumption volume of MTBE increased from approximately 9.9 million tonnes in 2016 to approximately 14.5 million tonnes in 2021, representing a CAGR of 8.0%. It is forecasted that the consumption volume of MTBE is likely to remain at a steady growth and reach approximately 17.6 million tonnes in 2026, at a CAGR of 3.9% from due to the anticipated growth of gasoline market.

Production and Consumption of Isooctane (China), 2016–2026E



Source: Frost & Sullivan Analysis

Isooctane is an important component of gasoline produced from liquefied petroleum gas.

The production of isooctane increased from approximately 5.7 million tonnes in 2016 to approximately 8.9 million tonnes in 2021, representing a CAGR of 9.5%. It is forecast that the production of isooctane is likely to grow at a CAGR of 7.8%, reaching approximately 13.0 million tonnes in 2026. The consumption of isooctane in China increased from 6.4 million tonnes in 2016 to 9.3 million tonnes in 2021, representing a CAGR of 7.8%. The market is likely to keep growing due to the growing of gasoline market.

LAWS AND REGULATIONS RELATING TO WHOLLY FOREIGN-OWNED ENTERPRISE

The establishment, operation and management of enterprises in the PRC are governed by the PRC Company Law (中華人民共和國公司法), which was promulgated by the Standing Committee of the National People's Congress (the "**SCNPC**") on 29 December 1993 and subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013 and 26 October 2018 respectively. According to the PRC Company Law, companies established in the PRC are either limited liability companies or joint stock limited companies. A company may establish subsidiaries which enjoy the status of and enterprise legal person and shall be independently responsible for their own civil liabilities. The PRC Company Law applies to both PRC domestic companies and Foreign-invested Enterprises (the "**FIEs**"), including Wholly Foreign-owned Enterprises ("**WFOEs**"). Nonetheless, where the PRC Company Law is silent on matters relating to FIEs, such matters may be addressed by other PRC laws and regulations.

Foreign Investment Law

On 15 March 2019, the National People's Congress (the "**NPC**") approved the Foreign Investment Law of the PRC (中華人民共和國外商投資法, the "**FIL**"), which came into effect on 1 January 2020 and replaced the Sino-Foreign Equity Joint Venture Enterprise Law (中外合資經營企業法), the Sino-Foreign Cooperative Joint Venture Enterprise Law (中外合作經營企業法) and the Wholly Foreign-Invested Enterprise Law (外資企業法), and became the legal foundation for foreign investment in the PRC. The FIL is promulgated to further expand opening-up, promote foreign investment and protect the legitimate rights and interests of foreign investors. According to the FIL, the investment, earnings and other legitimate rights and interests of foreign investors within the territory of the PRC shall be protected in accordance with the law, and all national policies on supporting the development of enterprises shall be equally applied to FIEs. In Particular, the State will take measures to prompt foreign investment such as ensuring fair competition between FIEs and domestic companies with regard to their participation in government procurement activities, and ensuring that the intellectual property rights of foreign investors and FIEs shall be protected. In respect of administration of foreign investment, foreign investors shall go through relevant verification and record-filing formalities if required by the relevant PRC laws. The organization arrangement structure and activities of FIEs shall be governed by the PRC Company Law and the Partnership Enterprise Law of the PRC (中華人民共和國合夥企業法), if applicable.

On 26 December 2019, the State Council issued the Regulations on Implementing the Foreign Investment Law of the PRC (中華人民共和國外商投資法實施條例), which came into effect on 1 January 2020 and provides implementing measures and detailed rules to ensure the effective implementation of the FIL.

The Provisions on Guiding Foreign Investment Direction and the Catalogue for the Guidance of Foreign Investment Industries

The Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021) (外商投資準入特別管理措施(負面清單) (2021年版)) (the "**Negative List**") was issued jointly by the National Development and Reform Commission (the "**NDRC**") and the MOFCOM on 27 December 2021, and came into effect on 1 January 2022. The Negative List specifies prohibitions or restrictions on foreign investment in some industries. The wholesale of refined oil and petroleum products does not fall into any of the restricted or prohibited categories.

REGULATION RELATING TO REFINED OIL MARKET

The Administrative Measures on the Refined Oil Market (成品油市場管理辦法) (the "**Administrative Measures**"), promulgated by the MOFCOM on 4 December 2006, last amended on 30 November 2019 and abolished on 1 July 2020, provides a regulatory framework for regulation of refined oil market in the PRC. To conduct refined oil business, an enterprise has to apply for and obtain approval from the relevant administrative departments of commerce. The Administrative Measures provide that enterprises that intend to engage in the wholesale of refined oil products shall send an application to the administrative department of commerce of the provincial people's government of the place where it is located, which shall examine the application and report the preliminary examination opinions together with other application materials to the MOFCOM, which shall decide whether to grant a Certificate of Approval for the Wholesale of Refined Oil (成品油批發經營批准證書).

The Opinions of the General Office of the State Council on Accelerating the Development of Circulation Industry and Promoting Consumer Spending (國務院辦公廳關於加快發展流通促進商業消費的意見(國辦發[2019]42號)) (the "**No.42 Opinions**") were promulgated by the General Office of the State Council on 16 August 2019, which require the expansion of the market access in the refined oil industry. Pursuant to No.42 Opinions, the approval of market access for wholesale and storage of refined oil products shall be cancelled, and the interim and ex-post supervision of the circulation of refined oil products shall be reinforced instead.

The Circular of the MOFCOM on the Better Improvement of the Reform relating to the Circulation Management of Petroleum and Refined Oil (商務部關於做好石油成品油流通管理"放管服"改革工作的通知(商運函[2019]659號)) (the "**No.659 Circular**") was promulgated by the MOFCOM on 3 December 2019. Pursuant to the No.659 Circular, the administrative departments of commerce of different hierarchies shall no longer accept the application for market access of wholesale and storage of refined oil, nor shall such administrative departments accept application for modification, renewal and deregistration of the relevant qualification certificates.

According to the Circular of the National Development and Reform Commission on Issues concerning Further Improving the Refined Oil Pricing Mechanism (Fa Gai Jia Ge [2016] No. 64) (國家發展改革委關於進一步完善成品油價格形成機制有關問題的通知[發改價格[2016]64號]) (the "**NDRC Circular**"), which was promulgated by the NDRC on 13 January 2016, market-adjusted prices shall be adopted for crude oil price. Refined oil prices shall be government-guided or government-fixed based on different situations. The adjustment guide prices for gasoline and diesel are issued every 10 working days. Gasoline and diesel retail and wholesale prices, as well as gasoline and diesel supply prices for social wholesale enterprises, railway, transport and other special users shall be government-guided. And gasoline and diesel prices for national reserves and Xinjiang Production and Construction Corps shall be government-fixed. The NDRC Circular sets up a price floor and ceiling. Refined oil retailers and refined oil production and trade enterprise may independently determine the specific retail prices by taking reference to the international crude oil price between 40 U.S. dollars per barrel and 130 U.S. dollar per barrel.

According to the Pricing Catalogue of Guangdong Province (2022 version) (廣東省定價目錄(2022年版)) which was promulgated by the People's Government of Guangdong Province on 24 February 2022 and became effective on 15 March 2022, the price of refined oil is temporarily managed according to the current measures.

LAWS AND REGULATIONS RELATING TO HAZARDOUS CHEMICALS

On 29 June 2002, the SCNPC promulgated the Work Safety Law of the PRC (中華人民共和國安全生產法) (the "**Work Safety Law**"), which was last amended on 10 June 2021. The Work Safety Law provides that entity marketing or storing hazardous substances shall establish a work safety management body or have full-time work safety management personnel. In addition, business entities shall provide their employees with work safety education and training to ensure that their employees have necessary work safety knowledge, are familiar with the relevant work safety policies and rules and safe operating procedures, possess the safe operating skills for their respective posts, know the emergency response measures for accidents, and are informed of their rights and obligations in work safety. Employees failing the work safety education and training shall not take their posts. Business entities must provide their employees with labor protection products meeting the national or industry standards, and supervise and educate their employees on wearing or using such products in accordance with the rules of use.

On 26 January 2002, the State Council promulgated the Regulation on Safety Administration of Hazardous Chemicals (危險化學品安全管理條例) (the "**Regulation on Hazardous Chemicals**"), which took effect on 15 March 2002 and was last amended on 7 December 2013. The Regulation on Hazardous Chemicals applies to the safety administration of the production, storage, use, dealing and transportation of hazardous chemicals and it stipulates that without approval, no entity or individual may engage in the business operations of hazardous chemicals.

For enterprises storing hazardous chemicals, they shall set up prominent signs for the pipelines they lay down for transporting hazardous chemicals and inspect and check such pipelines on a regular basis, and shall also set up prominent safety warning signs on their work places and safety facilities or equipment. In addition, depending on the category and dangerous properties of the hazardous chemicals, a variety of safety facilities or equipment at the work places shall also be set up and be maintained on a routine basis in accordance with relevant national and industry standards. For hazardous chemicals that constitute serious hazard sources in quantity, the storage unit shall report information concerning the storage quantity, places and management personnel to the production safety supervision and administration department of the local people's government at county level for record.

Pursuant to the Measures for the Administration of the Permits for Trading in Hazardous Chemicals (危險化學品經營許可證管理辦法), promulgated by the State Administration of Work Safety on 17 July 2012 and amended on 27 May 2015, those engaging in the business operation (including storage) of hazardous chemicals listed in the Catalogue of Hazardous Chemicals (危險化學品目錄) within the territory of the PRC have to apply for and obtain a business permit of hazardous chemicals from the relevant permit-issuing authority. If an enterprise engages in the business operation of hazardous chemicals without a business permit, it shall be fined in accordance with the relevant provisions of the Work Safety Law on legal liabilities for manufacturing, marketing or storing hazardous substances without a legal approval; and if a crime is constituted, it shall be subject to criminal liability according to law.

LAWS AND REGULATIONS RELATING TO PORT

Pursuant to the Law of the People's Republic of China on Ports (中華人民共和國港口法) which was promulgated by the NPC on 28 June 2003 and was last amended on 29 December 2018, any entity which intends to engage in the business operation of a port shall apply in writing to the administrative department of port for obtaining a permit for business operation of port. On 6 November 2009, the Ministry of Transport of the PRC (中華人民共和國交通運輸部) issued the Provisions on the Administration of Port Operation (港口經營管理規定) (the "**Port Operation Provisions**"), which were last amended on 20 December 2020. According to the Port Operation Provisions, a port operator shall use and maintain the facilities and equipment of the port in accordance with the functions being approved, and keep them in normal conditions. A port operator shall also, establish and improve the responsibility system and regulations for work safety, promote the standardization of work safety, collect and use funds for work safety in accordance with the law, improve the conditions on work safety, establish and implement a system for graded management and control of safety risks and for the detection and treatment of hidden dangers, and strictly implement measures for management. If a port operator violates the requirements on work safety provided in the Port Operation Provisions, the port administrative department or other departments that are responsible for the supervision over administration of work safety pursuant to law shall impose a punishment on it/him pursuant to law.

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

Under the Environmental Protection Law of the PRC (中華人民共和國環境保護法), which was promulgated by the SCNPC on 26 December 1989 and amended on 24 April 2014, enterprises, public institutions, and other businesses that discharge pollutants shall adopt measures to prevent and control pollution and damage to environment caused by waste gas, waste water, waste residue, medical wastes, dust, malodorous gases, radioactive substances, noise, vibration, optical radiation, electromagnetic radiation, and other substances generated in their production, construction, and other activities. Enterprises, public institutions, and other businesses that discharge pollutants shall pay pollutant discharge fees in accordance with the relevant provisions of the PRC. Different penalties for violation of the Environmental Protection Law of the PRC may be imposed depending on individual circumstances and the extent of contamination. Such penalties may include warnings, fines, orders to stop production or close down.

Pursuant to the Administrative Regulation on the Pollutant Discharge Permits (《排污許可管理條例》) promulgated by the State Council on 24 January 2021 and became effective on 1 March 2021 and the Administrative Measures for Pollutant Discharge Licensing (for Trial Implementation) (《排污許可管理辦法(試行)》) promulgated by the Ministry of Ecology and Environment of the PRC (中華人民共和國生態環境部) on 10 January 2018 and last amended on 22 August 2019, a pollutant discharging entity shall legally hold the pollutant discharge permit within the time limit as provided in the Catalog of Classified Management of Pollutant Discharge Permit for Stationary Pollution Sources (2019) (《固定污染源排污許可分類管理名錄》 (2019年版)), which was published by the Ministry of Ecology and Environment of the PRC on 20 December 2019 (the "**Pollutatnt Discharge Permit Catalog**"). Pursuant to the Pollutant Discharge Permit Catalog, a pollutant dischargement entity operating with oil depots of storage capacity of 10,000 cubic metres or above shall apply for the pollutant discharge permit as required by the Ministry of Ecology and Environment.

REGULATIONS RELATING TO FOREIGN CURRENCY EXCHANGE AND DIVIDEND DISTRIBUTION

Foreign Currency Exchange

The principal regulation governing foreign currency exchange in the PRC is the Foreign Exchange Administration Rules of the PRC (中華人民共和國外匯管理條例), which was promulgated by the State Council of the PRC on 29 January 1996 and was last amended on 5 August 2008. Under these rules, Renminbi is generally freely convertible into other currencies for payments of current account items, such as trade and service-related payments and payment of interests and dividends, but it is not freely convertible for payments of capital account items, such as direct equity investment, loan, and investment in derivative products or securities outside the PRC, unless prior approval from the State Administration of Foreign Exchange ("**SAFE**") or its local office has been obtained.

On 19 November 2012, SAFE promulgated the Circular on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment (國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知) (the "**SAFE Circular No. 59**") which became effective on 17 December 2012 and was last amended on 30 December 2019. The SAFE Circular No. 59 cancelled the approval procedure for the opening of and capital transfer into foreign exchange account under direct investment. Moreover, the SAFE Circular No. 59 also simplifies: a) the capital verification and confirmation formalities for FIEs; and b) the foreign capital and foreign exchange registration formalities required for the foreign investors to acquire the equities of a Chinese party. In addition, it further improves the administration of exchange settlement of foreign exchange capital of FIEs.

On 4 July 2014, SAFE issued the Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Roundtrip Investments conducted by Domestic Residents through Overseas Special Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (the "**SAFE Circular No. 37**") which became effective on 4 July 2014. Under the SAFE Circular No. 37, both domestic institutions and individual residents of the PRC are required to register with SAFE for their overseas investments before establishing or controlling an offshore entity for the purpose of offshore investment and financing involving onshore/offshore assets or equity interests legally held by them. Additionally, they shall make registration with SAFE when changes with regard to their capital structure emerge. Without completing such prerequisite registration procedures, they can hardly acquire other approval or registration documents required for their cross-border capital flow, such as making direct investments, releasing or repaying shareholder loans, distributing dividends, or receiving equity sale proceeds.

On 13 February 2015, SAFE published the Circular on Simplifying and Improving the Foreign Currency Management Policy on Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) (the "**SAFE Circular No. 13**") which became effective on 1 June 2015. Pursuant to the SAFE Circular No. 13, SAFE's administrative approvals with respect to foreign exchange registration of domestic direct investments and overseas direct investments are not required. Instead, PRC banks assume the responsibility of foreign exchange registration in accordance with the Operating Guidelines for Foreign Exchange Business in Direct Investment annexed to the SAFE Circular No. 13.

On 30 March 2015, SAFE published the Circular on Reforming the Management Approach regarding the Settlement of Foreign Capital of Foreign-invested Enterprise (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知) (the "**SAFE Circular No. 19**") with effect from 1 June 2015. Pursuant to the SAFE Circular No. 19, foreign exchange capital in the capital account of foreign-invested enterprises for which the confirmation of rights and interests of monetary contribution by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) has been handled can be settled at the banks based on the actual operation needs of the enterprises. The proportion of discretionary settlement of foreign exchange capital of foreign-invested enterprises is temporarily determined as 100%. SAFE can adjust the aforementioned proportion in due time based on the situation of international balance of payments.

On 9 June 2016, SAFE issued the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Account (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) (the "**SAFE Circular No. 16**"), which provides that domestic institutions may, at their discretion, settle up to 100% of foreign exchange receipts under capital accounts for the time being. SAFE may adjust the above proportion in due time according to balance of payments. The use of foreign exchange receipts under capital accounts of a domestic institution and the RMB funds obtained thereby from foreign exchange settlement shall be subject to the following provisions: (1) they shall not, directly or indirectly, be used for expenditure beyond the enterprise's business scope or expenditure prohibited by laws and regulations of the State; (2) unless otherwise specified, they shall not, directly or indirectly, be used for investments in securities or other investments other than banks' principal-secured products; (3) they shall not be used for the granting of loans to non-affiliated enterprises, except where it is expressly permitted in the business licence; and (4) they shall not be used for the construction or purchase of real estate for purposes other than self-use (except for real estate enterprises).

Dividend Distribution

Pursuant to the PRC Company Law, PRC companies (including WFOEs) may distribute dividends only out of their accumulated distributable profits, if any, determined in compliance with the PRC accounting rules and principles. Besides, PRC companies are required to set aside 10% of their after-tax profits annually as their statutory surplus reserve funds (法定公積金) until the cumulative amount reaches 50% of the companies' registered capital.

LAWS AND REGULATIONS RELATING TO TAX

Enterprise Income Tax

On 16 March 2007, the NPC promulgated the Enterprise Income Tax Law of the PRC (the "**EIT Law**") (中華人民共和國企業所得稅法), which came into effect on 1 January 2008 and was last amended on 29 December 2018. On 6 December 2007, the State Council issued the Regulation on the Implementation Rules of the EIT Law (the "**EIT Rules**") (《中華人民共和國企業所得稅法實施條例》), which became effective on 1 January 2008 and were last amended on 23 April 2019.

According to the EIT Law and the EIT Rules, the EIT is applicable to all enterprises, resident and non-resident, except the individual-invested sole-proprietorship and partnership, and generally, the applicable tax rate is 25%. More specifically, resident enterprises are subject to EIT for income derived from both inside and outside the PRC. Non-resident enterprises are obliged to pay EIT for income emanated from the PRC and income emanated from abroad but substantially connected with their establishment or organization within the PRC. Nonetheless, the EIT Law and the EIT Rules have alleviated non-resident enterprises' income tax rate to 10% for income gained within the PRC, provided that they have no establishment or organisation in the PRC, or the obtainment of such income has no actual connection with their establishment or organisation in the PRC to the extent such income is deemed to be derived from source within the PRC.

Value-added Tax

On 13 December 1993, the State Council promulgated the Provisional Regulations on Value-added Tax of the PRC (the "**VAT Regulations**") (中華人民共和國增值稅暫行條例), which were last amended on 19 November 2017. On 25 December 1993, the Ministry of Finance and the State Administration of Taxation ("**SAT**") promulgated the Detailed Rules for the Implementation of the VAT Regulations (the "**VAT Rules**") (中華人民共和國增值稅暫行條例實施細則), which were last amended on 28 October 2011 and became effective on 1 November 2011.

Pursuant to the VAT Regulations and the VAT Rules, all enterprises and individuals (including individual businesses and natural persons) engaging in the sale of goods, the provision of processing, repair and replacement services, and the importation of goods within the PRC are required to pay VAT.

The Notice on the Adjustment to VAT Rates (關於調整增值稅稅率的通知), promulgated by the Ministry of Finance and the SAT on 4 April 2018 and became effective as of 1 May 2018, adjusted the applicative rate of VAT which, among others, include: the deduction rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively.

According to the Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform (財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告), which was promulgated on 20 March 2019 and became effective on 1 April 2019, the VAT rate was further adjusted as follows: VAT rates of 16% applicable to the VAT taxable sale or import of goods by a general VAT taxpayer shall be adjusted to 13%, and the tax rate of 10% applicable thereto shall be adjusted to 9%.

Dividend Withholding Tax

The EIT Law and the EIT Rules prescribe that a 10% income tax rate will normally be applicable to income from equity investments in China such as dividends and bonuses distributed to a non-resident enterprise, provided that such an enterprise does not have establishments or places of business within the PRC, or it has establishments or places of business in the PRC but the income received is not substantially connected to such establishments or places of business.

Pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Incomes (the "**Double Taxation Avoidance Arrangement**") (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排), a resident enterprise of Hong Kong which receives dividends from a company incorporated in the PRC shall pay EIT. To be specific, if the beneficiary of the dividends is a Hong Kong resident enterprise which directly holds no less than 25% equity shares of the PRC dividend distributor, the tax levied is then 5% of the distributed dividends; if a Hong Kong enterprise holds less than 25% equity share of the PRC dividend distributor, the tax levied would be 10% of the distributed dividend.

Aiming to prevent resident enterprises from manipulating the Double Tax Avoidance Arrangement, SAT issued the Circular on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Treaties (國家稅務總局關於執行稅收協定股息條款有關問題的通知) on 20 February 2009, which sets forth requirements restricting the tax resident's (i.e. the beneficiary of the dividends) taking advantage of favourable tax treatments (10% or 5%), and the specific requirements are listed as follows: a) such a tax resident obtaining dividends shall be a company as provided in the tax treaty; b) the equity interests and voting shares of the PRC resident enterprise directly held by such a tax resident shall reach the prescribed percentage; and c) the capital ratio of the PRC resident enterprise directly held by such a tax resident reaches the percentage provided in the tax treaty at any time within 12 months prior to the obtainment of the dividends.

LAWS AND REGULATIONS RELATING TO EMPLOYMENT

Labour Law and Labour Contract Law

The principal legislations regulating the PRC's employment issues are the Labour Law of the PRC (the "**Labour Law**") (中華人民共和國勞動法), which was promulgated by the SCNPC on 5 July 1994 and last amended on 29 December 2018, and the Labour Contract Law of the PRC (the "**Labour Contract Law**") (中華人民共和國勞動合同法), which was promulgated by the SCNPC on 29 June 2007 and was last amended on 28 December 2012. The Labour Law and the Labour Contract Law primarily govern the labour relationships between employers and employees.

The Labour Law provides various basic rights of employees and stipulates that employers shall pay employees a wage not lower than the minimum wage determined by the local authorities. Pursuant to the Labour Contract Law, an employer shall enter into a written labour contract with an employee upon the commencement of the employment, or at least within one month thereafter; otherwise the employer shall pay two times of the employee's monthly salary from the date on which their labour relationships was established.

The written labour contract can be for a fixed term, an unfixed term, or terms conditional on the completion of certain work tasks. Nonetheless, unless otherwise proposed by the employee that he intends to sign a labour contract with a fixed term, an employer is obliged to sign a labour contract with an unfixed term with the employee a) who has worked for the employer for no less than ten years consecutively; b) who has worked for the employer for no less than ten years consecutively and will reach the statutory retiring age within ten years, under the condition that the employer establishes its labour contract system for the first time, or it accomplishes the state-owned enterprise restructuring process and intends to re-sign a labour contract with such an employee; c) who, without triggering the prescribed conditions upon which the employer is entitled to terminate the labour contract, has consecutively signed fixed-term labour contracts twice with such an employer; or d) with whom the employer has established labour relationships for more than one year but fails to sign a written labour contract. The failure of concluding unfixed-term labour contracts under the abovementioned situations will trigger the compensation provision of the Labour Contract Law under which the employer shall pay two times of the employee's salary every month from the date such an unfixed-term labour contract should be established.

Social Insurance and Housing Provident Fund

Pursuant to the Social Insurance Law of the PRC (中華人民共和國社會保險法) promulgated by the SCNPC on 28 October 2010, last amended on 29 December 2018 and became effective on the same date, enterprises shall provide employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, labour injury insurance and medical insurance. Enterprises shall register with the local social insurance authority and pay premiums for their employees. Where an employer fails to pay social insurance premiums on time or in full amount, the collection agency of social insurance premiums shall order it to pay or make up the deficit of premiums within a prescribed time limit, and impose a daily late fee at the rate of 0.05% of the outstanding amount from the due date; and if it still fails to pay the premiums within the prescribed time limit, the relevant administrative department shall impose a fine of one to three times the outstanding amount upon it.

Pursuant to the Regulation on the Administration of Housing Provident Fund (住房公積金管理條例) promulgated by the State Council on 3 April 1999 and was last amended on 24 March 2019, an enterprise shall make deposit registration of housing provident funds with the housing provident fund management centre, and shall open the housing provident fund account for its employees. An enterprise shall, within five days of paying wages to an employee each month, remit the housing provident fund deposited by the enterprise and that withheld for the employee into the special housing provident fund account, and the entrusted bank shall deposit the said funds into the employee's housing provident fund account. Where an enterprise fails to deposit the housing provident fund within the time limit or under-deposits the fund, it shall be ordered by the housing provident fund management centre to deposit the fund or the deficit within a time limit; and if the enterprise still fails to pay up within the time limit, the housing provident fund management centre may apply for court enforcement order to execute the outstanding amount.

LAWS AND REGULATIONS RELATING TO THE USE OF SPECIAL EQUIPMENT

According to the Law of the PRC on the Safety of Special Equipment (中華人民共和國特種設備安全法) promulgated by the SCNPC on 29 June 2013 and the Regulations on Safety Supervision of Special Equipment (特種設備安全監察條例) promulgated by the State Council on 11 March 2003 and amended on 24 January 2009, an special equipment catalogue shall be formulated by the department of the State Council responsible for the safety supervision and administration of special equipment. Entities using special equipment listed in the catalogue shall use special equipment that has been issued the production licence and that has passed inspection. An entity using special equipment shall, before or within thirty days after using special equipment, go through use registration with the safety supervision and administration of special equipment.

LAWS AND REGULATIONS RELATING TO LEASING

According to the Civil Code of the PRC (《中華人民共和國民法典》), a lease contract is a contract under which the lessor delivers to the lessee the use and usufruct rights of the lease premises and receives from the lessee the corresponding rentals. Where the lease term is no less than six months, both lessor and lessee shall enter into a lease contract in writing. The lease term agreed by both parties may not, however, exceed twenty years, or such agreed lease term beyond twenty years will be deemed invalid under the Civil Code of the PRC otherwise.

Pursuant to the Urban Real Estate Administration Law of the PRC (中華人民共和國城市房地產管理法), when leasing premises, the lessor and lessee are required to enter into a written lease contract, containing such provisions as the leasing term, use of the premises, rental, repair liabilities, and other rights and obligations of both parties. Both lessor and lessee are also required to register the lease with the PRC government agencies responsible for real estate administration.

BUSINESS HISTORY

With about six years' business experience in the oil and petroleum industry in Dongguan, Guangdong Province, the PRC, Mr. Xu and Ms. Huang acquired all the equity interests of JTF (PRC) from Independent Third Parties for a total consideration of RMB15 million in December 2004. They funded the acquisition of JTF (PRC) from personal savings and gains from their previous business operations. At that time, while JTF (PRC) was entitled to carry on the business of wholesale and retail of diesel, gasoline and chemical materials (except hazardous items), its previous owners had ceased its business operations.

In January 2005, Mr. Xu and Ms. Huang re-started the business operations of JTF (PRC) to engage in wholesale of oil and petroleum products at Zengcheng Oil Depot with a total site area of about 15,870 sq.m., with offices, storage tanks with total storage capacity of about 10,000 m^3, a pier and related ancillary facilities in Zengcheng. The customers then were mainly factories in the vicinity area of Dongguan, Guangdong Province, the PRC. In late 2005, we also started business relationship with PRC State-owned Enterprises. With the growth of business and customer base in various parts of Guangdong Province, the PRC, the business scope of JTF (PRC) was expanded to include wholesale and retail of coal oil and fuel oil on 10 August 2006, and its registered capital was increased from RMB5 million to RMB35 million on 12 December 2006 in order to provide additional working capital for its operations. Mr. Xu and Ms. Huang paid the additional capital in cash to JTF (PRC) as verified by an independent firm of accountants in the PRC.

With a view to strengthen the management, Mr. Choi, a nephew of Mr. Xu and Ms. Huang, joined JTF (PRC) after obtaining a master degree in civil and commercial laws from Tsinghua University, the PRC in 2007.

Mr. Choi set up JTF (HK) in Hong Kong in September 2012 for restructuring the Group. On 31 December 2012, Ms. Huang agreed to sell 25% interest in JTF (PRC) to JTF (HK) for RMB9,465,200. On 12 April 2013, the transfer was approved by the relevant PRC authorities and JTF (PRC) was registered as a sino-foreign joint venture company on 8 October 2013. In June 2013, we started to expand our operation to sale of blended fuel oil.

On 28 April 2014, Mr. Xu and Ms. Huang agreed to sell 60% and 15% interests in JTF (PRC) to JTF (HK) for RMB41,300,000 and RMB10,320,000 respectively, and they acquired 75% interest in JTF (HK) on 18 July 2014. The transfers by Mr. Xu and Ms. Huang were approved by the relevant PRC authorities on 16 May 2014, and JTF (PRC) became a wholly owned subsidiary of JTF (HK) and was registered as a wholly foreign owned company on 12 November 2014.

We expanded our facilities by renting oil storage tanks with 17,600 m^3 capacity and related facilities in Foshan, Guangdong Province, the PRC from July 2014 to June 2015 to cope with our expansion of sales of fuel oil and diesel in Guangdong Province. Further oil storage and related facilities with about 25,000 m^3 capacity in Panyu, Guangdong Province, the PRC were rented from January 2015 to July 2016 from a PRC State-owned Enterprise engaged in maritime transportation fuel business to strengthen our mutual business relationship. Similar facilities in another site in Foshan, Guangdong Province, the PRC were rented, firstly with about 52,000 m^3 capacity from May 2015 to April 2016, and then about 75,000 m^3 capacity from May 2016 to expand our supply of fuel oil and diesel to customers in Guangdong Province and southern China. Thereafter we rented oil depots with total storage capacities of 39,500 m^3 and related facilities at Old Gaolan Port Oil Depot in September and November 2016 respectively. Old Gaolan Port Oil Depot has storage facilities and the required operating licence for chemical materials, which enables us to expand our sales of other petrochemical products, which previously had to be delivered directly by our suppliers to customers. We further rented oil storage tanks at Old Panyu Oil Depot with 10,000 m^3, 5,000 m^3 and 8,000 m^3 storage capacity and related facilities from 1 January 2017, 1 July 2017 and 1 October 2017 respectively to serve the market throughout Guangdong Province. Upon the termination of the previous leases, we started to lease the Panyu Oil Depot from October 2018 for three storage tanks with maximum storage capacity of approximately 20,000 m^3 and Gaolan Port Oil Depot from July 2019 for seven storage tanks with maximum storage capacity of approximately 37,000 m^3. Panyu Oil Depot was mainly used for storage and trading of fuel oil and diesel during the Track Record Period. It was our business strategy to lessen our reliance on fuel oil in the forthcoming. We took into account that our Zengcheng Oil Depot, which has a relatively low utilization rate currently, will be expanded and upgraded for storage and trading of fuel oil and diesel; for more efficient use of our resources, we decided to early terminate the lease of the Panyu Oil Depot in June 2021 and centralise our operation at our Zengcheng Oil Depot and Gaolan Port Oil Depot. Our Zengcheng Oil Depot and Gaolan Port Oil Depot currently have a total oil storage capacity of about 47,000 m^3.

In order to enable us to further expand our sales of gasoline, we recruited personnel with extensive experience in trading of gasoline in 2015.

On 5 December 2016, JTF (PRC) increased its registered capital from RMB35 million to RMB45 million by converting funds from its reserve to registered capital. On 6 February 2017, its registered capital was further increased to RMB80 million, which was contributed in cash by JTF (HK) as verified by an independent firm of accountants in the PRC.

Over the years, we have expanded our product range, as well as our customer base to include private and public enterprises and PRC State-owned Enterprises in industries such as retailing, oil trading, logistics, manufacturing and oil refining in Fujian, Guangdong, Guangxi, Hubei, Liaoning and Shandong Provinces and in Shanghai, the PRC.

The following is a summary of our Group's milestone events of development:

2004	Mr. Xu and Ms. Huang tookover JTF (PRC) in December 2004
2005	JTF (PRC) re-started the business of wholesale of oil and other petroleum products at Zengcheng Oil Depot We started business relationship with PRC State-owned Enterprises which was a recognition for our Group's performance in industry, given PRC State-owned Enterprises' high threshold for supplier selection in terms of quality standards, reputation and position in industry
2006	The business scope of JTF (PRC) was expanded to include wholesale and retail of coal oil and fuel oil in August 2006
2012	JTF (HK) was set up in Hong Kong in September 2012

2013	JTF (PRC) became a sino-foreign joint venture company in October 2013 after JTF (HK) acquired 25% of its equity interest
	We expanded our operation to sale of blended fuel oil
2014	JTF (PRC) became a wholly foreign owned company in November 2014 after becoming a wholly owned subsidiary of JTF (HK)
	We expanded our facilities by renting oil storage tanks and related facilities in Foshan, Guangdong Province, the PRC
2015	We expanded our facilities by renting oil storage tanks and related facilities in Panyu and Foshan, Guangdong Province, the PRC
	We increased our volume of business with PRC State-owned Enterprises
2016	We expanded our sales of gasoline
	We rented Old Gaolan Port Oil Depot for the storage and trade of gasoline and other petrochemical products and Old Panyu Oil Depot for the storage and trade of blended and unblended fuel oil products
2018	Our shares became listed on GEM
	We rented Panyu Oil Depot for the storage and trading of fuel oil and diesel oil and blending of fuel oil
2019	We rented Gaolan Port Oil Depot for the storage and trading of gasoline and petrochemical products
	We engaged a main contractor to perform survey and design works for upgrading of the wharf berth capacity in our Zengcheng Oil Depot
	We completed refurbishment works for storage tanks, pipelines, oil depot facilities and equipment in our Zengcheng Oil Depot

CORPORATE HISTORY FOR OUR SUBSIDIARIES

Our Company

Our Company, being the [REDACTED] vehicle of our Group, was incorporated in the Cayman Islands as an exempted company with limited liability on 23 October 2014 and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 23 December 2014. As at the date of incorporation, our Company had an authorised share capital of HK$380,000 divided into 38,000,000 Shares of HK$0.01 each, of which one Share was allotted and issued as fully paid to an initial subscriber (who is an Independent Third Party) at par. On the same date, such subscriber transferred the share to Thrive Era Investments Limited at par, and additional 24 Shares and 75 Shares were allotted and issued as fully paid to Thrive Era Investments Limited and Thrive Shine Limited at par respectively.

On 6 March 2017, the Company issued 464 Shares and 155 Shares to Thrive Shine and Thrive Era respectively (as directed by Mr. Xu, Ms. Huang and Mr. Choi) as consideration for setting off loans due to Mr. Xu, Ms. Huang and Mr. Choi. On the same day, Trophy Plus subscribed for 280 Shares at the cash consideration of RMB30,856,015.87.

On 19 December 2017, our Company issued 0.5 Shares to Thrive Shine (as directed by Gold Pledge) for the acquisition of 4 shares of JTF (HK) from Gold Pledge. On 20 December 2017, our Company issued another 0.5 Shares to Thrive Shine (as directed by Mr. Choi) for setting off loans due to Mr. Choi.

Pursuant to the GEM Share Offer, 105,000,000 Shares were issued at the offer price of HK$0.50 each and our Shares were listed on GEM on 17 January 2018. Immediately upon the listing of our Shares on GEM, 170,100,000 Shares, 88,200,000 Shares, 56,700,000 Shares and 105,000,000 Shares were held by Thrive Shine, Trophy Plus, Thrive Era and the public, representing 40.5%, 21.0%, 13.5% and 25.0% of the shareholding of the Company, respectively.

On 11 June 2019, the Company completed a [REDACTED] of [REDACTED] shares at HK$0.31 per [REDACTED] and raised [REDACTED] of about [REDACTED] after deducting related expenses (the "**[REDACTED]**"). Upon completion of [REDACTED], [REDACTED] Shares, [REDACTED] Shares and [REDACTED] Shares were held by Thrive Shine, Thrive Era and the public, representing [REDACTED]%, approximately [REDACTED]% and [REDACTED]% of the shareholding of the Company, respectively.

On 10 January 2020, a total of [REDACTED] Shares have been issued and allotted by the Company to Thrive Shine and Thrive Era at HK$0.211 per share (the "**[REDACTED]**"). Upon completion of the [REDACTED], [REDACTED] Shares, [REDACTED] Shares and [REDACTED] Shares were held by Thrive Shine, Thrive Era and the public, representing approximately [REDACTED]%, [REDACTED]% and [REDACTED]% of the shareholding of the Company, respectively.

On 23 December 2020, Thrive Era disposed of [REDACTED] Shares at the price of HK$0.54 per Share through the placing agent to 25 placees, representing approximately [REDACTED]% of the total issued share capital of the Company.

On 11 April 2022, pursuant to an ordinary resolution of our Shareholders, the authorised share capital of our 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.

As at the Latest Practicable Date, our Company was owned as to [REDACTED]% by Thrive Shine, [REDACTED]% by Thrive Era and [REDACTED]% by the public, respectively.

JTF (PRC)

On 6 July 1998, JTF (PRC) was established in Zengcheng by two Independent Third Parties with registered capital of RMB3 million. Its then scope of business covered wholesale and retail of diesel, gasoline and chemical materials (except hazardous items).

The registered capital of JTF (PRC) was increased from RMB3 million to RMB5 million on 30 September 1999. The additional capital of RMB2 million was contributed in cash by its then shareholders on a pro rata basis as verified by an independent firm of accountants in the PRC.

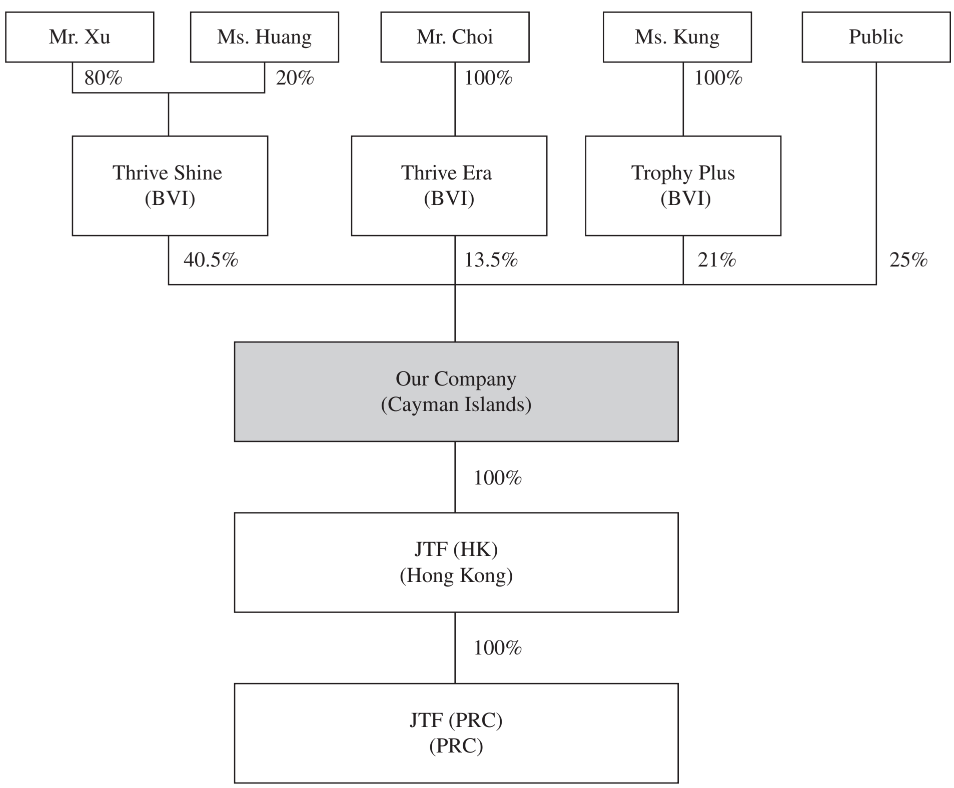
The changes in business scope, shareholdings, registered capital and legal status of JTF (PRC) since the acquisition of its entire equity interests by Mr. Xu and Ms. Huang in December 2004 are set out in the sub-section headed "Business history" above.

JTF (HK)

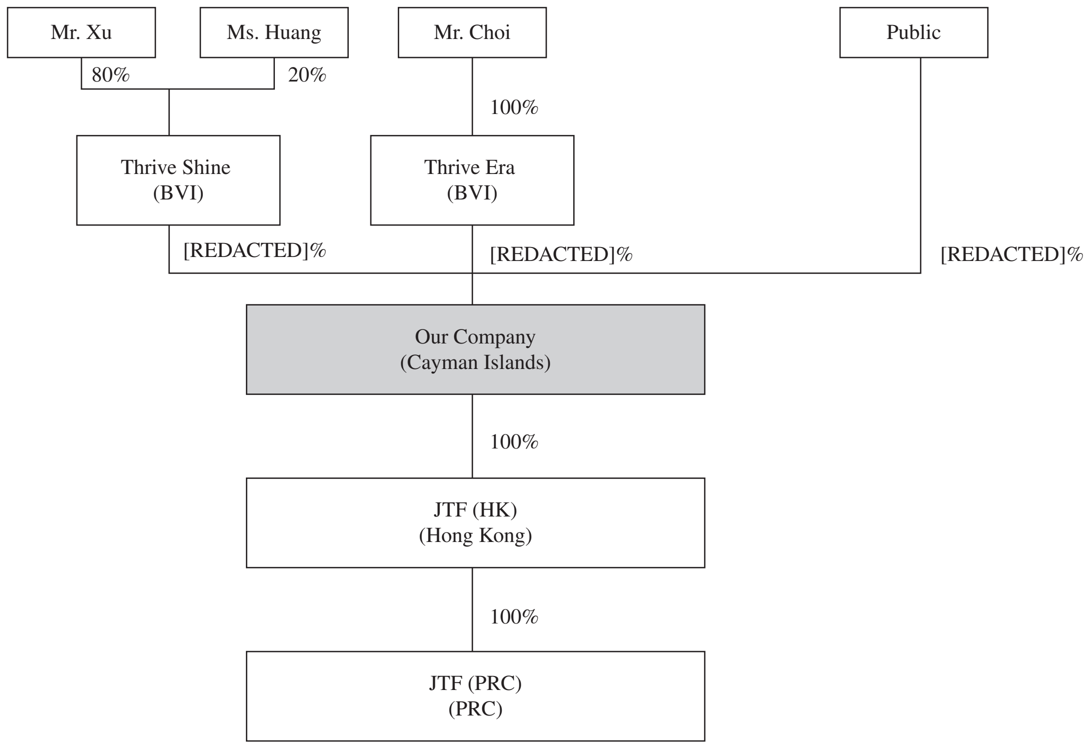
JTF (HK) was incorporated in Hong Kong on 27 September 2012 with one share issued to Mr. Choi at HK$1. On 18 July 2014, it issued three shares at HK$1 each to Gold Pledge, a company then wholly owned by Mr. Xu and Ms. Huang. On 10 November 2014, Mr. Choi transferred one share in JTF (HK) to Gold Pledge in exchange for 25% interest in Gold Pledge. On 6 March 2017, JTF (HK) issued 996 shares to the Company at the total price of RMB65,307,962.46, which was satisfied by setting off the loans of RMB41,543,185.43, RMB10,773,044.92 and RMB12,991,732.11 due to Mr. Xu, Ms. Huang and Mr. Choi respectively. On 19 December 2017, our Company acquired four shares of JTF (HK) from Gold Pledge, whereupon JTF (HK) issued 10 shares to our Company at the total price of RMB6,902,393.19, which was satisfied by setting off loans totalling the same amount due to Mr. Choi. JTF (HK) principally engages in investment holding.

CORPORATE STRUCTURE

The following chart shows the corporate structure of our Group upon listing on GEM:



Ms. Kung has disposed of her Shares in the open market following the expiration of her lock-up periods after the GEM Listing. Our Directors believe that such disposal was an independent commercial investment decision of Ms. Kung. Thrive Era and Mr. Choi and our Controlling Shareholders, namely Thrive Shine, Mr. Xu and Ms. Huang, have then remained as our substantial shareholders since the date of Listing on GEM. The following chart sets forth the shareholding structure of our Group as at the Latest Practicable Date and the expected shareholding structure immediately upon the [REDACTED] of our Shares on the Main Board:



[REDACTED] FROM GEM TO THE MAIN BOARD

[REDACTED]

On 10 July 2020, an application was made by the Company to the Stock Exchange in relation to the [REDACTED]. Our Company has applied for the [REDACTED] of, and permission to deal in, the [REDACTED] Shares in issue and Shares which may fall to be issued pursuant to the exercise of share options that may be but have not yet been granted under the Share Option Scheme and any other share option schemes adopted by our Group from time to time pursuant to which options to subscribe for Shares may be granted, on the Main Board by way of the [REDACTED].

Reasons for the [REDACTED]

Our Directors are of the view that the Listing on GEM is of assistance to our Group to gain public recognition and profile. After the Listing on GEM, our Group has achieved business growth with increasing revenue and profit. Our Directors consider that since the Main Board is perceived to enjoy more premium status by investors, the [REDACTED], if approved and proceeded, will further promote our corporate profile and recognition among public investors and increase attractiveness of our Shares to the public investors and thus broaden our investor base and enhance the trading liquidity of our Shares. Furthermore, obtaining a [REDACTED] status on the Main Board will strengthen our position in the industry and enhance our competitive strengths in retaining staff and attracting customers. Therefore, our Directors are of the view that the [REDACTED] will be beneficial to the future growth, financing flexibility and business development of our Group which will create long-term value to our

Shareholders. As at the date of this document, our Board has no immediate plan to change the nature of the business of our Group following the [REDACTED]. The [REDACTED] will not involve any issue of new Shares by our Company.

Pre-conditions for the [REDACTED]

The [REDACTED] is conditional upon, among others:

(a) our Company's fulfilment of all the applicable requirements for [REDACTED] on the Main Board as stipulated in the Main Board Listing Rules;

(b) the Listing Committee granting approval for the [REDACTED] of, and [REDACTED] on the Main Board (i) all Shares in issue; and (ii) new Shares which may fall to be issued pursuant to the exercise of share options that may be but have not yet been granted under the Share Option Scheme and any other share option schemes adopted by our Group from time to time pursuant to which options to subscribe for Shares may be granted; and

(c) all other relevant approvals or consents required in connection with the implementation of the [REDACTED] having been obtained, and the fulfilment of all conditions which may be attached to such approvals or consents, if any.

As at the date of this document, we had not adopted any share option schemes other than the Share Option Scheme.

Undertakings given by the Controlling Shareholders in connection with the GEM Listing

Each of our Controlling Shareholders undertook to our Company that he/she/it would not and would procure that the relevant registered holder(s) and his/her/its associates and companies controlled by him/her/it would not in the period commencing from the GEM Listing Date and ending on 16 January 2020, being the date which is 24 months from the GEM Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any option, right, interest or encumbrance over in respect of, any of the Shares in respect of which it is shown by the GEM Prospectus to be the beneficial owner. Save as the aforesaid undertaking, the Controlling Shareholders have not given any undertaking that would prevent him/her/it from disposing of any Shares which he/she/it is a beneficial owner.

Confirmations from our Company and our Controlling Shareholders in relation to the [REDACTED]

Each of our Controlling Shareholders confirmed that he/she/it has no plan to dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those securities of our Company in which he/she/it is disclosed in this document to be the beneficial owner. Our Company confirmed that it has no plan to raise funds within six months from the date of [REDACTED].

OVERVIEW

Based in the Guangdong province of the PRC, our Group is principally engaged in the wholesale of oil and other petrochemical products. The oil products that we trade can be broadly categorised into (i) refined oil; (ii) fuel oil; and (iii) other petrochemical products. Our oil and petrochemical products are primarily used as fuels in marine vessels, transportation vehicles and machinery equipment, for retail sale at gas stations and as raw materials for oil refineries. We also sell blended fuel oil according to our customers' specifications in order to meet their different needs and application requirements.

The following table sets forth a breakdown of our revenue contribution by type of trading product during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
Product type	**2019**		**2020**		**2021**		**2021**		**2022**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
1. Sales of goods										
(i) Refined oil	1,790,014	83.6	728,805	66.2	1,334,091	65.3	623,057	57.6	365,995	91.5
— Gasoline	1,443,175	67.4	558,082	50.7	1,120,408	54.8	422,011	39.0	351,967	88.0
— Diesel	280,025	13.1	162,115	14.7	210,490	10.3	197,853	18.3	14,028	3.5
— Kerosene	66,814	3.1	8,608	0.8	3,193	0.2	3,193	0.3	—	—
(ii) Fuel oil	258,651	12.0	164,441	15.0	91,535	4.5	91,401	8.4	—	—
— Blended	257,786	12.0	121,692	11.1	90,293	4.4	90,293	8.3	—	—
— Unblended	865	0.0	42,749	3.9	1,242	0.1	1,108	0.1	—	—
(iii) Other petrochemical products	86,770	4.1	179,266	16.3	613,385	30.0	363,474	33.6	33,083	8.2
— MTBE	58,537	2.7	14,054	1.3	15,173	0.7	—	—	11,673	2.9
— Isooctane	11,813	0.6	52,008	4.7	170,612	8.4	125,284	11.6	—	—
— Mixed aromatics	—	—	51,090	4.6	355,231	17.4	181,304	16.8	—	—
— Others	16,420	0.8	62,114	5.7	72,369	3.5	56,886	5.3	21,410	5.3
Subtotal — Sales of goods	2,135,435	99.7	1,072,512	97.5	2,039,011	99.8	1,077,932	99.6	399,078	99.7
2. Service income	6,098	0.3	27,750	2.5	4,366	0.2	4,366	0.4	1,048	0.3
(i) Refined oil	6,098	0.3	25,664	2.3	3,945	0.2	3,945	0.4	—	—
— Gasoline	4,048	0.2	14,812	1.3	—	—	—	—	—	—
— Diesel	—	—	1,254	0.1	1,696	0.1	1,696	0.2	—	—
— Kerosene	2,050	0.1	9,598	0.9	2,249	0.1	2,249	0.2	—	—
(ii) Fuel oil	—	—	1,259	0.1	421	0.0	421	0.0	—	—
— Blended	—	—	—	—	—	—	—	—	—	—
— Unblended	—	—	1,259	0.1	421	0.0	421	0.0	—	—
(iii) Other petrochemical products	—	—	827	0.1	—	—	—	—	—	—
— MTBE	—	—	—	—	—	—	—	—	—	—
— Isooctane	—	—	340	0.0	—	—	—	—	—	—
— Others	—	—	487	0.1	—	—	—	—	1,048	0.3
Total	2,141,533	100.0	1,100,262	100.0	2,043,377	100.0	1,082,298	100.0	400,126	100.0

For the year ended 31 December 2020, our total revenue amounted to approximately RMB1,100.3 million, representing a decrease of approximately 48.6% when compared with the corresponding period in 2019. Such decrease was primarily attributable to the decrease in number of sales orders and the decrease in the price of refined oil as impacted by the outbreak of the COVID-19 Pandemic and the drastic fall of international crude oil price since March 2020. Please refer to the paragraph headed "Impact of the COVID-19 Pandemic outbreak and drastic fluctuations in crude oil price on our business" in this section for further details.

Our revenue increased by approximately RMB943.1 million, or 85.7%, to approximately RMB2,043.4 million for the year ended 31 December 2021, when compared with the year ended 31 December 2020. Such increase was mainly attributable to (i) an increase of RMB605.3 million in the sales of our refined oil; and (ii) an increase of RMB434.1 million in the sales of our other petrochemical products. In general, our business performance in the year ended 31 December 2021 gradually improved and we were able to sell our oil at a higher average selling price as economic activities started to resume in the PRC and the adverse impacts brought about by the COVID-19 Pandemic and the drastic drop in oil price in early 2020 started to dissipate in 2021.

Our revenue decreased by 63.0% from RMB1,082.3 million for the six months ended 30 June 2021 to RMB400.1 million for the six months ended 30 June 2022. Such decrease was attributable to the significant decrease in the number of sales orders as a result of (i) the outbreak of the COVID-19 Omicron variant in China since late 2021 and the strict and widespread lockdown measures imposed by the PRC government in a number of major Chinese cities since late March 2022 which led to disruption to traffic and economic activities; and (ii) the drastic inflation in international oil price caused by the political crisis between Russia and Ukraine from late 2021 to early 2022, as a result of which oil market participants in general became more conservative and prudent in the trading of oils.

It is one of our Group's business strategies to reduce reliance on the fuel oil market and to capture additional demands of gasoline. During the Track Record Period, we had gradually reduced our reliance on sales of fuel oil. For the three years ended 31 December 2021 and the six months ended 30 June 2022, sales of fuel oil accounted for approximately 12.0%, 15.0%, 4.5% and nil of our Group's revenue, respectively. As a result of our continuous effort in expanding our business in the refined oil market and shifting our product mix further to refined oil products, the number of customers that we secured for the sales of refined oil increased from 70 for the year ended 31 December 2019 to 79 for the year ended 31 December 2020 and further to 83 for the year ended 31 December 2021. As gasoline products have broader end user base as compared to fuel oil and diesel products, our Company believes that further development into the gasoline market in Guangdong Province of the PRC can enhance the earning capability of our Group.

During the Track Record Period, the other petrochemical products traded were mainly MTBE, issoctane and mixed aromatics, which are complementary products to gasoline (i.e. additives used in gasoline production), and these products were mainly sold to customers as refining raw materials.

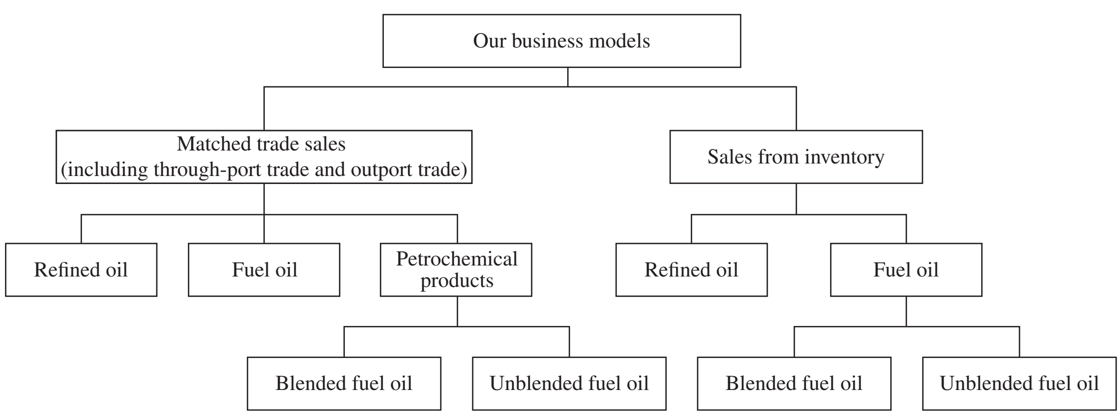
Our wholesale business operations are primarily conducted through two oil depots located in Zengcheng and Gaolan Port Economic Zone, respectively, which are all within the Pearl River Delta region of Guangdong Province, the PRC. Our oil depots store and trade different types of oil products. Our Zengcheng Oil Depot is mainly used for storage and trading of refined oil and fuel oil and Gaolan Port Oil Depot for storage and trading of gasoline and petrochemical products. For further details of our oil depots' usage, please refer to the paragraph headed "Our facilities" in this section.

We usually source oil products in the oil market from oil refineries or oil trade dealers and then resell such oil products to customers of various industries, including shipping companies, marine bunker service providers, gas stations as well as other oil traders. According to the Frost & Sullivan Report, it is common practice within the oil trading industry in the PRC to source and re-sell oil products. Our sales models can be divided into two models, namely matched trade sales model (including through-port trade and outport trade) and sales from inventory model.

Matched trade sales model: normally we would first receive sales orders from our customers (except for PRC State-owned Enterprises) with specified product requirements, such as quantity and type of oil products, then we would locate the source of supply through our business network. For PRC State-owned Enterprises, we generally receive invitation for tender with specified product requirements before selecting and sourcing the relevant products from our suppliers. If such matching exercise leads to potential trading opportunity or we win the bid at our proposed tender price, we will arrange the customer to confirm the price and then proceed to enter into agreements with our suppliers and customers respectively. Given the volatility of price movement in oil and petroleum products, we adopt a relatively conservative trade mechanism whereby we enter into separate sales agreements and purchase agreements (trade quantity would be exactly matched or with slight shortfall or surplus within the allowable range as stipulated in the relevant contracts) with our customers and suppliers respectively within a short period of time in order to reduce our exposure to price volatility risks. For the three years ended 31 December 2021 and the six months ended 30 June 2022, approximately 89.6%, 95.8%, 98.1% and 96.5%, respectively, of our total revenue were generated through matched trade sales model.

Sales from inventory model: depending on our inventory level and the requirements of our customers, we would also sell our existing stock, usually in small quantity, in our warehouses to our customers. After receipt of the specifications of oil products required by our customers, we will ascertain our inventory level for the required oil products and if we have sufficient stock (either in our inventory or is able to replenish the same for delivery of our confirmed matched trade sales) to fulfill the purchases, we will arrange to trade with those customers. Due to the small quantity transacted, the customers usually arrange for collection of the oil products at our oil depots themselves. For the three years ended 31 December 2021 and the six months ended 30 June 2022, approximately 10.4%, 4.2%, 1.9% and 3.5%, respectively, of our total revenue were generated through sales from inventory model.

The following diagram depicts our simplified business model (trade flow):



All of our Group's products are sold in the PRC with a primary focus in Guangdong Province. For the three years ended 31 December 2021 and the six months ended 30 June 2022, approximately 83.7%, 58.7%, 63.6% and 90.4%, respectively, of our total revenue were derived from customers in Guangdong Province.

We have developed sound reputation in southern part of China and maintained close relationships with certain established customers and suppliers, including PRC State-owned Enterprises. For the three years ended 31 December 2021 and the six months ended 30 June 2022, our sales to PRC State-owned Enterprises amounted to approximately 58.2%, 45.3%, 57.0% and 82.5% of our total revenue respectively, and our purchases from PRC State-owned Enterprises amounted to approximately 69.5%, 28.2%, 6.2% and 17.2% of our total purchases respectively. These PRC State-owned Enterprises, mainly including the Three State-owned Giants and their subsidiaries, mostly operate in the petrochemical industry.

For our PRC State-owned Enterprise customers, they will conduct evaluation to assess a supplier's quality such as trade reputation and capital resources before accepting it as their approved supplier. Based on our Directors' understanding and trade experiences, once we become an approved supplier of a particular PRC State-owned Enterprise, we will be able to supply to subsidiaries and branches of the same group.

IMPACT OF THE COVID-19 PANDEMIC OUTBREAK AND DRASTIC FLUCTUATIONS IN CRUDE OIL PRICE ON OUR BUSINESS

The outbreak of COVID-19 Pandemic since January 2020 has adversely affected economic activities and transportations in China. In an attempt to control the outbreak of the disease, the PRC government imposed lockdown measures on various PRC cities since January 2020 and ordered nationwide postponement of business operations following the Chinese New Year holidays until early February 2020. As our Group's major operating entity is domiciled in China and the revenue was solely derived from the market in China, the COVID-19 Pandemic has direct impact on the Group's revenue and financial performance. As economic activities were almost brought to a halt in China from January 2020 to March 2020, the number of sales contracts that we entered into dropped significantly during such period. As a result of the foregoing, coupled with the impact of the drastic drop in crude oil price which is further elaborated below, our revenue for the year ended 31 December 2020 decreased by approximately 48.6% as compared to the corresponding period in 2019.

The drastic inflation in international oil price caused by the Russia-Ukraine crisis since late 2021 and the nation-wide strict lockdown measures imposed by the Chinese government in the second quarter of 2022 in response to the outbreak of the COVID-19 Omicron variant also adversely affected our revenue and financial performance for the six months ended 30 June 2022. Because of the harsh and volatile economic environment during such period, oil market participants in general became more conservative and prudent in the trading of oils. Our revenue decreased by 63.0% from RMB1,082.3 million for the six months ended 30 June 2021 to RMB400.1 million for the six months ended 30 June 2022, which was attributable to the significant decrease in the number of sales orders that we entered into.

However, our Directors believe that, based on information up to the Latest Practicable Date, the impact of the COVID-19 Pandemic is only temporary and would not result in a material or long term disruption to our business operations because (i) our revenue are mainly derived from customers in Guangdong Province where economic activities have largely resumed; (ii) according to the Frost & Sullivan Report, the demand for gasoline consumption in the PRC and Guangdong Province is estimated to be further stimulated with a growing passenger vehicles population and development of industrial zones in Chinese cities with the support of the PRC government. While the demand for gasoline might have been hindered by the global outbreak of the COVID-19 Pandemic in 2020, gasoline consumption in Guangdong Provine subsequently grew by 18.6% from 122.3 million tonnes in 2020 to 145.1 million tonnes in 2021 and is forecasted to grow at a CAGR of 2.6% from 2022 to 2026; (iii) as at the Latest Practicable Date, we have not encountered any difficulty in sourcing oil products from our suppliers due to outbreak of the COVID-19 Pandemic, and according to the Frost & Sullivan Report, the COVID-19 Pandemic did not have much influence on domestic crude oil production in China under PRC government's strong policy support on domestic production resumption; and (iv) as at the Latest Practicable Date, no contract for the sales of our products or services has been terminated due to the COVID-19 Pandemic and none of our customers who had entered into contracts with us before the outbreak of the COVID-19 Pandemic have terminated their contracts with us after the outbreak.

In addition, the adverse impacts of the pandemic have been gradually dissipating as economic activities resume to normal. During the year ended 31 December 2021, our business performance gradually improved, as indicated by (i) a significant increase of RMB943.1 million, or 85.7%, in our revenue; and (b) a considerable increase of RMB21.3 million, or 30.6%, in our gross profit, when compared to 2020. Such increases were mainly attributable to the fact that the oil market has been gradually recovering since the drastic drop in oil price in early 2020, we were able to sell our oil at a higher selling price in general during 2021. For example, the average selling price of our refined oil sold during the year ended 31 December 2021 amounted to RMB6,306 per tonne, as compared to RMB4,728 per tonne for the year ended 31 December 2020. According to the Frost & Sullivan Report, the average market price of refined oil increased from RMB5,026 per tonne for the year ended 31 December 2020 to RMB6,606 per tonne for the year ended 31 December 2021, in particular, the average market price of gasoline increased by 34.3% from RMB5,803 per tonne to RMB7,792 per tonne over the same periods. Our business performance also improved in July 2022 when compared with the six months ended 30 June 2022, as the PRC government has been gradually easing the city-wide strict lockdown measures in major Chinese cities, businesses could gradually resume operations. Our monthly sales volume (including outport trades) for July 2022 amounted to 29,708 tonnes, representing an increase of 19,485 tonnes or 190.6% when compared to the average monthly sales volume (including outport trades) of 10,223 tonnes for the six months ended 30 June 2022, or an increase of 9,485 tonnes or 46.9% when compared to the monthly sales volume (including outport trades) of 20,223 tonnes for the corresponding month in 2021.

In view of the outbreak of the COVID-19 Pandemic, we have devised an emergency plan for the implementation of various precautionary measures to maintain a hygienic working environment within our Group, including:

- Forming a prevention and control leading group to oversee the implementation of preventive measures, arrange investigation, evaluation and report of any COVID-19 cases;

- Forming a prevention and control working group to make sure cases will be reported immediately around the clock and properly followed up;

- Forming an on-site emergency group which is responsible for coordinating rescue and evacuation in case of outbreak, follow-up of treatments of our employees who contracted COVID-19, if any;

- Inspecting health conditions and checking body temperature of officers who enter our facilities; and

- Disinfecting our offices and warehouses regularly and maintaining good hygiene in those areas.

In addition, the drastic fall of international crude oil price in the first half of 2020 and the drastic inflation of international crude oil price since late 2021 also adversely affected our Group. The international market oil price has been experiencing a plummet after OPEC's failure to strike a deal with its allies on the output cut in March 2020 and Saudi Arabia's reaction intensified the situation by way of cutting oil prices and boosting production. According to the Frost & Sullivan Report, the global outbreak of COVID-19 Pandemic further restrained the demand for crude oil, the price of which had been decreasing since January 2020 and further dropped drastically in March 2020. Since petroleum product price in China fluctuates with global crude oil price, the average domestic retail price of refined oil products (including diesel, gasoline and kerosene) in China had also been dropping since January 2020.

To mitigate the effect of this adverse economic environment, during the year ended 31 December 2020, our Group shifted to engage in more outport trades for which we do not have to maintain inventory. Service income from outport trades amounted to approximately RMB27.8 million, accounting for approximately 2.5% of our total revenue for the year ended 31 December 2020. For the year ended 31 December 2019, the year ended 31 December 2021 and the six months ended 30 June 2022, service income accounted for 0.3%, 0.2% and 0.3%, respectively, of our total revenue.

In late 2021, political tension was heightened between Russia and Ukraine. Since Russia is a large exporter of oil, the outbreak of the Russia-Ukraine crisis drives up international crude oil price and eventually led to drastic inflation in international crude oil price. Given such market anomalies, oil market participants in general became more conservative and prudent in the trading of oils. As a result, it became difficult for our Group to negotiate for contracts or favourable terms with our customers and suppliers, and our business performance in early 2022 was adversely affected. However, our Directors believe that such impact of the Ukraine crisis was only temporary and will not affect our business in the long run, as reflected by the significant improvement in our business performance in July 2022 as elaborated above. Moreover, according to the Frost & Sullivan Report, although the oil price is still in an upward trend, the drastic inflation has ceased.

OUR COMPETITIVE STRENGTHS

We believe our success and potential for future growth are attributable to the following competitive strengths:

(i) We adopt a comprehensive and stringent quality control system

Our Group strives to provide quality oil products to our customers. We have adopted a quality control system throughout our operation cycle from purchase, storage, fuel oil blending and sales to ensure each process is strictly in line with relevant quality control requirements. Our Group has a separate laboratory team which is responsible for carrying out inspections and sample checking on raw materials and products to ensure they adhere to national and/or industry standards as well as requirements of our customers. Inspections and analysis are usually conducted at our laboratories located in each oil depot using certain quality control instruments to test different characteristics of sample raw materials and products. Depending on the contractual terms, we may seek laboratory inspections and analysis from licensed Independent Third Party institutions before acceptance of oil products by our customers. Please refer to the paragraph headed "Quality control" in this section for details of our Group's quality control measures.

Our Directors believe that our success in maintaining stable supply of oil products in accordance with the specifications and quality as required by our customers throughout the Track Record Period and up to the Latest Practicable Date is achieved by carrying out stringent quality control measures on our oil products. In addition, our Group's sales representatives regularly visit our existing customers in order to obtain their feedback on our products, which will then be used to formulate measures of improvement. Our Directors confirm that during the Track Record Period, we had no incident of rejected products due to sub-standard quality or other defects. Our Directors believe that our stringent quality control measures throughout our operation process and our high standard on quality management at both PRC national and industry standards could reinforce our customers' confidence in our products and further attract new customers, especially PRC State-owned Enterprises which have stringent quality requirements on oil products.

(ii) We benefit from our close proximity to our customers

Our Group has an established scale of operations in southern China, with two oil depots in Zengcheng and Gaolan Port Economic Zone, respectively, which are all within the Pearl River Delta region of Guangdong Province, where the demand for oil products is strong. According to the Frost & Sullivan Report, Guangdong Province had the largest consumption of gasoline and the second largest consumption of diesel among all provinces in the PRC in 2021.

For the three years ended 31 December 2021 and the six months ended 30 June 2022, we derived about 83.7%, 58.7%, 63.6% and 90.4% of our total revenue, respectively, from sales to customers in Guangdong Province. The close proximity of our operations to our customers enables us to deliver our products with a competitive advantage in terms of delivery time and logistics costs as compared with our competitors located in other areas of Guangdong Province or neighbouring coastal provinces such as Fujian and Guangxi.

(iii) We are able to maintain a stable business network of suppliers and customers

Since Mr. Xu and Ms. Huang took over JTF (PRC) in December 2004, we have built a stable network of suppliers. For further details of the basis for selection of suppliers, please refer to the paragraph headed "Purchase and suppliers" in this section below. Our Directors consider that having a stable network of suppliers allows us to effectively maintain the supply and quality of our oil products which is a crucial factor for us to secure new business opportunities and maintain good reputation within the industry.

Our major customers mainly include PRC State-owned Enterprises and private companies in the PRC. We have built a strong rapport with our major customers over the years. The business relationship between our Group and our top five customers during the Track Record Period ranges from a year to 13 years. The Directors believe that customers' satisfaction is fundamental in maintaining good and long-term relationships between our Group and our customers, which enables our Group to secure new sales agreements from these existing customers in the future.

(iv) We have an experienced management team and skilled employees

The growth and success of our Group is attributable to our management team which possesses in-depth knowledge, extensive experience and technical and managerial expertise in the sales and production of oil products. Mr. Xu, one of the founders of our Group, an executive

Director and the Chairman of our Board, has about 20 years of experience and knowledge in business development and has extensive connections with suppliers and customers in the PRC. Ms. Huang, the other founder of our Group and an executive Director, also has about 20 years of experience and strong capability in oil trade execution. We have also retained suitable talents with different specialisations in our senior management team for the business development of our Group. In particular, Mr. Liu Fa Long, our finance manager, has over 14 years of experience in finance and accounting matters through his time with us. Mr. Ng Ka Chai, our financial controller and company secretary, has over 10 years of experience in the audit field. Furthermore, Mr. Deng Fan Zhi, our procurement manager who joined our Group in July 2015, has over 15 years of experience focusing in the areas of diesel and gasoline. For detailed profile of our senior management members, please refer to the section headed "Directors and Senior Management" in this document.

In addition, our management team is supported by a team of skilled employees across all levels within our Group. We recognise the important roles that our employees play in contributing to the success of our business and place great emphasis in recruitment and training of our employees. Our Directors believe that our experienced management team together with our well-trained employees provide us with a significant competitive edge in the PRC oil industry and a solid foundation for us to capture market opportunities and to formulate and execute sound business strategies, as well as react to potential changes in market conditions in a timely manner.

OUR BUSINESS STRATEGIES

Our Group's key business strategies have remained unchanged since the GEM Listing.

We intend to further strengthen our market position and increase our market share by pursuing the following strategies:

Business objective

Our primary objectives are to continue to expand our scale of operations to achieve business growth and increase our market share in the industry. We have traded in fuel oil and diesel products for over 14 years. During the Track Record Period, our sales of refined oil accounted for a significant portion of our total revenue. For the three years ended 31 December 2021 and the six months ended 30 June 2022, sales of refined oil accounted for approximately 83.6%, 66.2%, 65.3% and 91.5% of our Group's revenue, respectively, and sales of gasoline accounted for approximately 67.4%, 50.7%, 54.8% and 88.0% of our Group's revenue, respectively.

While the sales of fuel oil and diesel products mainly target industrial users such as shipping companies and manufacturers, gasoline products have broader end customer base for the general public. As such, our Directors believe that further development into the gasoline market in Guangdong Province can enhance our earning capability.

Market profile

Our Directors consider that delivery time and transportation costs are often important factors in procurement decision making. According to the Frost & Sullivan Report, most of the oil depots in Guangdong Province are located at the coastal region. Currently, we primarily sell gasoline products to major PRC State-owned Enterprises through leased oil storage facilities at Gaolan Oil Depot in Zhuhai.

Zengcheng is located at the eastern part of Guangzhou and our Zengcheng Oil Depot is strategically located off the Dong River which is connected to a number of neighbouring cities such as Guangzhou, Dongguan and Huizhou by road (all of which are within 1 to 1.5 hours driving distance). Guangzhou, Dongguan and Huizhou are the key gasoline consumption cities in Guangdong Province. As such, our Directors plan to use and develop our Zengcheng Oil Depot into a logistic and storage point to service these neighbouring cities to reduce transportation time and cost for purchasing of oil products.

Our Directors believe that following the rapid growth in number of personal vehicles in line with the highway networks development which have led to the increase in consumption of refined oil, the market for refined oil, in particular gasoline, in Guangzhou, Dongguan and Huizhou will continue to grow, especially in view of the following:

- Guangdong has one of the largest passenger vehicle populations in China. In 2021, the passenger vehicle population in Guangdong was 23.7 million, increased from 14.9 million in 2016. The possession of passenger vehicles in the Guangdong Province from 2016 to 2021 grew at a CAGR of approximately 9.8% and the growing trend of the passenger vehicle market in Guangdong Province is expected to continue.

- The consumption of refined oil in Guangdong was relatively concentrated, with Pearl River Delta accounting for a rather high market share. According to the 13th Five Year Plan of Guangdong Province, the development of industrial zones in cities other than Pearl River Delta will also be strongly supported by the PRC government. The potential development of industry is likely to strengthen the demand for energies including refined oil.

- Guangzhou has been one of the pivot cities in China. With the nationwide promotion of the Belt and Road Strategy, Guangdong is likely to become an increasingly important transportation center in China. The boosting vehicle flow rate is expected to drive the gasoline and diesel oil market in Guangdong. Also, the local government has issued Implementation Scheme of Guangdong's Participation in the Construction of "One Belt, One Road" in June 2015. The local government has invested over US$55 billion to improve the construction of six major industries including infrastructure, energy, manufacturing industry.

Our Directors believe that with our experience in the refined oil market and network of established customers including the Three State-owned Giants, the strategically advantageous location of Zengcheng Oil Depot would enable us to attract gas station operators to purchase refined oil from such depot.

IMPLEMENTATION OF BUSINESS STRATEGIES AND [REDACTED]

Implementation of business strategies since the GEM Listing

Since the GEM Listing, our Group has taken active steps to strengthen our market position in the industry and expand our market share in the PRC. In order to realise our development plan, we have continued to carry out the following upgrading, refurbishment and enhancement works in our Zengcheng Oil Depot during the Track Record Period:

(i) Upgrading of the wharf berth capacity at Zengcheng Oil Depot

Our Zengcheng Oil Depot is strategically located at the Dong River which links Zengcheng to Huizhou city, one of the major industrial centres of eastern Guangdong Province. As stated in the GEM Prospectus, we planned to utilise RMB17.5 million (approximately RMB11.0 million or 62.8% thereof was planned to be funded from the [REDACTED] of the GEM Share Offer and the remaining RMB6.5 million or 37.2% was planned to be funded out of internal resources) to enlarge the wharf of our Zengcheng Oil Depot from 300 tonnage to 1,000 tonnage of tanker loading.

Currently, the wharf facility at Zengcheng Oil Depot has only 300 tonnage berth capacity as allowed by its port operation permit granted by the Guangzhou Port Affairs Bureau. Based on our Directors' understanding and trade experiences, it is difficult to find logistic companies who operate tanker vessels with 300 tonnage or less in term of transportation efficiency, thus limiting our Group's ability to receive oil products using marine transport at Zengcheng Oil Depot, and it solely relied on oil tanker trucks to load and off-load oil products during the Track Record Period. Hence, for the three years ended 31 December 2021 and the six months ended 30 June 2022, we were only able to achieve utilisation rate of 70.5%, 66.3%, 50.0% and 37.2% at our Zengcheng Oil Depot, respectively.

Our Directors believe that expanding the wharf berth capacity to 1,000 tonnage will allow larger vessels to dock, load and off-load oil products at our wharf so that we can maximise the geographical advantage of our Zengheng Oil Depot. Also, as Zengcheng Oil Depot is geographically located at Dongguan and near to Huizhou, we believe that after enlarging the berth capacity of our wharf, we will be able to develop gasoline business in Dongguan and Huizhou through more efficient use of our Zengcheng Oil Depot.

Given that the average trade volume per shipment at Panyu Oil Depot (located at the key river channel of Pearl River Delta similar to the Zengcheng Oil Depot) ranges between approximately 500.1 tonnes to 855.8 tonnes during the Track Record Period, the increased berth capacity of 1,000 tonnage of Zengcheng Oil Depot following the upgrade will be sufficient for our Group to receive oil products using marine transport.

According to relevant PRC laws and regulations, our Group is required to comply with requirement as to technical and other aspects of our plan for the upgrading of the wharf berth capacity for registration and approval purpose and no capital expenditure requirement is specifically prescribed by such PRC laws and regulations. Our PRC Legal Advisers are of the opinion that regarding the upgrading plan of the wharf berth capacity, we have obtained all the necessary in-principle approvals or confirmation of support from the major competent authorities responsible for handling the application prior to commencement of specific project design and construction work in relation to the upgrading of the wharf berth capacity (which have been and will be funded with the [REDACTED] of the GEM Share Offer and our internal resources).

The total time required for the upgrading work was originally estimated to be about 1.5 years. The project requires planning and design, seeking approvals and registration with relevant government authorities and conducting construction work. As the operation of our Zengcheng Oil Depot involves dangerous goods, relatively more stringent criteria were adopted in identifying a suitable main contractor who has similar experience in wharf berth capacity upgrading works. As such, our Group incurred additional time to identify a suitable main contractor and has engaged a main contractor to perform works on the design and construction of wharf facilities in March 2019. Survey and design works are in progress, and were mostly completed as at the Latest Practicable Date whilst construction work is expected to commence after the relevant approvals have been obtained from the authorities. The approvals that we have obtained from the relevant government authorities were only given on an in-principle basis. Our Group further submitted an application to the Guangzhou Port Authority for approval of the upgrading works of the wharf in December 2019, and originally expected to receive official government approvals from the Guangzhou Port Authority and all other relevant authorities, and to commence construction works in the first half of 2020 and completion in the second half of 2020. However, due to a delay in the process of approval by the relevant government authorities, which our Directors believe was attributable to the outbreak of the COVID-19 Pandemic, and as advised by the main contractor for the upgrading work, it is expected that all construction works will be completed by the first half of 2023. As at the Latest Practicable Date, the total remaining cost in relation to the upgrading works to be settled by our Group was approximately RMB8.5 million, of which RMB3.5 million will be paid from the [REDACTED] from our GEM Share Offer and the remaining from our own internal resources.

As at the Latest Practicable Date, we were still waiting for certain government approvals in relation to the upgrading of wharf berth capacity. Provided that we follow the approval procedure provided in relevant PRC laws and regulations and the specific requirements of the relevant government authorities, our Directors believe that there would not be any material PRC policy, legal or regulatory obstacle for us to carry out the wharf upgrading plan.

(ii) Refurbishment and enhancement of oil tank facilities

As disclosed in the GEM Prospectus, it was our plan to upgrade our oil tank facilities including the refurbishment and upgrade of the five oil tanks in our Zengcheng Oil Depot, as well as to install new pipelines to increase the oil flow rate to speed up the loading process for large oil tanker vessels. The oil tanks and pipes have been used for over 20 years. After the berth capacity of the wharf is enlarged, we anticipate that larger oil tanker vessels will be docking at our wharf for transportation of oil products, and hence our oil tanks and pipes should be upgraded. After the refurbishment of the oil tanks, we would be able to use three of the oil tanks for storage of gasoline and the remaining two tanks for storage of diesel.

The total time required for the upgrading work was originally estimated to be about 1.5 years. The project requires planning and design, seeking certain government approvals and conducting construction work. Both construction work for wharf and oil depot facilities were scheduled to carry out at the same time. As at the Latest Practicable Date, refurbishment works for storage tanks, pipelines, oil depot facilities and equipment have been completed.

Our Group believes that through enlarging our wharf berth capacity and upgrading of oil tank facilities, we will be able to develop Zengcheng Oil Depot into an entrepot for wholesale of oil products for downstream customers located along the inland regions of Dongguan and Huizhou.

Based on best available information as at the Latest Practicable Date, our Directors estimate that the pay back period for the capital expenditure for upgrading, refurbishment and enhancement works mentioned above is approximately four years.

[REDACTED]

(i) [REDACTED] from GEM Share Offer

The [REDACTED] from the GEM Share Offer, net of [REDACTED] and relevant expenses, amounted to approximately RMB[REDACTED] million. An analysis of the utilisation of the [REDACTED] from the GEM Share Offer up to the Latest Practicable Date is set out below:

	[REDACTED] to be applied in the percentage allocation stated in the GEM Prospectus	Accumulated actual use of [REDACTED] up to 30 June 2022	Accumulated actual use of [REDACTED] up to the Latest Practicable Date	Unutilised amount of [REDACTED] up to the Latest Practicable Date
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Upgrading of the wharf berth capacity at Zengcheng Oil Depot	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Refurbishment of oil tanks, pipelines and other oil depot facilities at Zengcheng Oil Depot	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

The business objectives, future plans and planned [REDACTED] as stated in the GEM Prospectus were based on the best estimate of the future market conditions made by our Group at the latest practicable date of the GEM Prospectus. The [REDACTED] was applied in accordance with the actual development of the market.

As at the Latest Practicable Date, our Group has applied the [REDACTED] from the GEM Share Offer according to the plans disclosed in the section headed "Future Plans and [REDACTED]" in the GEM Prospectus despite experiencing certain delay when compared to the planned schedule. As mentioned above, the construction work in our Zengcheng Oil Depot has not been completed as at the Latest Practicable Date. The unutilised [REDACTED] in the amount of RMB[REDACTED] million will be applied for the settlement of the remaining balance of the total construction cost in an aggregate amount of RMB[REDACTED] million upon completion of all the upgrading works, which is expected to be by the first half of 2023 according to the latest schedule of works provided by the main contractor. Our Group will continue to apply the [REDACTED] from the GEM Share Offer in accordance with the proceeds allocation set out in the GEM Prospectus.

Our Directors will from time to time assess our Group's business objectives and [REDACTED] to ensure it is able to execute its business strategies and cope with changing market conditions.

(ii) [REDACTED] from [REDACTED]

On 11 June 2019, the Company completed a [REDACTED] of [REDACTED] shares at HK$0.31 per [REDACTED] and raised [REDACTED] of about RMB[REDACTED] after deducting related expenses.

As at the Latest Practicable Date, our Company has applied the [REDACTED] of the [REDACTED] to support and finance the ongoing working capital requirements for developing and enhancing the trading capacity of the Group's sale of fuel oil and refined oil in the PRC, in accordance with our intended use of such [REDACTED] as stated in the [REDACTED].

(iii) [REDACTED] from subscriptions for Shares

On 10 January 2020, the Company issued and allotted [REDACTED] ordinary shares to Thrive Shine and [REDACTED] ordinary shares to Thrive Era at HK$0.211 per share pursuant to a subscription agreement dated 26 November 2019. The [REDACTED] from such subscriptions, after deducting related expenses, amounted to approximately RMB[REDACTED] As at the Latest Practicable Date, our Company has applied 90% of such [REDACTED] to support and finance the ongoing working capital of our Group for developing and enhancing the trading capacity of our Group's sale of refined oil business in the PRC, and the remaining 10% as general working capital of our Group, in accordance with our intended use of such [REDACTED] as stated in the circular of our Company dated 12 December 2019 in relation to the subscriptions.

OUR BUSINESS MODEL

Our Group is principally engaged in the wholesale of oil and other petrochemical products. The oil products that we trade can be broadly categorised into (i) refined oil; (ii) fuel oil; and (iii) other petrochemical products. Our oil and petrochemical products are primarily used as fuels in marine vessels, transportation vehicles and machinery equipment, for retail sale at gas stations and as raw materials for oil refineries. We also sell blended fuel oil according to our customers' specifications in order to meet their different needs and application requirements.

As wholesale and trading opportunities appear from time to time in the dynamic oil market, oil trading companies like our Group develop trading business by utilising our broad market experiences and capabilities to respond to the changing needs of our existing and potential suppliers and customers.

We usually source oil products in the oil market from oil refineries or oil trade dealers and then resell such oil products to customers of various industries, including shipping companies, marine bunker service providers, gas stations as well as other oil traders. According to the Frost & Sullivan Report, it is common practice within the oil trading industry in the PRC to source and re-sell oil products. Our sales models can be divided into two models, namely matched trade sales model (including through-port trade and outport trade) and sales from inventory model.

Since our Group does not engage in any hedging activities, we adopt a relatively conservative trade mechanism whereby we enter into separate sales agreements and purchase agreements (trade quantity would be exactly matched or with slight shortfall or surplus within the allowable range as stipulated in the relevant contracts) with our customers and suppliers respectively within a short period of time in order to reduce our exposure to price volatility risks. Approximately 89.6%, 95.8%, 98.1% and 96.5% of our total revenue for the three years ended 31 December 2021 and the six months ended 30 June 2022, respectively, were derived through our matched trade sales model which allows us to procure oil products after entering into legally binding agreements with our customers so that we could maintain profitability and reduce financial exposures and risks.

We determine the purchasing and selling prices of oil products after arm's length negotiations on a fixed price per unit basis with our suppliers and customers, respectively. We generally do not enter into long-term agreements with our suppliers or customers due to the price volatility of oil products. However, we may enter into non-binding framework agreements involving an expected purchase volume with our customers with a view to maintain stable business relationship with them. The framework agreements set out the general terms and conditions of the sale and purchase of products, subject to the terms and conditions of each sales agreement.

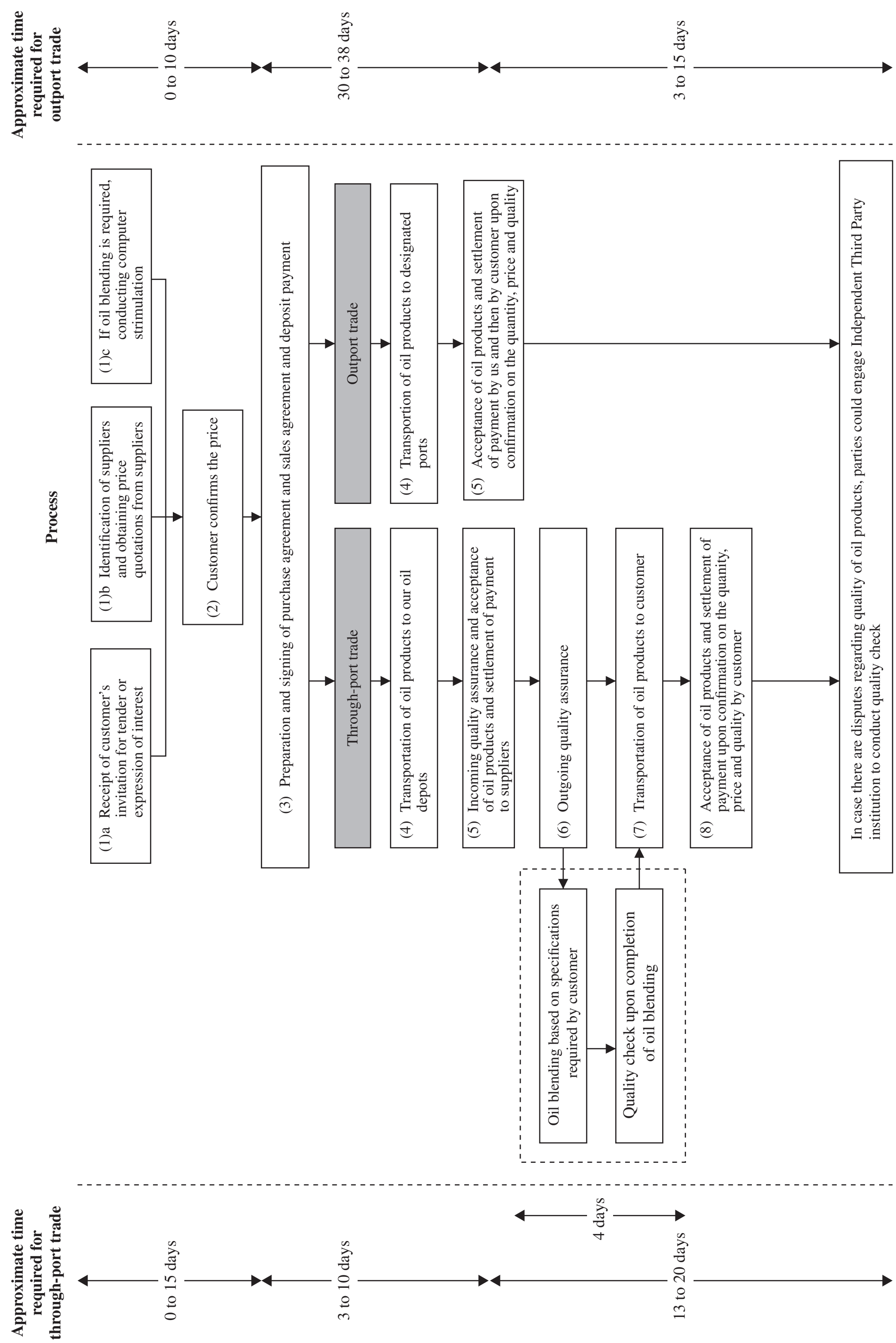
We mainly engage in matched trade sales model whereby we locate the source of supply through our business network right after execution of the sales agreements or confirmations of sales orders from our customers to reduce our exposure to price volatility risks. Our matched trade sales model is further subdivided into two categories: through-port trade and outport trade. When outport trade is chosen, we act as agent in matching suppliers and customers and settle the trade without physical delivery through our oil depots. We earn service income for arranging outport trades. Depending on our inventory level and customers' demands, we may also carry out sales from inventory model to sell our existing stock, usually in small quantity, in our warehouses to customers.

Since the majority of our businesses are conducted through matched trade sales model where we source oil products from suppliers after customers' demands arise, we do not have to acquire and store excessive inventory in our oil depots for our business operation. However, as there may be minor surplus in the actual amount of oil products provided to us by the suppliers (generally up to 10% deviation from agreed quantity as allowed by the relevant agreements), small amount of surplus oil products would stored at our oil depots and sold to customers through sales from inventory model when customers approach us for small amount and unplanned purchase. As at the Latest Practicable Date, the combined storage capacity of our Zengcheng Oil Depot and Gaolan Port Oil Depot was approximately 47,000 m^3. Such depots have a total berth capacity of 300 tonnes and 180,000 tonnes, respectively. Please refer to the paragraph headed "Our facilities" in this section for details of our storage facilities.

OPERATION

(i) Matched trade sales

Set out below is the flow chart illustrating the procedures of our matched trade sales model:



Receipt of tender invitation or expression of interest

Our sales team is the primary contact point with our existing and potential customers. From time to time, we receive expressions of interest from our potential customers or invitations for tender from PRC State-owned Enterprises for various oil products.

Supply source identification, price quotations from suppliers and price confirmation from customer

Based on the specifications and requirements provided by our customers, our operation department will co-ordinate with our sales team and procurement team to check the relevant product inventory level (if any), identify source of supply, make enquiries and obtain quotations from suppliers and prepare cost analysis to evaluate the profitability of the trade and fix the selling price. We also provide oil blending services where required by our customers. For details please refer to the paragraph headed "Blending of fuel oil" in this section below. We will then arrange our customer to confirm the price and specifications of the oil products, after which we will prepare the sales agreement. Our Directors consider that a firm understanding with a customer takes place when we are verbally requested by our customer to provide a written offer for their consideration.

Tender arrangements

We occasionally receive written invitations for tender from customers who are PRC State-owned Enterprises and if we decide to submit tender, our procurement team will provide specifications of the relevant oil products to various suppliers for price quotations. After the price quotations have been reviewed and approved by our various departments, the sales team will prepare the tender and submit to the customer. The customer will inform our Group of its decision if our Group's tender is successful.

The following table sets out the number of (i) invitations for tender; (ii) tenders submitted and (iii) contracts awarded, and our success rate for tenders from PRC State-owned Enterprises during the Track Record Period:

	Year ended 31 December			Six months ended 30 June
	2019	**2020**	**2021**	**2022**
Number of invitations for tender received	45	34	8	—
Number of tenders submitted	45	31	7	—
Number of contracts awarded	6	10	2	—
Success rate *(Note)*	13.3%	32.3%	28.6%	—

Note: Success rate is calculated based on the number of contracts awarded divided by the number of tenders submitted during the relevant period.

Preparation and signing of sales agreement and deposit payment

Our operation department will prepare a sales agreement approval request containing information such as nature of contract, parties, products, quantity, price, delivery method and other relevant information for submission to various departments of our Group for approval. After obtaining the approval, a sales agreement will be prepared and sent to customer for signing.

Customers who are not PRC State-owned Enterprises are generally required to pay an initial deposit of 10% to 20% of the purchase price and the remaining payment will be made upon acceptance of the oil products at a later stage. Depending on the terms of the sales agreements, there is usually no deposit requirement for customers who are PRC State-owned Enterprises. Please refer to the paragraph headed "Salient terms of typical sales agreements with our customers" in this section for further details.

Preparation and signing of purchase agreement and deposit payment

Upon execution of the sales agreement or confirmation of sales order with our customer, our sales team will liaise with our procurement team to check our inventory and apply for procurement if our stock for relevant products is insufficient. We will inform the potential supplier about the specifications including type, quantity and price of products that our customer requires and prepare a purchase agreement approval request containing information such as nature of agreement, parties, products, quantity, price, delivery method and other relevant information for approval if the specifications are agreed by the supplier. We will enter into the purchase agreement with the supplier after obtaining the approval. For suppliers who are not PRC State-owned Enterprises, we are generally allowed to pay an initial deposit of 10% or 20% of the purchase price with the remaining balance to be settled upon acceptance of the oil products. Depending on the terms of the purchase agreements, usually we are required to make full payment of the purchase price to suppliers who are PRC State-owned Enterprises on or before confirming acceptance of the oil products. We select suppliers based on criteria such as their reputation, stability of supply, quality, price, past trading experiences and shipping cost.

Our matched trade sales model is further subdivided into two categories: through-port trade and outport trade.

(a) Through-port trade

Incoming quality assurance

When the oil products reach our oil depots either through delivery by our suppliers or collection by Independent Third Party logistic companies engaged by our Group, our warehouse management department will collect and perform laboratory analysis on the oil samples to check whether they meet our customer's requirements and specifications. For details please refer to the paragraph headed "Quality control" in this section below. Once the samples of the oil products and/or quality report are approved by our warehouse management department or the licensed Independent Third Party institution, we will accept the oil products and our accounting and finance department will arrange for settlement of our supplier's invoice.

Storage

Once we confirm that the oil products have passed our incoming quality assurance, the oil products will be discharged and stored in the storage tanks of our oil depots.

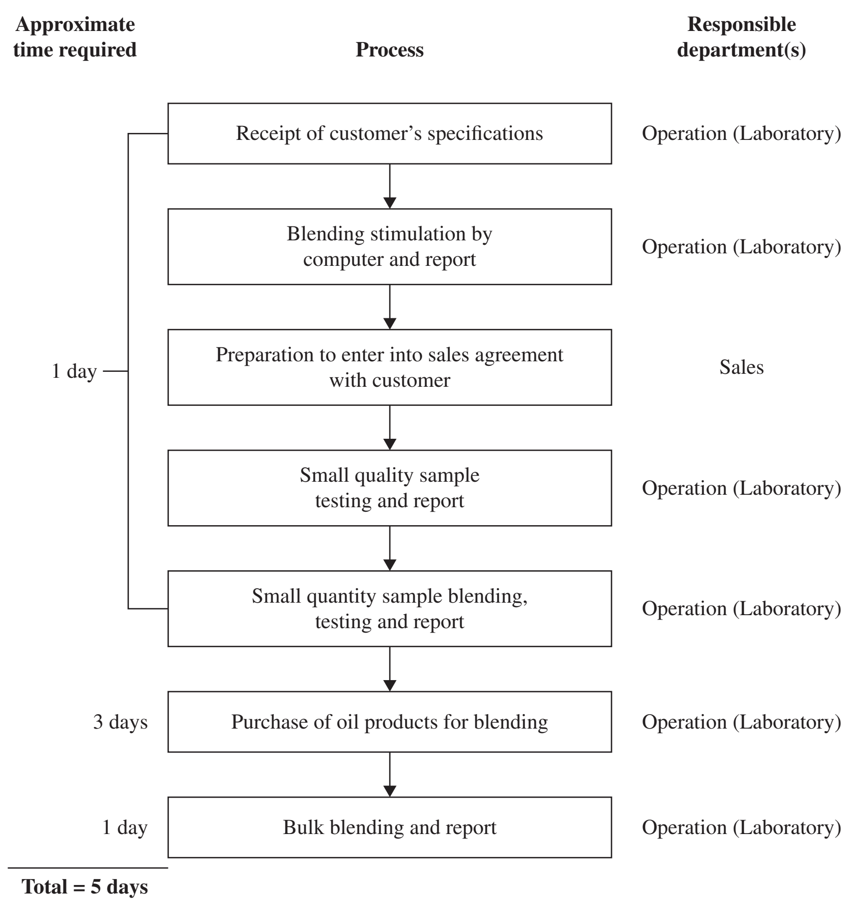
Blending of fuel oil

We provide fuel oil blending services and sell blended fuel oil according to the specifications required by our customers. Generally, the quality of unblended heavy oil produced by oil refineries varies widely and may not be suitable for direct downstream applications. Fuel oil blending involves a series of procedures including computer stimulation testing, quality testing, sample blending and bulk blending to meet the specifications required by our customers.

There are different methods for fuel oil blending and our Group usually adopts the batch blending in tank method which involves sequentially feeding measured volumes of each component into the blending tank. The components are then mixed and stirred, analysed for quality and adjustments made to the blend until a homogeneous blend is achieved.

Fuel oil blending is more complicated than a simple mix of components; a standard fuel oil contains approximately 17 physiochemical properties, each of which has an impact on the blended products and overall cost. Viscosity, calorific value and sulfur content are some of the performance indicators and the main basis for grade determination. Fuel oil of lower viscosity tends to perform more efficiently, effectively and contains less pollutant. Oil products with lower sulphur content are usually more expensive than those with higher sulphur content. Thus, the selection of an optimal combination of components for a fuel oil blend is crucial for meeting the specifications and requirements of our customers at acceptable cost.

Set out below is the flow chart illustrating the procedures for production of our blended fuel oil:



Receipt of customer's specifications, blending simulation and report

Once we receive specifications from our customer, the laboratory staff in our operation department will perform a computer blending simulation in our laboratory with the selected fuel oil products and generate a report to analyse if the blended products can meet our customer's requirements and specifications.

Preparation to enter into sales agreement

If the computer blending stimulation report is of satisfactory result then our sales team will prepare the sales agreement for signing with the customer. For customers who are PRC State-owned Enterprises, we will prepare the tender and if we are awarded the tender, we will enter into sales agreements with the customers. Depending on the time required for the respective internal procedure of each customer in relation to approval and signing of an agreement, we may enter into the sales agreements with our customers at any stage of our fuel oil blending process.

Small quantity sample testing and report

We will then proceed to obtain small quantity of samples from our inventory or if we have no such stock, arrange for suppliers to provide small quantity of samples to us for conducting sample testing to ascertain the samples are of good quality.

Small quantity sample blending, testing and report

Our laboratory staff will then carry out small quantity samples blending and testing whereby small quantity of samples will be blended first and the mixture and composition will be refined through repeated testing and adjustments.

Purchase of oil products for blending

If the small quantity sample blending report is satisfactory, our laboratory staff will arrange for the purchase of the requisite oil products from our suppliers. Once the oil products reach our oil depots, our laboratory staff will carry out quality check and then store the oil products in the oil tanks of our oil depots.

Bulk blending and report

Our laboratory commences the bulk blending procedure by mixing and stirring all relevant components into the blending tank until a homogenous blend is achieved. After that, a blending report will be prepared.

Outgoing quality assurance and customer's acceptance of oil products

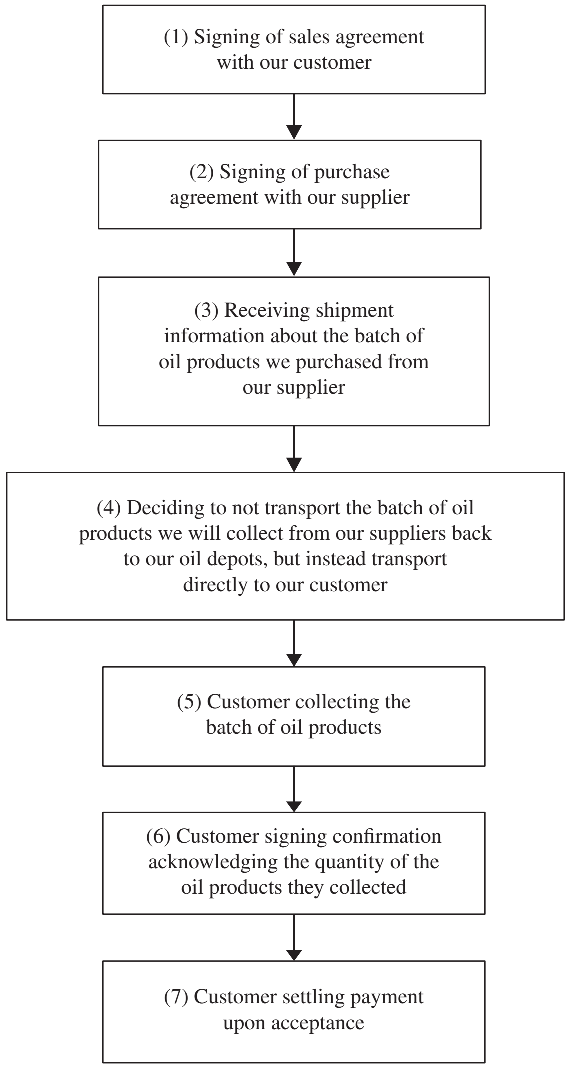
Regardless of the means of transportation of oil products, our warehouse management department will collect oil product samples and perform laboratory analysis on the samples before loading or shipment of our oil products. Once the quality control procedure is completed, the oil products will be transported to the customer's designated location.

Generally quality check will be conducted by the representatives of both parties. As provided in certain sales agreements, we may seek laboratory inspections and analysis from licensed Independent Third Party institutions if there are disputes regarding the quality and/or quantity of the oil products. If the customer is satisfied with the quality of the products, it will accept the products and be responsible for the fees in relation to such quality check.

(b) Outport trade

We act as agent in matching suppliers and customers and settle the trade without physical delivery through our oil depots for transportation cost saving purpose. For outport trade, we enter into separate agreements with our customers and suppliers so that the oil products are delivered to and collected at the designated ports as agreed by the parties. We confirm acceptance of the oil products with our suppliers at the designated ports where our customers accept the oil products from us, which typically takes place on the same day so the Group has no inventory risk. We earn service income for arranging such trade. According to the Frost & Sullivan Report, outport trade commonly exists in the oil trading market in the PRC and our Group's competitors are also engaged in outport trades.

The major difference between outport trades and through-port trades under our matched trades sale model is our Group's internal logistics arrangement. For outport trades, we would directly arrange for delivery (or, if we are not responsible for delivery under the sales contract, collection by the customers) of the oil products after we have collected the same from our suppliers, without first transporting the oil back to our own oil depots for storage; whilst for through-port trades, we would first store the oil in our oil depots pending arrangement for delivery or collection. Such arrangements are mostly internal and not manifested in the sales contract with our customers. Generally, the delivery terms of our sales contracts would only stipulate whether the oil products are to be delivered by us to a place designated by our customers or collected by our customers at an oil depot designated by us. It is neither a pre-requisite nor a material term under the sales contracts that we must first store the oil in oil depots or tanks owned or operated by our Group before delivery or customers' collection. Therefore, our Directors believe that the difference between outport trades and through-port trades is of little account to our customers since we provide value to them as further elaborated below. Set out below is a simplified flowchart illustrating the steps we undertake in outport trades:



In step four above, we would decide whether or not to first store the oil products we collect from our supplier in our oil tanks before delivery to our customer based on our and the relevant customer's actual needs. Factors which we may take into consideration include, but are not limited to:

(a) whether the discharging port (i.e. the port where our suppliers discharge the oil from their tanker) is located at a place close to the customer's place of business or convenient to the customer;

(b) whether the quantity of the oil products in that one shipment we would collect from our supplier could be arranged to match that of the oil products we need to deliver to the respective customer, so that it would be more cost-effective to directly deliver the batch of products to the customer;

(c) whether we have suitable storage facilities readily available to store the oil products. Currently, only our Zengcheng Oil Depot has the appropriate and suitable facilities for the storage of kerosene. As such, the capacity of our Group to store kerosene was limited and most of the kerosene we sold to our customers had to be delivered to or collected by our customers directly under outport trades; and

(d) whether, based on our Groups' inventory and risk management policy, our Group's current inventory is at a safe level in light of recent and predicted oil price trends. Normally, we would maintain a relatively low inventory level when oil price fluctuations may occur or continue.

Our Group provides value to our suppliers and customers, regardless of whether it is outport trade or through-port trade, as a midstream oil dealer with a niche role and functions in the oil industry value chain. We possess an extensive network of suppliers and customers and operate as a bridge between our suppliers and customers. For example, on one hand, our PRC State-owned Enterprise customers have stringent criteria in selecting suppliers and often impose rigid trade terms for their purchase such as payment against delivery (i.e. no upfront prepayment); on the other hand, most of our local refinery suppliers may not qualify as a supplier of such PRC State-owned Enterprises and often require upfront deposits from their customers. As such, our Group, serving as a midstream dealer, is able to facilitate trades in light of such mismatch. For further details about our role in the oil industry value chain, please refer to the section headed "Business — Relationship between our suppliers, our customers and our Group" in this document.

According to Frost & Sullivan, it is a common market practice for mid-stream oil dealers to act as a bridge between suppliers and customers in both outport and through-port trades in the oil trading industry, for the following reasons:

(i) Mid-stream dealers can often offer longer credit term and more flexible payment terms to its customers than upstream suppliers. Most of the local refinery upstream suppliers often require upfront deposits from their customers for initiating purchase (i.e. 10% to 20% of the total purchase price), which may not be required by mid-stream dealers, and make full payment upon delivery. However, PRC State-owned Enterprise customers have stringent criteria in selecting suppliers and often impose rigid trade terms for their purchase such as payment against delivery (i.e. no upfront prepayment). Such mismatch in payment terms hinders direct trade between upstream suppliers and downstream customers but create a niche role for the midstream dealers under this industry landscape.

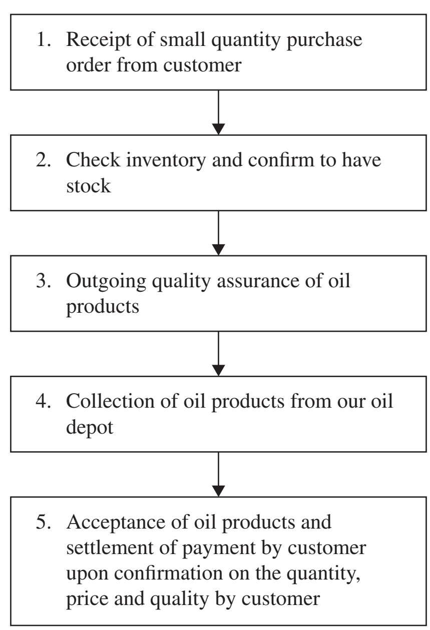
(ii) Some upstream suppliers, including PRC State-owned Enterprises like the Three State-owned Giants, may not prefer direct sales to small and medium-sized end customers due to concerns over cost efficiency and credit risk management. Moreover, the primary business focus of many these PRC State-owned Enterprises is exploring oil resources and refining, research and development of their oil products. Hence, such suppliers prefer selling oil products to midstream dealers to serve downstream customers as dealers have the logistics, storage, processing and network capability to facilitate prompt delivery of refined and fuel oil products from a large number of producers to numerous and dispersed downstream distributors, which can relieve upstream producers' burden of arranging products delivery and payment collection from downstream players, and allow them to focus their resources on refining, research and development and sourcing of raw materials for their oil products.

Acceptance of oil products and settlement of payment from customers

VAT inclusive invoices in the amount of the purchase price will be sent to our customers upon their confirmation of acceptance of oil products. Depending on the terms of the sales agreements, our customers are normally required to pay a deposit of 10% to 20% of the purchase price upon signing of the sales agreements, and the remaining balance will usually be settled on or before their confirmation of acceptance of oil products, with the exception of PRC State-owned Enterprises, which will usually settle the purchase price upon confirming acceptance of the oil products. However on a case-by-case basis, we may at our discretion grant more flexible terms to our customers based on their credit history and reputation. Our customers usually settle payment in RMB by way of bank transfer.

(ii) Sales from inventory model

Set out below is the flow chart illustrating the procedures of our sales from inventory model:



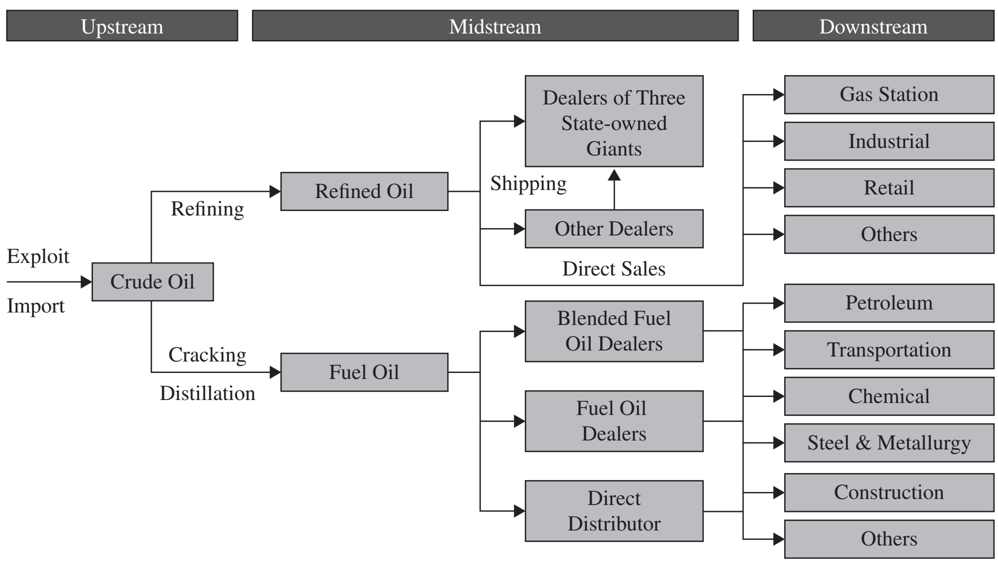
Our warehouse management department carries out stock taking in our warehouses regularly. We carry out sales from inventory model when we receive small quantity purchase orders from our customers. Our sales team will liaise with our warehouse operations department in ascertaining whether our inventory level is sufficient or if we can replenish the same to meet our matched trade obligation shortly after. After we ascertain that we have sufficient stock in our inventory to fulfil those small quantity purchase orders or can replenish the same shortly after to meet our matched sales obligation, we will trade with the customers. Due to the small quantity transacted, the customers usually arrange for collection of the oil products at our oil depots directly and would pay for their purchase immediately upon receipt of the oil products.

RELATIONSHIP BETWEEN OUR SUPPLIERS, OUR CUSTOMERS AND OUR GROUP

Our Directors consider that our Group possesses the following niche roles and functions as a midstream dealer in the oil industry value chain:

- **Our Group serves as a bridge between our suppliers and customers**

Our Group operates as a midstream oil dealer in the supply chain by purchasing oil products from our suppliers for wholesaling to our downstream customers. The diagram below illustrates a typical supply chain in the refined oil and fuel oil market in the PRC:



According to the Frost & Sullivan Report, midstream dealers like our Group play an important role in the value chain of the refined and fuel oil industry. Direct sales of refined oil to the Three State-owned Giants accounted for approximately 32.6% and 21.7% of our total sales of refined oil in 2021 and the six months ended 30 June 2022, respectively, while the majority of around 67.4% and 78.3% were sales through dealers (consisting of dealers of the Three State-owned Giants and private dealers such as our Group, the latter accounting for approximately a quarter of the dealers' market). The percentage of sales through dealers has been growing and such growth is expected to continue in the future.

For our Group's Three State-owned Giants customers, although they have upstream refinery operations, they still regularly make additional refined oil procurement from external supply for any shortfall of upstream production to meet the demand of their downstream operations. i.e. gas stations.

Based on our Directors' understanding and trade experiences, our Group's PRC State-owned Enterprise customers impose stringent criteria in selecting their suppliers. They conduct evaluation to assess a supplier's quality such as trade reputation and capital resources before accepting to be their approved supplier. In addition, these PRC State-owned Enterprise customers often impose rigid trade terms for their purchase such as payment against delivery (i.e. no upfront prepayment). On the contrary, suppliers such as local refineries and their sales agents often require their customers to place upfront deposits for initiating purchase (i.e. 10% to 20% of the total purchase price) and make full payment upon delivery to safeguard their default risk given that oil products are valuable commodities with fluctuating prices. Our Directors believe such mismatch in payment terms hinders direct trade between upstream customers and downstream suppliers but create a niche role for the midstream dealers under this industry landscape.

As a midstream dealer, our Group is able to facilitate the trade in light of the mismatch mentioned above. To further differentiate from a typical trading company, a midstream oil dealer is required to have appropriate business licences in order to comply with Regulations on the Safety Administration of Hazardous Chemicals (危險化學品安全管理條例) when conducting oil product trades.

In addition, as our Group's PRC State-owned Enterprise customers impose stringent quality requirements, in particular for refined oil products due to strict legal regulations, we need to have an extensive supply network and necessary industry knowledge and expertise such that we can promptly identify quality source of supplies for timely matching of our trades to secure potential profits. Occasionally, our extensive supply network also enables us to locate supply of uncommon oil products for our customers, e.g. heavy oil (a type of unblended fuel oil) for re-use in refinery.

Finally, in order to facilitate delivery according to customers' requirements, our Group also needs to establish and maintain good business network with logistic providers and maintain storage capability (mainly in leased facilities) as trade support.

In light of the above, our Group's role as a bridge between suppliers and customers in terms of capital, supply network, logistics and storage capacity enables our Group to create a niche position in the oil industry supply chain.

- **Our Group serves as a wholesaler for our customers**

Our Group's customer base is fragmented. In addition to PRC State-owned Enterprise customers, our customers also include private and public companies in industries such as retailing, oil trading, transportations, manufacturing and oil refining. Their consumption pattern (i.e. volume) varies significantly.

Since our Group's suppliers, i.e. refineries and their sales agents, typically engage in bulk shipment (i.e. in terms of a single container as a shipment unit) and generally do not entertain small volume transactions of industrial end users (i.e. factories), they may not transact with our customers in small scale sales directly.

In such case, our Group will gather various customers' orders for a specific product and make a bulk purchase from supplier to fulfill their needs. Furthermore, we have the ability to meet unplanned purchases (generally also in small scale) from our customers through sales from inventory model as mentioned in the paragraph headed "Operation — Sales from inventory model" in this section.

- **Sales of tailor-made blended fuel oil products**

Blended oil products are customised products. Generally, the quality of unblended heavy oil produced by our Group's suppliers (which are refineries) or traded by our suppliers (which are oil trading companies) varies widely and may not be suitable for direct downstream applications required by our customers.

For economy of scale, individual refinery generally produces limited type of oil and petroleum products. Thus, individual refinery may not be able or willing to entertain the individual tailor-made blending requirements as requested by the customers given the required diversity in product composition and the relatively small volume involved.

For sales of blended fuel oils with the specifications our customers require, we have the capability to conduct oil blending activities as we have: (i) a network of suppliers for the purchase of fuel oil of various qualities for blending; (ii) access to fuel oil blending equipment and storage capacity; (iii) acquired the technical knowhow to achieve profitability from fuel oil blending; and (iv) formed dedicated sales team to manage end customers' demand and delivery requirements, monitor quality assurance throughout the sales cycle and maintain relevant sales networks with downstream customers.

PRODUCTS

Our main products are (i) refined oil; (ii) fuel oil and (iii) other pretrochemical products. They do not have a product life cycle nor are they subject to seasonality.

(i) Refined oil

Our Group primarily trades two types of refined oil, namely gasoline and diesel. Our refined oil products generally conform with GB-17930-2013, GB-19147-2013 and GB-252-2015, which are the PRC national standards for automobile gasoline, automobile diesel fuel and general diesel fuel respectively.

Gasoline

Gasoline is the primary transportation fuel consumed in the PRC. It is used in internal combustion engines commonly found in automobiles and small aircrafts. It consists mostly of organic compounds obtained by the fraction distillation of crude oil, enhanced with a variety of additives, and is ignited by a spark. The octane rating is a standard measure of the performance of the fuel. The higher the number, the greater it can be compressed before it spontaneously ignites.

The table below sets out the major types of gasoline traded by our Group with the general specifications of sulphur, density, lead and vapour pressure:

Product name	Research octane number	Sulphur	Density	Lead	Pour point
		%(m/m)	*(kg/m^3)*	*g/L*	*(°C)*
92 gasoline	≥92	≤10	720-775	≤0.005	1 November to 30 April: 45–85
95 gasoline	≥95	≤10	720-775	≤0.005	1 May to 31 October: 40–65

During the Track Record Period, our revenue attributable to the sale of gasoline amounted to RMB1,443.2 million, RMB558.1 million, RMB1,120.4 million and RMB352.0 million, representing approximately 67.4%, 50.7%, 54.8% and 88.0% of our total revenue, respectively.

Diesel

Diesel is an important fuel that offers a wide range of performances, efficiency and safety features. It is a combustible liquid used as fuel for diesel engines found in most freight trucks, trains, buses and boats. It is also used in diesel engine generators to supply electricity. Diesel oil is generally obtained from fractions of crude oil that are less volatile than fractions used in gasoline, and is ignited by compression of heat air. In the PRC, diesel oil is categorised by its freezing points and can further be classified into light diesel or heavy diesel.

The table below sets out the type of diesel traded by our Group with the general specifications of sulphur, density, flash point and freezing point:

Product name	**Sulphur**	**Density**	**Flash point**	**Freezing point**
	%(m/m)	*(kg/m³)*	*(°C)*	*(°C)*
No. 0 diesel oil	≤350	810–850	≥55	≤0

During the Track Record Period, our revenue attributable to the sale of diesel amounted to RMB280.0 million, RMB162.1 million, RMB210.5 million and RMB14.0 million, representing approximately 13.1%, 14.7%, 10.3% and 3.5% of our total revenue, respectively.

Kerosene

Like gasoline and diesel, kerosene is also a hydrocarbon compound extracted as liquid from refined petroleum. Kerosene is one of the most widely used hydrocarbon fuels in the industry. Generally, kerosene is divided into aviation kerosene or jet fuel and lamp or burning kerosene in China. Aviation kerosene are used to power jet engines of aircrafts and rockets, whilst other types of kerosene are widely used as lamp and lighting fuel, heating and cooking fuel, chemical properties, or solvents. In the PRC, kerosene's downstream industries mainly include aviation industry and petrochemical industry.

(ii) Fuel oil

Our Group trades two types of fuel oil, namely unblended fuel oil and blended fuel oil.

Fuel oil is a fraction obtained during the fractional distillation or cracking stage from the refinery process of crude oil. Fuel oil usually has high viscosity and is affluent with colloid and asphaltene, and is commonly burned in furnaces or boilers for generation of heat or used in engines for generation of power. Fuel oil is used in many industries such as shipping, manufacturing, petroleum processing, construction materials, etc.

Unblended fuel oil

The unblended fuel oil products we trade generally conform with SH/T0356-1996, ISO8217-2012 and GB-17411-2015, the PRC industrial standard and international standard for fuel oil respectively. According to both PRC industrial standard and international standard, fuel oil can be categorised into different grade numbers based on its physiochemical property content. The table below sets out the major types of unblended fuel oil traded by our Group with general specifications of density, viscosity, sulphur, flash point and pour point in accordance with the relevant PRC industrial standard and international standard:

Product name	**Density** *(kg/m^3)*	**Viscosity** *(mm^2/s)*	**Sulphur** *%(m/m)*	**Flash point** *(°C)*	**Pour point** *(°C)*
No. 1 fuel oil	≤846	1.3–2.1 at 40°C	≤0.50	38	≤-18
No. 4 fuel oil	≤872	1.9–24 at 40°C	N.A.	55	≤-6
180 cst fuel oil	975–991	≤180 at 50°C	≤3.5	≥60	≤30
380 cst fuel oil	991–1010	≤380 at 50°C	≤3.5	≥60	≤30

Note: Item marked with "N.A." means sulphur content is not specified in their relative standards or is subject to local statutory requirements.

Blended fuel oil

Our Group's blended fuel oil is produced from the blending of fuel oils with different physiochemical properties in order to meet our customers' specifications and requirements. As blended fuel oil is produced to meet the specifications required by our customers, unlike standard fuel oil, the PRC industrial standard and international standard may not be applicable. Blended fuel oil is normally used in large-scale shipping and vessel engines and industrial furnaces.

(iii) Other petrochemical products

During the Track Record Period, our revenue attributable to the sale of the other petrochemical products amounted to RMB86.8 million, RMB179.3 million, RMB613.4 million and RMB33.1 million, representing approximately 4.1%, 16.3%, 30.0% and 8.2% of our total revenue respectively. The following is a brief description of the major types of petrochemical products traded by our Group:

Methyl tertiary butyl ether

MTBE is a flammable, volatile and colorless liquid fuel additive manufactured by the chemical reaction of methanol and isobutylene. MTBE belongs to a group of chemicals referred to as oxygenates. It helps to raise the level of oxygen in gasoline, resulting in a more complete burn of gasoline during combustion, and thus reducing carbon monoxide and soot emissions.

Isooctane

Isooctane is an organic compound and one of several isomers of octane produced by distillation of petroleum. It is an important component of gasoline, frequently used to increase the octane level knock resistance of gasoline, where engine knocking is an unwanted process that can occur during high compression ratio in internal combustion engines.

Mixed aromatics

Mixed aromatics is reformates obtained from fossil resources such as coal and petroleum. It is mainly used in adhesives, rubber industry and footwear industry. It is also the main raw material of p-xylene and can be used for gasoline blending if its octane level is low.

OUR FACILITIES

Our wholesale business operations are primarily conducted through two oil depots located in Zengcheng and Gaolan Port Economic Zone, respectively, which are all within the Pearl River Delta region of Guangdong Province, the PRC. The following map shows the approximate geographical locations of our two oil depots:

All of our oil depots are strategically situated within the Pearl River Delta region, where the well-developed maritime traffic and highway networks enable our Group to service the surrounding area of Guangdong Province and other coastal provinces of the PRC in a cost-effective and timely manner.

Our Zengcheng Oil Depot has been in operation since January 2005 immediately after our acquisition of JTF (PRC) in December 2004. It has a total site area of approximately 15,870.4 sq.m. and is equipped with storage tanks for oil products (with a maximum storage capacity of 10,000 m^3), tanker truck loading bays, oil pipeline system, a three-storey office building and a wharf for berthing tanker ships for accepting delivery of the oil products we procure and for delivery of oil products to our customers. Apart from the wharf, storage tanks for oil products and tanker truck loading bays which are owned by our Group, the remaining facilities including lands and buildings at Zengcheng Oil Depot are leased from Mr. Xu and Ms. Huang. Please refer to the section headed "Connected Transaction" of this document for details of the lease arrangement. The storage tanks are mainly used for storage and trading of refined oil and fuel oil products.

In selecting a suitable oil depot for leasing, our Directors would consider major factors such as storage capacity, proximity to our customers, geographical location and facility infrastructure. Currently, we have leased Gaolan Port Oil Depot from Independent Third Parties, particulars of which are as follows:

Oil depot	**Maximum storage capacity** *(m^3)*	**Number of storage tanks**	**Total berth capacity of the depot** *(tonnage)*	**Duration of the current lease**
Gaolan Port Oil Depot *(Note 1)*	37,000	8	180,000	1 July 2021 to 30 June 2023 *(Note 2)*

Notes:

(1) Gaolan Port Oil Depot, neighbouring the deepwater port in Zhuhai which is connected to international shipping routes, serves as the Group's transportation hub for medium to large oil tanker vessels. The oil depot operated by our lessor is equipped with wharfs with six berths with an aggregate total berth capacity of approximately 180,000 tonnage shared between 59 storage tanks with maximum storage capacity of approximately 655,850 m^3. Under the current lease, our Group has the right to use 7 storage tanks with maximum storage capacity of approximately 37,000 m^3. We started to lease the Gaolan Port Oil Depot from July 2019. For the three years ended 31 December 2021, our Group's average trade volume per shipment at Gaolan Port Oil Depot was approximately 2,206.9 tonnes, 1,765.9 tonnes and 1,340.5 tonnes, respectively.

(2) The original term of the lease was one year from 30 June 2021, and was renewed automatically for another year upon expiration pursuant to the terms of the lease.

The storage tanks at Gaolan Port Oil Depot are mainly used for storage and trading of gasoline and petrochemical products.

The following tables provide particulars of our oil depots during the Track Record Period:

For the year ended 31 December 2019

Oil depot	Types of oil stored and traded	Maximum storage capacity (m^3)	Number of storage tanks	Total berth capacity (tonnage)	Duration of lease during the year	Utilisation rate (Note 1) (%)	Revenue contribution (RMB'000)	Revenue contribution (%)
Zengcheng Oil Depot	Refined oil and fuel oil (blended and unblended)	10,000	5	300	1 April 2017 to 31 March 2037	70.5	24,973	1.2
Panyu Oil Depot	Fuel oil (blended) and diesel	25,000	4	6,000	8 October 2018 to 31 December 2019	99.9	514,044	24.0
Gaolan Port Oil Depot	Refined oil and petroleum products	37,000	7	180,000	1 July 2019 to 30 June 2020	93.1	976,218	45.6
Old Gaolan Port Oil Depot (Note 2)	Gasoline and petroleum products	45,000	11	180,000	27 December 2018 to 24 June 2019	80.4	553,727	25.9
Old Dongguan Oil Depot (Note 3)	Kerosene	11,000	1	30,000	14 July 2019 to 13 October 2019	72.2	66,473	3.1

For the year ended 31 December 2020

Oil depot	Types of oil stored and traded	Maximum storage capacity (m^3)	Number of storage tanks	Total berth capacity (tonnage)	Duration of lease during the year	Utilisation rate (Note 1) (%)	Revenue contribution (RMB'000)	Revenue contribution (%)
Zengcheng Oil Depot	Refined oil	10,000	5	300	1 April 2017 to 31 March 2037	66.3	32,146	2.9
Panyu Oil Depot	Fuel oil (blended) and diesel	20,000	3	6,000	1 January 2020 to 31 December 2020	95.2	303,018	27.5
Gaolan Port Oil Depot	Gasoline	37,000	7	180,000	1 July 2019 to 30 June 2021	72.3	737,349	67.0

For the year ended 31 December 2021

Oil depot	Types of oil stored and traded	Maximum storage capacity (m^3)	Number of storage tanks	Total berth capacity (tonnage)	Duration of lease during the year	Utilisation rate (Note 1) (%)	Revenue contribution (RMB'000)	Revenue contribution (%)
Zengcheng Oil Depot	Refined oil and fuel oil	10,000	5	300	1 April 2017 to 31 March 2037	50.0	34,460	1.7
Panyu Oil Depot (Note 4)	Fuel oil (blended) and diesel	20,000	3	6,000	1 January 2021 to 31 December 2021 *(Note 5)*	94.5	270,757	13.3
Gaolan Port Oil Depot	Gasoline and petroleum products	37,000	8	180,000	1 July 2021 to 30 June 2023	91.2	1,733,794	84.8

For the six months ended 30 June 2022

Oil depot	Types of oil stored and traded	Maximum storage capacity (m^3)	Number of storage tanks	Total berth capacity (tonnage)	Duration of lease during the period	Utilisation rate (Note 1) (%)	Revenue contribution (RMB'000)	Revenue contribution (%)
Zengcheng Oil Depot	Refined oil	10,000	5	300	1 April 2017 to 31 March 2037	37.2	14,028	3.5
Gaolan Port Oil Depot	Gasoline and petroleum products	37,000	8	180,000	1 July 2021 to 30 June 2023	51.4	385,050	96.2

Notes:

(1) The approximate storage utilisation rate is determined based on the following calculations and assumptions:

(i) utilisation rate of each storage tank at our oil depots is first calculated by the number of days utilised divided by the number of days leased in the year/period;

(ii) daily utilisation of a given storage tank is assumed in case the storage tank contains stock or had stock movement during the given day; and

(iii) utilisation rate of a given oil depot is the weighted average of utilisation rate of each storage tank as calculated in (i) above in the same oil depot for each year/period.

(2) The operator of the Old Gaolan Port Oil Depot did not have its own wharf facilities. As a result, we had to coordinate with third parties for the loading and unloading of our oil products at the wharf. For administrative convenience and efficiency, and given that both the Old Gaolan Port Oil Depot and the Gaolan Port Oil Depot are situated in the same port, we decided not to renew the lease of the Old Gaolan Port Oil Depot upon expiry and relocated to the Gaolan Port Oil Depot.

(3) We decided not to renew the lease of the Old Donguan Oil Depot upon expiry because after three months of trial operation, we realised that the utilisation rate of such oil depot was relatively low when compared to our other oil depots leased from Independent Third Parties in the same year.

(4) In March 2021, we gave notice to early terminate our lease of the Panyu Oil Depot and stopped using all storage tanks there since 1 July 2021. Panyu Oil Depot was mainly used for storage and trading of fuel oil and diesel during the Track Record Period. In line with our business strategy to lessen our reliance on fuel oil and taking into account that our Zengcheng Oil Depot, which currently has a relatively low utilization rate and will be expanded and upgraded, can also be used for storage and trading of fuel oil and diesel, we decided to early terminate the lease of the Panyu Oil Depot.

Due to the significance of our oil depots in our day-to-day business operations, we closely monitor and review the suitability of the oil depots based on our business strategies and expansion plan, and would determine whether to negotiate a lease renewal with the landlord or seek a more suitable oil depot as replacement upon expiry of a lease agreement. Our Directors have confirmed that the terminations of the leases of the Old Gaolan Port Oil Depot, the Old Dongguan Oil Depot and the Panyu Oil Depot during the Track Record Period have no material adverse effect on our operations and financial performance.

Our Group's operations are primarily carried out in oil depots leased from Independent Third Party landlords. For the three years ended 31 December 2021 and the six months ended 30 June 2022, approximately 98.5%, 94.6%, 98.1% and 96.2% of our Group's revenue were derived from operations in oil depots leased from Independent Third Party landlords respectively. Our current oil depot at Galoan Port Economic Zone is located at the coastal region of Pearl River Delta where our Directors believe is a key transportation hub for marine trade in Guangdong Province. Gaolan Port Oil Depot is neighbouring deepwater port for large oil tankers to load and unload oil and petroleum products and are connected to pipeline and land transportation network with easy access to our Group's key target customers.

Despite our Group's reliance on leased properties in our daily operations, our Directors do not foresee any significant difficulty in seeking lease renewal or identifying new oil depots for relocation at reasonable prices or on commercially acceptable terms and conditions that are viable to the business of our Group upon the expiry of our existing leases. According to Guangdong Province Refined Oil Distribution System "Thirteenth Five-Year" Development Plan (廣東省成品油配送體系"十三五"發展規劃) issued in January 2017, oil depots with a total storage capacity of 4.9 million m^3 would be constructed in Guangdong during the period from 2016 to 2020 in order to ensure the supply of refined oil in the province. According to the Economic & Information Commission of Guangdong Province, there are currently around 200 oil depots with a total storage capacity of over 10 million m^3 in Guangdong Province. Around 80% of the total oil depots are in the eight cities in Pearl River Delta including Guangzhou, Zhuhai, Foshan, Zhaoqing, Jiangmen, Huizhou, Dongguan and Zhongshan. Based on our past experience, the relocation to new oil depots generally takes approximately two months and, with appropriate logistic arrangements, we have not encountered any material interruptions to our operations during the relocation process.

Our Directors believe that given our Group has duly complied with the lease terms (including timely payment of the rentals) and there is an abundant supply of oil storage facilities in the Pearl River Delta region, the chance of Gaolan Port Oil Depot lease agreement being unexpectedly terminated by the landlord would be low. As such, our Directors consider that our Group's reliance on leased oil depots for our operations will not materially or adversely affect our business and results of operations.

CUSTOMERS, SALES AND MARKETING

Customers

Our Group has a diversified customer base in the PRC which includes private, public and PRC State-owned Enterprises in industries such as retailing, oil trading, logistics, manufacturing and oil refining. During the three years ended 31 December 2021 and the six months ended 30 June 2022, we generated revenue from a total of 93, 86, 101 and 33 customers, respectively, out of whom 51, 51, 54 and 20 and were recurring customers, representing approximately 54.8%, 59.3%, 53.5% and 60.6% of our total customers for these respective periods. We have established business relationships with our five largest customers ranging from less than a year to 11 years, all of whom are domestic customers in the PRC.

Over the years of operations, we have established close business relationships with our customers, including PRC State-owned Enterprises. For the three years ended 31 December 2021 and the six months ended 30 June 2022, approximately 58.2%, 45.3%, 57.0% and 82.5% of our total revenue, respectively, was contributed by PRC State-owned Enterprises.

The following table set forth a breakdown of our Group's revenue by type of customers during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2019		2020		2021		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Product type										
1. Sales of goods										
(i) Refined oil										
— Oil retailers	1,303,370	60.9	344,886	31.3	417,948	20.5	143,836	13.3	334,194	83.5
— Industrial users	23,804	1.1	8,657	0.8	8,764	0.4	3,938	0.4	3,905	1.0
— Oil traders	454,819	21.2	369,235	33.6	895,562	43.8	470,557	43.5	21,759	5.4
— Logistics companies	2,599	0.1	3,320	0.3	6,145	0.3	3,134	0.3	1,620	0.4
— Others	5,422	0.3	2,707	0.2	5,672	0.3	1,593	0.1	4,517	1.1
Subtotal — refined oil	1,790,014	83.6	728,805	66.2	1,334,091	65.3	623,057	57.6	365,995	91.5
(ii) Fuel oil										
— Oil retailers	15,381	0.7	7,805	0.7	17,196	0.9	17,196	1.5	—	—
— Oil traders	206,380	9.6	154,542	14.0	74,339	3.6	74,205	6.9	—	—
— Logistics companies	36,768	1.7	2,094	0.2	—	—	—	—	—	—
— Industrial users	123	0.01	—	—	—	—	—	—	—	—
Subtotal — fuel oil	258,651	12.0	164,441	15.0	91,535	4.5	91,401	8.4	—	—
(iii) Other petrochemical products										
— Oil traders	86,770	4.1	179,266	16.3	597,379	29.2	363,474	33.6	—	
— Oil retailers	—	—	—	—	16,006	0.8	—	—	33,083	8.2
Subtotal — other petrochemical products	86,770	4.1	179,266	16.3	613,385	30.0	363,474	33.6	33,083	8.2
Subtotal — Sale of goods	2,135,435	99.7	1,072,512	97.5	2,039,011	99.8	1,077,932	99.6	399,078	99.7
2. Service income	6,098	0.3	27,750	2.5	4,366	0.2	4,366	0.4	1,048	0.3
Total	2,141,533	100.0	1,100,262	100.0	2,043,377	100.0	1,082,298	100.0	400,126	100.0

During the Track Record Period, the major customers of our Group's refined oil products were oil trading customers and oil retailers such as gas station operators. We also sell diesel products to industrial users including manufacturers in the surrounding regions of our oil depots for furnace burning. Our Group's other petrochemical products are mainly sold to trading companies.

Our Group's fuel oil products are primarily sold to oil trading and retail customers. The oil trading customers mainly consist of PRC State-owned Enterprises who mostly purchased blended fuel oil from us for further selling to their targeted customers. The oil retail customers mainly consist of marine refuelling operators who purchase fuel oil products from us and supply them to end consumers as shipping vessel fuel.

The following tables set forth breakdown of our Group's revenue, sales volume, average selling price, gross profit and gross profit margin by new and recurring customers during the Track Record Period:

Revenue

	Year ended 31 December						Six months ended 30 June	
	2019		**2020**		**2021**		**2022**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
New customers	352,885	16.5	389,469	35.4	372,407	18.2	52,153	13.0
Recurring customers	1,788,648	83.5	710,793	64.6	1,670,970	81.8	347,973	87.0
Total	2,141,533	100.0	1,100,262	100.0	2,043,377	100.0	400,126	100.0

Sales volume and average selling price

	Year ended 31 December									Six months ended 30 June		
	2019			**2020**			**2021**			**2022**		
	Total sales volume		**Average selling price** *(Note)*	**Total sales volume**		**Average selling price** *(Note)*	**Total sales volume**		**Average selling price** *(Note)*	**Total sales volume**		**Average selling price** *(Note)*
	Tonnes	*%*	*RMB*	*Tonnes*	*%*	*RMB*	*Tonnes*	*%*	*RMB*	*Tonnes*	*%*	*RMB*
New customers	86,325	20.0	4,088	143,852	33.4	2,707	81,891	20.2	4,548	17,294	28.2	3,016
Recurring customers	344,260	80.0	5,196	286,254	66.6	2,483	323,862	79.8	5,160	44.045	71.8	7,900
Total	430,585	100.0	4,974	430,106	100.0	2,558	405,753	100.0	5,036	61,339	100.0	6,523

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

Gross profit and gross profit margin

	Year ended 31 December						Six months ended 30 June	
	2019		**2020**		**2021**		**2022**	
	Gross profit	**Gross profit margin**	**Gross profit**	**Gross profit margin**	**Gross profit**	**Gross profit margin**	**Gross profit**	**Gross profit margin**
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
New customers	11,550	3.3	19,318	5.0	25,706	6.9	4,839	9.3
Recurring customers	84,257	4.7	50,133	7.1	65,027	3.9	12,891	3.7
Total	95,807	4.5	69,451	6.3	90,733	4.4	17,730	4.4

The proportion of our revenue contribution from new customers increased from 16.5% for the year ended 31 December 2019 to 35.4% for the year ended 31 December 2020 because we were able to procure a major new customer, namely Dalian Puhua Petrochemical Co., Ltd.* (大連普華石油化工有限公司), which contributed 15.1% of our total revenue for that year. Please refer to the discussions in this section below for the details of our relationship with Dalian Puhua Petrochemical Co., Ltd.* (大連普華石油化工有限公司).

During the Track Record Period, the fluctuations in sales volume of oil sold to both new and recurring customers were generally in line with the fluctuations in their respective revenue contributions. The average selling price of oil sold to both new and recurring customers dropped significantly for the year ended 31 December 2020 when compared to the year ended 31 December 2019. This was in line with the drop in the average selling price of our oil products in general as a result of the drastic drop in oil price in early 2020.

For the six months ended 30 June 2022, the average selling price of oil sold to new customers amounted to RMB3,016 per tonne, which was much lower than that of oil sold to recurring customers, because a majority (i.e. 59.7%) of the oil sold to our new customers were through outport trades for which we recorded service income on a net basis and thus inherently recorded a lower average selling price per tonne (which was calculated by dividing the revenue/service income by the sales volume) when compared to oil sold under through-port trades. Excluding outport trades, we sold a total of 6,964 tonnes of oil to new customers with an average selling price of RMB7,338 per tonne for the six months ended 30 June 2022. During such period, we had two customers for outport trades, both of whom were new customers.

For the year ended 31 December 2019, the gross profit margin of new customers was relatively low because the oil we sold to our largest new customer (i.e. Customer B) during the year was mostly kerosene and the gross profit margin of kerosene sold during the year was generally low. The gross profit margin of recurring customers for the year ended 31 December 2020 was higher than that of the year ended 31 December 2019 and the year ended 31 December 2021 as we were able to achieve a relatively high service income margin for the sales of gasoline to Guangdong Jin Sheng Petrochemical Co., Ltd.* (廣東金盛石油化工有限公司), our largest customer for outport trades and a recurring customer during the year. Please refer to the section headed "Financial Information — Gross profit and gross profit margin — Discussion on major items of the consolidated statements of comprehensive income — Gross profit and gross profit margin — Service income (outport trades)" for more details. For the year ended 31 December 2021, the gross profit margin of new customers was relatively high when compared to each of the two year ended 31 December 2020 because a significant portion of the oil sold to such new customers were mixed aromatics, for which we were able to obtain a higher profit margin when compared to the rest of our oil products sold during the year.

For the same reasons discussed above, we also recorded a higher gross profit margin of new customers for the six months ended 30 June 2022. Excluding outport trades, the gross profit margin of new customers was 7.4%, which was still at a relatively high level because a significant portion of the oil sold to such new customers were other petrochemical products (i.e. petroleum mixed xylene), for which we were able to obtain a higher profit margin when compared to the rest of our oil products sold during the period.

Our Group's primary market is Guangdong Province, the PRC. As all our oil depots are strategically situated within the Pearl River Delta region, we are able to serve our customers based in Guangdong Province and other coastal provinces of the PRC. The following table shows our Group's revenue contribution by customers located in the provinces and municipalities of the PRC during the Track Record Period:

	Year ended 31 December			Six months ended 30 June
	2019	**2020**	**2021**	**2022**
	%	%	%	%
Provinces/Municipalities of the PRC				
Guangdong	83.7	58.7	63.6	90.4
Beijing	0.2	—	0.0	—
Fujian	0.0	9.6	6.0	5.4
Shandong	2.4	2.1	11.5	—
Zhejiang	0.6	1.0	1.6	—
Hainan	5.5	7.9	4.9	—
Liaoning	4.3	20.5	12.3	2.3
Shanghai	1.9	—	—	—
Others	1.4	0.2	0.1	1.9
Total	100.0	100.0	100.0	100.0

For the three years ended 31 December 2021 and the six months ended 30 June 2022, our Group's five largest customers accounted for approximately 72.0%, 56.0%, 56.8% and 90.3% of our total revenue respectively, and our largest customer accounted for approximately 29.5%, 15.1%, 22.2% and 53.8% of our Group's total revenue in each year/period during the Track Record Period respectively.

The following table sets forth basic information of our five largest customers during the Track Record Period:

For the six months ended 30 June 2022

Rank	Customer	Principal business activities	Year of commencement of relationship	Revenue contributed	Approximate % of our total revenue
				RMB'000	
1	Customer Group A *(Note 5)*	PRC State-owned Enterprises principally engaged in the wholesale of refined oil and trading of petrochemical products	2016	215,092	53.8
2	CNOOC Group *(Note 1)*	PRC State-owned Enterprises principally engaged in the retail of fuel oil and other petroleum products	2013	79,475	19.9
3	Customer C	A PRC State-owned Enterprise principally engaged in the domestic trading of gasoline, kerosene, diesel and petroleum products	2020	23,732	5.9
4	Customer D	A private company established in the PRC principally engaged in the wholesale of gasoline, kerosene, diesel and other petroleum products	2022	21,759	5.4
5	Guangxi Free Trade Zone Guobin Haike Petrochemical Trading Co., Ltd.* (廣西自貿區國賓海科化工貿易有限公司)	A private company established in the PRC principally engaged in the sale of petrochemical products and the wholesale of refined oil	2022	21,410	5.4
		Five largest customers total		**361,468**	**90.3**
		All other customers		**38,658**	**9.7**
		Total revenue		**400,126**	**100.0**

For the year ended 31 December 2021

Rank	Customer	Principal business activities	Year of commencement of relationship	Revenue contributed *RMB'000*	Approximate % of our total revenue
1	Customer Group A *(Note 5)*	PRC State-owned Enterprises principally engaged in the wholesale of refined oil and trading of petrochemical products	2016	452,784	22.2
2	CNOOC Group *(Note 1)*	PRC State-owned Enterprises principally engaged in the retail of fuel oil and other petroleum products	2013	312,154	15.3
3	CNPC Group *(Note 2)*	PRC State-owned Enterprises principally engaged in the retail of fuel oil and other petroleum products	2009	151,196	7.4
4	Dalian Puhua Petrochemical Co., Ltd.* (大連普華石油化工有限公司)	A private company established in the PRC principally engaged in the trading of refined oil, fuel oil, and other petrochemical products	2020	142,656	7.0
5	Hainan Anyang Energy Co., Ltd.* (海南安揚能源有限公司)	A private company established in the PRC principally engaged in the wholesale and retail of crude oil, gasoline, diesel and other petrochemical products	2017	100,310	4.9
		Five largest customers total		**1,159,100**	**56.8**
		All other customers		**884,277**	**43.2**
		Total revenue		**2,043,377**	**100.0**

For the year ended 31 December 2020

Rank	Customer	Principal business activities	Year of commencement of relationship	Revenue contributed *RMB'000*	Approximate % of our total revenue
1	Dalian Puhua Petrochemical Co., Ltd.* (大連普華石油化工有限公司) ("**Dalian Puhua**")	A private company established in the PRC principally engaged in the trading of refined oil, fuel oil, and other petrochemical products	2020	165,855	15.1
2	CNOOC Group *(Note 1)*	PRC State-owned Enterprises principally engaged in the retail of fuel oil and other petroleum products	2013	157,269	14.3
3	CNPC Group *(Note 2)*	PRC State-owned Enterprises principally engaged in the retail of fuel oil and other petroleum products	2009	109,261	9.9
4	SINOPEC Group *(Note 3)*	PRC State-owned Enterprises principally engaged in the retail of fuel oil and other petroleum products	2011	108,090	9.8
5	Hainan Anyang Energy Co., Ltd.* (海南安揚能源有限公司)	A private company established in the PRC principally engaged in the wholesale and retail of crude oil, gasoline, diesel and other petrochemical products	2017	76,010	6.9
		Five largest customers total		**616,485**	**56.0**
		All other customers		**483,777**	**44.0**
		Total revenue		**1,100,262**	**100.0**

For the year ended 31 December 2019

Rank	Customer	Principal business activities	Year of commencement of relationship	Revenue contributed	Approximate % of our total revenue
				RMB'000	
1	CNOOC Group *(Note 1)*	PRC State-owned Enterprises principally engaged in the retail of fuel oil and other petroleum products	2013	630,895	29.5
2	Guangdong Guangye Petroleum Natural Gas Co., Ltd* (廣東廣業 石油天然氣有限公司)	A PRC State-owned Enterprise principally engaged in the wholesale of petroleum and chemical products	2016	265,266	12.4
3	Guangzhou Development BP Oil Products Co., Ltd.* (廣州發展碧辟油品有限公司) *(Note 4)*	A PRC State-owned Enterprise principally engaged in the trading of fuel oil	2014	257,853	12.0
4	SINOPEC Group *(Note 3)*	PRC State-owned Enterprises principally engaged in the retail of fuel oil and other petroleum products	2011	249,255	11.6
5	Heshan City Peng Hong Energy Trading Co., Ltd.* (鶴山市鵬鴻能源貿易有限公司)	A private company established in the PRC principally engaged in the wholesale and retail of chemical raw materials and products and the wholesale of aviation kerosene, fuel oil, jet fuel	2013	138,109	6.5
		Five largest customers total		**1,541,378**	**72.0**
		All other customers		**600,155**	**28.0**
		Total revenue		**2,141,533**	**100.0**

Notes:

1. CNOOC Group represents seven entities wholly or partially owned by China National Offshore Oil Corporation (中國海洋石油集團有限公司), a PRC State-owned Enterprise which is also the holding company of CNOOC Limited (中國海洋石油有限公司), a company listed on the Stock Exchange (stock code: 0883), the New York Stock Exchange (stock ticker: CEO) and the Toronto Stock Exchange (stock ticker: CNU). During the Track Record Period, five of the seven entities were our customers and four were our suppliers.

2. CNPC Group represents seven entities wholly or partially owned by PetroChina Company Limited (中國石油天然氣股份有限公司), a company listed on the Stock Exchange (stock code: 0857), the New York Stock Exchange (stock ticker: PTR) and the Shanghai Stock Exchange (stock code: 601857). The controlling shareholder of PetroChina Company Limited (中國石油天然氣股份有限公司) is a PRC State-owned Enterprise.

3. Sinopec Group represents six entities partially owned by China Petroleum & Chemical Corporation (中國石油化工股份有限公司), a company listed on the Stock Exchange (stock code: 0386), the New York Stock Exchange (stock ticker: SNP), the London Stock Exchange (stock ticker: SNP) and the Shanghai Stock Exchange (stock code: 600028). The controlling shareholder of China Petroleum & Chemical Corporation (中國石油化工股份有限公司) is a PRC State-owned Enterprise.

4. Guangzhou Development BP Oil Products Co., Ltd.* (廣州發展碧辟油品有限公司) is a subsidiary of Guangzhou Development Group Inc (廣州發展集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600098) and the holding company of which is a PRC State-owned Enterprise.

5. Customer Group A represents three entities with common shareholder and are all wholly-owned by PRC State-owned Enterprises.

Our Directors have confirmed that all of the above five largest customers of our Group are Independent Third Parties and none of our Directors or their respective close associates or any Shareholders who, to the best knowledge of our Directors owned more than 5% of the issued Shares during the Track Record Period and up to the Latest Practicable Date, has any interests in any of such five largest customers.

During the Track Record Period, the Group generated service income from a total of three, 12, four and two customers, respectively. Almost all of the customers of our outport trades were also customers of our through-port trades or under our sale from inventory model. The table below lists out our five largest customers for outport trades during the year ended 31 December 2020:

Rank	Customer	Principal business activities	Year of commencement of relationship	Service income contributed *RMB'000*	Approximate % of our total service income
1	Guangdong Jin Sheng Petrochemical Co., Ltd.* (廣東金盛石油化工有限公司) ("**Jin Sheng**") *(Note 1)*	A private company established in the PRC principally engaged in the wholesale of gasoline, kerosene, diesel, jet fuel, etc.	2017	12,310	44.4
2	Customer B *(Note 1)*	A private company established in the PRC principally engaged in the trading of refined oil, fuel oil, and other petrochemical products	2019	6,676	24.1
3	Zhuhai Jiuzhou Group *(Note 2)*	PRC State-owned Enterprises principally engaged in the supply of oil for ships	2017	2,922	10.5
4	CNOOC Group *(Note 1)*	PRC State-owned Enterprises principally engaged in the retail of fuel oil and other petroleum products	2013	2,503	9.0
5	Dalian Puhua *(Note 1)*	A private company established in the PRC principally engaged in the trading of refined oil, fuel oil, and other petrochemical products	2020	1,599	5.8
		Five largest customers total		**26,010**	**93.8**
		All other customers		**1,740**	**6.2**
		Total		**27,750**	**100.0**

Notes:

1. Jin Sheng, Customer B, CNOOC Group and Dalian Puhua were recurring customers who have also purchased oil products from us under through-port trades during the Track Record Period. Each of CNOOC Group and Dalian Puhua was also one of our five largest customers during the Track Record Period.

2. Zhuhai Jiuzhou Group represents three entities which are wholly or partially owned by Zhuhai Jiuzhou Holdings Group Co., Ltd* (珠海九洲控股集團有限公司), a PRC State-owned Enterprise. For the year ended 31 December 2020, one of these three entities, namely Zhuhai Jiuzhou Energy Co., Ltd.* (珠海九洲能源有限公司) ("**Jiuzhou Energy**"), was customer of our outport trades. Zhuhai Jiuzhou Group was one of our five largest suppliers during the Track Record Period. The oil products our Group sold to Jiuzhou Energy in 2020 were all kerosene and different from those we purchased from Zhuhai Jiuzhou Group during the Track Record Period, which were mainly fuel oil, diesel and gasoline. Based on the fact that (i) the principal business of Jiuzhou Energy includes, among others, the retail of kerosene and the trading of refined oil; and (ii) Jiuzhou Energy operates several petrol filling stations, there was nothing unusual about Jiuzhou Energy's purchase of kerosene and its purchase of kerosene from us was made in the ordinary course of business.

The table below sets forth the sales volume of oil products sold to the above five largest customers for outport trades during the Track Record Period:

	Year ended 31 December									Six months ended 30 June		
	2019			2020			2021			2022		
	Sales volume under outport trades	Sales volume under through-port trades	Total sales volume	Sales volume under outport trades	Sales volume under through-port trades	Total sales volume	Sales volume under outport trades	Sales volume under through-port trades	Total sales volume	Sales volume under outport trades	Sales volume under through-port trades	Total sales volume
Jin Sheng	—	2,492	2,492	12,000 (Note 1)	6,098	18,098	—	3,010	3,010	—	—	—
Customer B	15,857 (Note 2)	15,262	31,120	61,860 (Note 2)	11,627	73,487	21,150 (Note 2)	764	21,914	—	—	—
Zhuhai Jiuzhou Group	—	—	—	24,416 (Note 2)	—	24,416	—	—	—	—	—	—
CNOOC Group	—	109,130	109,130	41,529 (Note 1)	35,034	76,563	10,881 (Note 4)	45,172	56,053	—	10,071	10,071
Dalian Puhua	—	—	—	14,211 (Note 3)	44,293	58,504	—	24,763	24,763	—	1,503	1,503

Notes:

1. All were gasoline.

2. All were kerosene.

3. 11,254 tonnes of which were fuel oil and the remaining 2,957 tonnes were isooctane.

4. All were diesel.

The oil products we sold to the above five customers during the year ended 31 December 2020 were mainly gasoline, kerosene and fuel oil. Our Directors consider that the ultimate demand for the products sold by each of these five largest customers was justifiable and reasonable for the following reasons:

(i) According to the Frost & Sullivan Report, in the PRC, the oil retail market was not as affected by the drastic drop in international oil price as the wholesale market because wholesale market is often directly affected by the international oil price while the main driver of retail market is consumer demand, which largely depends on China's domestic socio-demographic changes like transportation and population growth or seasonal changes like residential heating needs. Jiuzhou Energy and CNOOC Group directly operate petrol filling stations whilst the associated companies of Jin Sheng are oil retailers and operate several petrol filling stations in the PRC. Their direct connections with oil retail outlets could provide stable demand for their oil products;

(ii) Both Zhuhai Jiuzhou Group and CNOOC Group are renowned PRC State-owned Enterprises with established businesses with extensive sales network in the oil market in China;

(iii) our Directors were given to understand that many of the oil products purchased by Customer B were subsequently sold by them to PRC State-owned Enterprises, whose demand for oil products is usually more stable than that of private companies as they usually have direct and extensive connections with oil retail outlets; and

(iv) our Directors were given to understand that Dalian Puhua mainly sold its oil products directly to downstream oil retail companies such as petrol filling stations, or for use in machines and equipment in construction sites.

The total sales volume of oil products sold to Jin Sheng in 2019 was significantly lower than that in 2020 because (i) in 2019, all of our sales contracts with Jin Sheng were entered into towards year end and most of the sales under those contracts were not recognised until early 2020; and (ii) we secured a sales contract with Jin Sheng in mid-2020 for the sale of a relatively large amount of gasoline. Jin Sheng contributed the highest service income to our Group for the year ended 31 December 2020 notwithstanding the lowest sales volume among the above five customers because we were able to achieve a relatively high service income margin for the sales of gasoline to Jin Sheng, as compared with the overall service income margin of our outport trades for the year ended 31 December 2020. For the reasons behind such high service income margin and further details of our sales to Jin Sheng, please refer to the section headed "Financial Information — Discussion on major items of the consolidated statements of comprehensive income — Gross profit and gross profit margin — Service income (outport trades)" in this document.

The total sales volume of oil products sold to Customer B increased by approximately 136.1% from 31,120 tonnes in 2019 to 73,487 tonnes in 2020. It was mainly because Customer B became our customer and started to purchase oil products from us in the second half of 2019. Our Group became acquainted with the management of Customer B in an industry conference in 2018 prior to its subsequent establishment in 2019. We do not consider that the amount of oil products, mainly kerosene, purchased by Customer B from us during the Track Record Period was unusually large because although Customer B was established only in 2019, our Directors were given to understand that (i) Customer B has established connections with and mainly sold oil products to PRC State-owned Enterprises; and (ii) its employees have experience working in other oil trading companies which are PRC State-owned Enterprises and thus have extensive experience and connections in the oil trading industry.

Zhuhai Jiuzhou Group and Dalian Puhua were both our new customers in 2020. Although we have established relationship with Zhuhai Jiuzhou Group since 2017 as they had been our supplier, they first became our customer and purchased oil products from us in 2020. Our Directors were given to understand that in 2020, Dalian Puhua purchased oil products from us in order to fulfill the demand of its customers, which mainly included downstream oil retail companies such as petrol filling stations and end customers. We believe Dalian Puhua selected us as its supplier because of our competitive advantages as elaborated below.

The total sales volume of oil products sold to CNOOC Group in 2019 was generally higher because we entered into more sales contract with CNOOC Group in 2019 and they were our largest customer during the year. CNOOC Group had been one of our five largest customers throughout the Track Record Period, and we consider that the total sales volume of oil products sold to them during the Track Record Period was within a normal and stable range.

We consider that it is normal for the sales volume of oil products sold to different customers to fluctuate because (i) the demand of individual customers for different oil products varies from time to time depending on their internal business strategies, the demand of end-users, their own internal demand, etc.; and (ii) whether our negotiations with our customers would come to a fruition depends on whether we can reach a consensus on, among others, the selling price, logistics arrangements, oil quality, delivery period and credit period, and these are all variables that would affect the selling price and sales volume of our oil products under a particular sales contract. Such normal fluctuations of sales volume for individual customers would not materially and adversely affect our business performance as we have been actively expanding our sales network and procure new customers to diversify customers concentration risk. For the three years ended 31 December 2021 and the six months ended 30 June 2022, we procured 42, 35, 47 and 13 new customers, respectively.

We consider that Jin Sheng, Dalian Puhua and Customer B, which are all private companies, purchased oil products from us instead of directly from suppliers for the following reasons:

(i) we generally offer longer credit terms and more flexible payment terms to our customers than those offered by our suppliers. Upstream suppliers such as local refineries and their sales agents often require their customers to place upfront deposits for initiating purchase (i.e. 10% to 20% of the total purchase price) and make full payment upon delivery to safeguard their default risk given that oil products are valuable commodities with fluctuating prices. On the contrary, we generally offer credit terms of up to 30 days to our customers, which gives us a competitive edge vis-à-vis such upstream suppliers since longer credit term provides our customers with greater flexibility and control over their cash flow; and

(ii) PRC State-owned Enterprises, like the Three State-owned Giants, may not prefer direct sales to small and medium-sized end customers due to concerns over cost efficiency and credit risk management. Moreover, the primary business focus of many these PRC State-owned Enterprises is exploring oil resources and refining, research and development of their oil products. Hence, such suppliers prefer selling oil products to midstream dealers like us to serve downstream customers. We could fulfill the market needs not served by these PRC State-owned Enterprises as we have the capital, logistics, storage, processing and network capability to facilitate prompt delivery of oil products from a large number of producers to numerous and dispersed downstream distributors.

Whether the transportation costs would be borne by our customers or us depends on our negotiations and is determined on a case-by-case basis. Some of the factors that we may consider when assessing whether we would be responsible for the transportation and hence bear the transportation costs mainly include (a) customers' willingness to accept a higher selling price as we will raise the selling price to maintain profitability if we are to bear the transportation costs; (b) the expected transportation risks; and (c) customers' specific requests. When determining the extent of increase in selling price if we are to bear the transportation costs, we will take into account transportation risks like evaporation losses during transportation (for example, gasoline, by its nature, has a higher risk of evaporation), distance of travel, weather condition, etc. Regardless of whether these five customers had to bear the transportation costs, our Directors believe that the oil products purchased from us and subsequently sold by these five customers to end customers would be profitable, given that (i) transportation costs incurred in procuring oil products from suppliers usually account for a very small portion of cost of sales. For example, for the three years ended 31 December 2021 and the six months ended 30 June 2022, such transportation costs accounted for approximately 1.5%, 1.0%, 0.8% and 0.2% respectively of our cost of sales; (ii) if our customers were to bear such transportation costs, the selling price of the oil products we sold to them would usually be slightly adjusted downwards accordingly. For example, under two separate sales contracts we entered into with two companies of CNOOC Group respectively on the same date in the first half of 2020 (which were for the sales of the same quantity of the same type of gasoline and with largely similar payment terms), the contract sum under the contract which allocated the transportation costs to our customer was approximately 0.5% lower than that under the other contract which allocated transportation costs to our Group; and (iii) according to the Frost & Sullivan Report, in the PRC, the oil retail market was not as affected by the drastic drop in international oil price as the wholesale market. For the year ended 31 December 2020, our transportation costs incurred in procuring oil products from suppliers accounted for a smaller percentage, i.e. 1.0%, of our cost of sales when comparing to other years/period comprising the Track Record Period because during the year, we entered into a relatively small number of purchase orders pursuant to which our Group was responsible for transportation (i.e. we had to arrange picking up of the oil products we purchased from our suppliers). Such number of purchase orders accounted for 39.0% of our total number of purchase orders for the year ended 31 December 2020, compared to 46.1% for the year ended 31 December 2019, 47.3% for the year ended 31 December 2021 and 41.7% for the six months ended 30 June 2022.

Salient terms of typical sales agreements with our customers

We have not entered into any long term agreement with our customers, which our Directors believe is in line with the general market practice of the oil industry. However, we may enter into framework agreements with our customers which set out the expected sale volume over a period of time (usually a year or less) and the general terms and conditions of the sale and purchase of products, subject to the terms and conditions of the purchase agreements placed by our customers with us, or our customers may directly enter into sales agreements with us without executing any prior framework agreements with us. The salient terms of our sales agreement for oil products are set out below:

Types and quantities	:	Quantity of products either in metric tonnes or litres. Allowance of up to 5% or 10% deviation in actual amount from the purchase quantity as stated in the agreement
Quality	:	Specifications of certain physicochemical property components in the products which are generally in compliance with the relevant PRC national standard and/or PRC industry standard.

		Quality check may be conducted by licensed Independent Third Party institution at the designated location as agreed between the parties. If the quality standard falls below the specified requirements under the agreement, the customer has the right to reject the delivery and we will have to replace the defective products for free and be responsible for any liability that the customer may incur for such delay. If the customer is satisfied with the quality of the products, it will accept delivery and will be responsible for fees in relation to such quality check.
Delivery terms	:	Delivery locations, delivery date, manner of delivery and title transfer using one of the following transportation arrangements as agreed between the parties: 1. the customer collects the oil products from us; 2. an Independent Third Party logistics company is engaged for delivering the oil products to the customer; or 3. Tank Transfer.
Transfer of liability	:	The liability is transferred from us to the customer at the destination port when the oil products are transferred from our oil pipe to the customer's receiving oil pipe.
Pricing	:	All of our sales are denominated in RMB on fixed price per unit basis, and the total price is calculated on the actual quantity of oil products delivered (subject to deviation within the acceptable range as specified in the agreement). For details, please refer to the paragraph headed "Pricing policy" in this section below.
Payment	:	Subject to our customer credit assessment, we generally offer one of the following payment terms to our customers: 1. for PRC State-owned Enterprises, payment in full after delivery and upon receipt of our invoice; and 2. for other companies, a deposit of 10% or 20% of the total price may be required and payment of the remaining amount within 0–30 days upon confirming acceptance of the oil products.
Default	:	In the event of any default of the agreement, the agreement shall be terminated and the party in default shall pay to the non- defaulting party a compensation amounting to approximately 3% of the total amount payable under the agreement.

Pricing policy

Our business is customer-oriented and therefore pricing of our oil products depends on each customer's specifications and requirements of oil products. We rely on negotiations between our sales team and our customers as well as taking into account the market environment, quantity, quality, delivery time and distance and payment method to determine our product pricing.

Our Directors consider that competitive pricing is critical and our Group adopts a cost-plus pricing policy, which had been consistently adopted throughout the Track Record Period. During the Track Record Period, we had maintained our overall gross profit margin range of approximately 4.4% to 6.3%. We consider that our cost-plus pricing policy, which takes into account our cost of sales and targeted margin, is the key success factor in maintaining a reasonable profit margin and preventing our Group from incurring loss. The percentage our Group is able to mark up on our cost depends on a number of factors, including the type of products and specifications traded, selling prices and purchase costs. The selling price and purchase cost for each transaction vary according to a combination of factors including, but not limited to, the Group's bargaining power relative to the supplier and buyer, demand and supply in the market and the market price trend. Therefore, the selling price and purchase cost may differ for the same product traded within the same period. Our Group has internal control procedures in place to ensure the compliance of the Group's pricing policy, whereby our operation department will co-ordinate with our sales team and procurement team to check the relevant product inventory level (if any), identify source of supply, make enquires and obtain quotations from suppliers and prepare cost analysis to evaluate profitability of each trade on a case-by-case basis, which the management will give final approval on the selling prices to be quoted to our customers. Our Directors confirm that no rebate, sales incentive, promotion or discount is offered by our Group to the customers. Our Directors believe that such pricing policy can ensure we can meet our target profit margin.

In order to minimise our price risk exposure as well as to fulfil the customers' demands on hand within a relatively short period, our Group maintains a low and sufficient level of inventory (mainly for our sales from inventory transactions) (i.e. average inventory turnover rate of approximately 13.5 days, 29.5 days, 11.5 days and 34.6 days for the Track Record Period) to reduce our exposure to oil price fluctuation during such periods. Our inventory turnover days was at a relatively high level for the year ended 31 December 2020 mainly because we entered into fewer contracts for the purchase of our oil products due to the outbreak of the COVID-19 Pandemic and drastic drop in oil price in early 2020, and as a result the cost of sales for such period was at a relatively low level. For the six months ended 30 June 2022, our inventory turnover was relatively slow because we were unable to negotiate sales contracts and deliver our oil products and services effectively to our customers in early 2022 as a result of (i) the outbreak of the COVID-19 Omicron variant in China since late 2021 and the strict and widespread lockdown measures imposed by the PRC government in a number of major Chinese cities since late March 2022 which led to disruption to traffic and economic activities; and (ii) the drastic inflation in international oil price caused by the political crisis between Russia and Ukraine from late 2021 to early 2022, as a result of which oil market participants in general became more conservative and prudent in the trading of oils. For further details of our Group's inventory management policy, please refer to the paragraph headed ''Inventory management'' in this section.

Limited exposure to oil price volatility

Our Directors believe that our Group's exposure to oil price fluctuation is limited in the absence of abrupt volatility for the following reasons:

(a) Our Group mainly conducts business under the matched trade sales model. For the three years ended 31 December 2021 and the six months ended 30 June 2022, 89.6%, 95.8%, 98.1% and 96.5%, respectively, of our total revenue were generated through the matched trade sales model. Under the matched trade sales model and cost-plus pricing policy, we are generally able to pass on the movement in costs to our customers as we generally enter into separate sales and purchase agreements with suppliers and customers respectively within a short period of time, and then determine the selling price of the oil products with reference to the prevailing market price and a target profit margin in order to procure the relevant oil products from the suppliers after confirmation of the selling price with the customers. This allows our Group to lock in the largest profit with reference to the targeted profit margin for each transaction.

(b) Our Group also maintains a relatively low level of inventory which is only for confirmed matched trades for the business operation and small quantities unplanned purchases from customers. For the three years ended 31 December 2021 and the six months ended 30 June 2022, only 10.4%, 4.2%, 1.9% and 3.5%, respectively, of our Group's total revenue were generated through the sales from inventory model. As at 31 December 2019, 2020 and 2021 and 30 June 2022, our Group's inventory amounted to approximately RMB85.7 million, RMB80.9 million, RMB42.1 million and RMB103.9 million respectively, representing approximately 25.7%, 20.0%, 7.1% and 22.8% of the total assets on such dates respectively.

(c) According to Notice of the NDRC on Issues concerning Further Improving the Price Formation Mechanism of Refined Oil (國家發展改革委關於進一步完善成品油價格形成機制有關問題的通知) issued on 13 January 2016 (the "**NDRC Circular**"), in order to improve the price mechanism of refined oil products and further promote the market-oriented reform of refined oil prices, the retail and wholesale price ceilings of refined oil are adjusted timely along with the international crude oil price fluctuation. An adjustment mechanism was also set to restrict the domestic retail and wholesale refined oil price from falling when the international crude oil price falls below US$40 per barrel with the retail and wholesale refined oil prices being fixed at the latest published guiding price to offer protection to the domestic market players in petroleum refueling business against adverse global market changes in terms of the oil prices. According to the NDRC Circular and the Petroleum Price Management Measures (石油價格管理辦法), when the price of crude oil in the international market is lower than US$40 per barrel, refined oil prices should be calculated based on crude oil price of US$40 per barrel and taking into account the normal processing profit margins.

The global outbreak of the COVID-19 Pandemic restrained the demand for crude oil, which further intensified an existing oil supply and demand imbalance trend, leading to crude oil price dropping from US$55.5 per barrel in February 2020 to US$33.9 per barrel in March 2020, representing a decrease of 38.9%, and further decreased by 47.9% to US$17.7 per barrel in April 2020. As a result of the crude oil price having plummeted to below US$40 per barrel, the domestic refined oil ceiling price was fixed and no longer adjusted downwards on 31 March 2020 and 15 April 2020, being the adjustment windows under the price adjustment mechanism. Notwithstanding such a sharp drop in international crude oil prices in March and April 2020, the average domestic market price of refined oil only decreased by 11.3% from RMB6,316 per tonne in February 2020 to RMB5,601 per tonne in March 2020, and further decreased by 12.0% to RMB4,928 per tonne in April 2020.

Similarly, although our average purchase price and average selling price of refined oil inevitably dropped in early 2020, such decreases were comparatively slight when compared to the drastic plunge in international crude oil prices. For the period during which international crude oil price dropped below US$40 per barrel, the month-on-month percentage changes in our average purchase price of refined oil for the months of March and April 2020 were approximately 6.8% and -34.6%, respectively, while the month-on-month percentage change in our average selling price of refined oil were approximately 0.3% and -10.6%, respectively. This was contrasted with the month-on-month percentage change in international crude oil prices for the months of March 2020 and April 2020 of approximately -38.9% and -47.9%, respectively.

We believe our ability to mitigate oil price fluctuation risks was reflected in our relatively stable gross profit margin during the Track Record Period.

However, as oil price is susceptible to the influence of many geopolitical factors and is relatively more volatile as compared to other commodities, oil price volatility risks cannot be completely eliminated. As a result of the outbreak of the COVID-19 Pandemic and the unprecedented drastic drop in oil price in the first half of 2020, for the year ended 31 December 2020, our revenue decreased by 48.6% when compared with the corresponding period in 2019. Although the business performance of our Group during the year ended 31 December 2020 was affected by such unprecedented events due to the fact that our ability to increase the selling price of products as compared to the purchase price was limited under the volatile market conditions, our Group was still able to substantially mitigate the effect of the abrupt and drastic drop oil price attributable to the factors as stated above, which is reflected by the increase in our Group's gross profit margin, i.e. from 4.5% for the year ended 31 December 2019 to 6.3% for the year ended 31 December 2020.

Sales and marketing

Our sales team is responsible for setting selling price and assist the operation department with preparation of sales agreement and handles product return, if any. Our sales representatives visit existing customers from time to time to obtain their feedback on our Group's products and market trends, including changes in customers' demand, specifications and business conditions.

Our Group usually procures new customers through the following methods:

(1) Customers' direct approach: As a major player of blended fuel oil in Guangdong Province, our Group has built up a sound reputation in southern PRC. We are often directly approached by customers in neighbouring regions to source oil products. Hence, the majority of sales orders are from customers in Guangdong Province.

(2) Customer site visit: Our sales team visit potential customers through business referrals to explore new business opportunities. Our representatives will introduce and provide samples of our Group's products to these potential customers to solicit new orders.

(3) Conferences and meetings: Our management team frequently participates in conferences and industry meetings organised by the China Petroleum Circulation Association Bunker Oil Committee (中國石油流通協會船用油專業委員會). Our Group has established connections with potential customers through these events.

(4) Business referral: The Group receives business referrals from existing customers by phone calls and through the social and business network of the management team.

PURCHASE AND SUPPLIERS

We make purchases from our suppliers after execution of the sales agreement or confirmation of sales order from our customers. We generally source the oil products namely gasoline, diesel, fuel oil and other petrochemical products from various suppliers (which are Independent Third Parties) to satisfy the demand of our customers. In particular for the purpose of fuel oil blending, it is necessary to source and procure different qualities and properties of oil products from diverse suppliers to meet our customers' specifications and requirements. Therefore, we identified and engaged new suppliers from time to time in order to expand our supplier network and therefore reduce concentration risk. During the three years ended 31 December 2021 and the six months ended 30 June 2022, we had purchased from a total of 18, 18, 22 and 11 suppliers, respectively, of which eight, 12, 13 and five, respectively, were new suppliers. We have established business relationships with our five largest suppliers ranging from one year to seven years, all of whom are domestic suppliers in the PRC. For the three years ended 31 December 2021 and the six months ended 30 June 2022, two, three, one and two, respectively, of our five largest suppliers were new suppliers. The commercial terms of the purchase contracts we entered into with our new suppliers in the year ended 31 December 2020 were comparable to those of the purchase contracts we entered into with our existing suppliers during the same period.

The following table shows our Group's purchase by suppliers located in provinces and municipalities of the PRC for the Track Record Period by percentage:

	Year ended 31 December			Six months ended 30 June
	2019	**2020**	**2021**	**2022**
	%	%	%	%
Provinces/Municipalities of the PRC				
Fujian	1.4	—	—	17.1
Guangdong	70.2	76.9	62.1	21.4
Guangxi	0.8	1.9	7.6	9.5
Hainan	2.1	—	—	—
Liaoning	23.8	19.5	18.7	52.0
Shandong	1.7	1.7	6.5	—
Others	—	—	5.1	—
Total	100.0	100.0	100.0	100.0

During the Track Record Period, all of our products were sourced from suppliers in the PRC, primarily in Guangdong and Liaoning Provinces. We generally select suppliers with consideration in respect of product availability, transportation costs, product quality and suppliers' creditability.

For the three years ended 31 December 2021 and the six months ended 30 June 2022, 23.8%, 19.5%, 18.7% and 52.0% of our purchases were sourced from suppliers in Liaoning Province respectively, while 70.2%, 76.9%, 62.1% and 21.4% of our purchases of our purchases were sourced from suppliers in Guangdong Province respectively. In 2021, Liaoning Province and Guangdong Province was the second largest and third largest production base, respectively, of both gasoline and diesel in China.

For the three years ended 31 December 2021 and the six months ended 30 June 2022, our Group's five largest suppliers accounted for approximately 94.5%, 90.2%, 76.8% and 99.6% of our total purchases respectively, and our largest supplier accounted for approximately 63.1%, 38.0%, 34.4% and 53.7% of our Group's total purchases in each year during the Track Record Period respectively.

The following table sets forth basic information of our five largest suppliers during the Track Record Period:

For the six months ended 30 June 2022

Rank	Supplier	Principal business activities	Year of commencement of relationship	Purchase amount *RMB'000*	Approximate % of our total purchase
1	Dalian Benteng Petrochemical Co., Ltd.* (大連犇騰石油化工有限公司) *(Note 5)*	A private company established in the PRC principally engaged in the wholesale and retail of refined oil	2021	238,410	53.7
2	Zhuhai Taiming Petrochemical Co., Ltd.* (珠海銘泰石油化工有限公司)	A private company established in the PRC principally engaged in the sale of petrochemical products	2022	84,832	19.1
3	Xiamen Xiangyu Property Co., Ltd.* (廈門象嶼物產有限公司)	A PRC State-owned Enterprise principally engaged in the wholesale of crude oil and refined oil	2022	52,861	11.9
4	Qinzhou Tianheng Petrochemical Co., Ltd.* (欽州天恒石化有限公司)	A private company established in the PRC principally engaged in the wholesale of refined oil and manufacture and sale of petroleum products	2019	42,027	9.5
5	Supplier B *(Note 6)*	A PRC State-owned Enterprise principally engaged in the wholesale of refined oil and trading of petrochemical products	2016	23,245	5.2
		Five largest suppliers total		**441,375**	**99.6**
		All other suppliers		**1,850**	**0.4**
		Total purchase		**443,225**	**100.0**

For the year ended 31 December 2021

Rank	Supplier	Principal business activities	Year of commencement of relationship	Purchase amount *RMB'000*	Approximate % of our total purchase
1	Guangdong Xinyao Petrochemical Co., Ltd.* (廣東鑫垚石油化工有限公司)	A private company established in the PRC principally engaged in the trading of natural gas, gasoline, diesel, coal, etc.	2020	652,000	34.4
2	Maoming Haoda Petrochemical Co., Ltd.* (茂名市昊大石化有限公司)	A private company established in the PRC principally engaged in the sale of petrochemical and petroleum products	2020	346,356	18.3
3	Dalian Benteng Petrochemical Co., Ltd.* (大連犇騰石油化工有限公司) *(Note 5)*	A private company established in the PRC principally engaged in the wholesale and retail of refined oil	2021	171,769	9.1
4	Liaoning Baolai Group *(Note 2)*	Private companies established in the PRC principally engaged in the sale of road asphalt, lubricant base oil, petroleum coke, transformer oil, asphalt modifier, residual oil, coal, etc.	2017	169,504	8.9
5	Qinzhou Tianheng Petrochemical Co., Ltd.* (欽州天恒石化有限公司)	A private company established in the PRC principally engaged in the wholesale of refined oil and manufacture and sale of petroleum products	2019	114,839	6.1
		Five largest suppliers total		**1,454,468**	**76.8**
		All other suppliers		**442,073**	**23.2**
		Total purchase		**1,896,541**	**100.0**

For the year ended 31 December 2020

Rank	Supplier	Principal business activities	Year of commencement of relationship	Purchase amount *RMB'000*	Approximate % of our total purchase
1	Guangdong Xinyao Petrochemical Co., Ltd.* (廣東鑫垚石油化工有限公司)	A private company established in the PRC principally engaged in the trading of natural gas, gasoline, diesel, coal, etc.	2020	385,714	38.0
2	Zhuhai Jiuzhou Group *(Note 1)*	PRC State-owned Enterprises principally engaged in the supply of oil for ships	2017	255,005	25.1
3	Liaoning Baolai Group *(Note 2)*	Private companies established in the PRC principally engaged in the sale of road asphalt, lubricant base oil, petroleum coke, transformer oil, asphalt modifier, residual oil, coal, etc.	2017	190,292	18.8
4	Maoming Haoda Petrochemical Co., Ltd.* (茂名市昊大石化有限公司)	A private company established in the PRC principally engaged in the sale of petrochemical and petroleum products	2020	49,619	4.9
5	Guangzhou Panyue Material Co., Ltd.* (廣州市番粵材料有限公司)	A private company established in the PRC principally engaged in the retail and wholesale of petrochemical products and the sale of fuel oil	2020	34,744	3.4
		Five largest suppliers total		**915,374**	**90.2**
		All other suppliers		**99,067**	**9.8**
		Total purchase		**1,014,441**	**100.0**

For the year ended 31 December 2019

Rank	Supplier	Principal business activities	Year of commencement of relationship	Purchase amount *RMB'000*	Approximate % of our total purchase
1	Zhuhai Jiuzhou Group *(Note 1)*	PRC State-owned Enterprises principally engaged in the supply of oil for ships	2017	1,282,621	63.1
2	Liaoning Baolai Group *(Note 2)*	Private companies established in the PRC principally engaged in the sale of road asphalt, lubricant base oil, petroleum coke, transformer oil, asphalt modifier, residual oil, coal, etc.	2017	449,074	22.1
3	Guangdong Shang Guan Petrochemical Co., Ltd.* (廣東尚冠石化有限公司)	A private company established in the PRC principally engaged in the trading of liquefied petroleum gas, natural gas, gasoline, diesel, kerosene, etc.	2019	77,929	3.8
4	CNOOC Group *(Note 3)*	PRC State-owned Enterprises principally engaged in petroleum refining, wholesale of petroleum products, refined oil, liquefied petroleum gas, chemical raw materials, etc.	2013	76,868	3.8
5	Supplier A *(Note 4)*	A wholly-owned subsidiary of a PRC listed company principally engaged in crude oil processing and petroleum product manufacturing, chemical product production, coal chemical product production, etc.	2019	34,375	1.7
		Five largest suppliers total		**1,920,867**	**94.5**
		All other suppliers		**112,746**	**5.5**
		Total purchase		**2,033,613**	**100.0**

Notes:

1. Zhuhai Jiuzhou Group represents four entities which are wholly or partially owned by Zhuhai Jiuzhou Holdings Group Co., Ltd* (珠海九洲控股集團有限公司), a PRC State-owned Enterprise.

2. Liaoning Baolai Group represents three entities which are related companies, namely Panjin Ruidong Petrochemical Co., Ltd.* (盤錦瑞東石化貿易有限公司), Liaoning Liaohe Petroleum Co., Ltd.* (遼寧遼河石油股份有限公司) and Panjin Beifang Asphalt Fuel Co., Ltd.* (盤錦北方瀝青燃料有限公司).

3. CNOOC Group 中海油集團 represents seven entities wholly or partially owned by China National Offshore Oil Corporation (中國海洋石油集團有限公司), a PRC State-owned Enterprise which is also the holding company of CNOOC Limited (中國海洋石油有限公司), a company listed on the Stock Exchange (stock code: 0883), the New York Stock Exchange (stock ticker: CEO) and the Toronto Stock Exchange (stock ticker: CNU). During the Track Record Period, five of the seven entities were our customers and four were our suppliers.

4. Supplier A is a wholly-owned subsidiary of a PRC company listed on the Shanghai Stock Exchange.

5. Dalian Benteng Petrochemical Co., Ltd.* (大連犇騰石油化工有限公司) ("**Dalian Benteng**") is a wholesaler and retailer of refined oil established in October 2020. Our Group became acquainted with the management of Dalian Benteng through introduction by industry peers in 2021. Our Directors have confirmed that Dalian Benteng has no other past or present relationship, transaction or arrangement (family, employment, shareholding, trust, financing, sharing of personnel, premises or other resources, or otherwise) with (i) our Group, our subsidiaries, shareholders, directors, senior management or employees, or any of their respective associates; or (ii) any of our Group's customers or other suppliers.

(6) Supplier B belongs to Customer Group A, which represents three entities with common shareholder and are all wholly-owned by PRC State-owned Enterprises.

To the best knowledge of our Directors, all of the five largest suppliers of the Group during the Track Record Period are Independent Third Parties, and none of our Directors, their respective close associates or any Shareholders who, to the best knowledge of our Directors own more than 5% of our Company's issued share capital during the Track Record Period and up to the Latest Practicable Date, has any interest in any of such five largest suppliers.

During the Track Record Period, the Group had a total of three, six, four and two suppliers, respectively, for outport trades. The table below lists out our five largest suppliers for outport trades during the year ended 31 December 2020:

Rank	Supplier	Principal business activities	Year of commencement of relationship	Purchase amount *RMB'000*	Approximate % of our purchase amount for outport trades
1	Zhuhai Jiuzhou Group *(Note 1)*	PRC State-owned Enterprises principally engaged in the supply of oil for ships	2017	228,637	37.8
2	CNOOC Group *(Note 1)*	A PRC State-owned Enterprise principally engaged in the production and processing of petrochemical products	2013	210,520	34.8
3	Supplier C *(Note 1)*	A non-wholly owned subsidiary of a PRC State-owned Enterprise principally engaged in the wholesale of refined oil and trading of petrochemical products	2019	85,338	14.1
4	Supplier D *(Note 2)*	A private company established in the PRC principally engaged in the wholesale of petroleum and other petrochemical products	2020	35,752	5.9
5	Liaoning Baolai Group *(Note 1)*	A private company established in the PRC principally engaged in the trading of petrochemical products and retail of refined oil	2017	35,398	5.9
		Five largest suppliers total		**595,645**	**98.5**
		All other suppliers		**9,030**	**1.5**
		Total		**604,675**	**100**

Notes:

1. Zhuhai Jiuzhou Group, CNOOC Group, Supplier C and Liaoning Baolai Group were recurring suppliers who have also supplied oil products to us under through-port trades during the Track Record Period. Each of Zhuhai Jiuzhou Group and Liaoning Baolai Group was also one of our five largest suppliers during the Track Record Period.

2. Our Group became acquainted with Supplier D in 2020 when it reached out to us in their ordinary course of business for the sale of oil products to us. None of our Group, Directors, senior management or employees have any relationship with Supplier D, its directors, senior management or employees.

Salient terms of purchase agreements with our suppliers

Usually we do not enter into any long-term agreement with our suppliers, which our Directors believe is in line with the general market practice of the oil industry. We generally negotiate and confirm the terms of purchase with our respective suppliers on a contract-by-contract basis. The salient terms of purchase agreements for oil products with our suppliers are set out below:

Types and quantities : Quantity of products either in metric tonnes or litres.

Allowance of up to 5% or 10% deviation in actual amount from the purchase quantity as stated in the agreement.

Quality : Specifications of certain physicochemical property components in the products which are generally in compliance with the relevant PRC national standard and/or PRC industry standard.

Depending on the agreement between the parties, the following quality check and return policy may be adopted:

1. we may rely on the representations and warranties provided in the quality analysis report compiled by our supplier or make alternative written arrangements with the supplier. In respect of the former, we shall be deemed to have accepted that the quality of the oil product supplied complies with our requirements if we raise no objection to the supplier within a specified period; or

2. the parties may obtain oil specimens at completion for record keeping and when product quality is in doubt, the parties may collectively arrange for a licensed Independent Third Party institution to conduct quality check. If the quality standard falls below the specified requirements under the relevant agreement, the supplier will be responsible for the fees for conducting quality check and be liable to replace the substandard oil products. Otherwise, our Group will be responsible for the fees for conducting quality check.

Some of the agreements may not contain terms in relation to quality check and return policy.

Delivery terms	:	Delivery locations, delivery date, manner of delivery and title transfer using one of the following transportation arrangements as agreed between the parties: 1. the supplier delivers the oil products to us; 2. an Independent Third Party logistics company is engaged for delivering the oil products to us; or 3. Tank Transfer. Depending on the agreement between the parties, (a) we may outsource and arrange with logistic and transportation service provider for the pick-up of the oil products from locations specified in the agreement, or (b) our suppliers may arrange for transportation to deliver the oil products to our oil depots directly.
Transfer of liability	:	The liability is transferred from the supplier to us when: 1. we have completed quality check of the oil products; or 2. when the oil products are transferred from the supplier's oil pipe to our's.
Pricing	:	All of our purchases are denominated in RMB on fixed price per unit basis. The total price of oil products is calculated on the actual total quantity delivered (subject to deviation within the acceptable range as specified in the agreement).
Payment	:	We are generally offered one of the following payment terms by our suppliers: 1. full prepayment of the total price prior to delivery; 2. deposit of 10% or 20% of the total price and payment of the remaining amount upon confirming receipt of oil products; or 3. payment in full after delivery and within 3 days upon receipt of our supplier's invoice. We usually settle in RMB by way of bank transfer.
Default	:	In the event of any default of the agreement, the agreement is terminated and the party in default shall pay to the non-defaulting party a compensation amounting to 1% of the total amount payable under the agreement.

Our Group has implemented internal procedures in selecting suppliers so as to ensure the quality and lead time of oil products procured. Prior to each purchase, our Group generally obtains quotations from a number of suppliers and makes decision based on their reputation, stability of supply, quality, price and delivery schedule.

During the Track Record Period, our Group had not encountered any difficulties in the procurement of any necessary products from our suppliers and there had been no material dispute between our Group and our suppliers. Our Directors do not foresee that our Group will encounter any material difficulties in the sourcing of necessary products for our operation in the future.

LOGISTICS AND TRANSPORTATION ARRANGEMENTS

We focus on flexible logistics and transportation arrangements in order to cater for the different requirements of both our customers and suppliers.

In terms of transport arrangements with our suppliers, the oil products are usually transported to one of our oil depots first (with the exception of outport trade) using one of the following methods as agreed in the purchase agreements:

1. supplier delivers the oil products to our Group;
2. an Independent Third Party logistics company is engaged for delivering the oil products to us; or
3. Tank Transfer.

In terms of transport arrangements with our customers (with the exception of outport trade), oil products are transported to the customers' designated locations using one of the following methods as agreed in the sales agreements:

1. the customer collects the oil products from us;
2. an Independent Third Party logistics company is engaged for delivering the oil products to the customer; or
3. Tank Transfer.

In case of outport trade with our customers, we will arrange for oil products to be delivered to and collected at ports as agreed with our suppliers and customers in the purchase and sales agreements respectively.

During the Track Record Period and as at the Latest Practicable Date, we had not experienced any material loss or delay in delivery of our products or any material disputes or claims between us and Independent Third Party logistics companies.

RISK MANAGEMENT POLICIES

We maintain strict financial and risk management policies in order to minimise our financial and operational risks in the course of trading. In view of the considerable amount involved in each transaction and fluctuations in market prices of oil products, we adopt a relatively conservative matched trade sales model whereby we only match and source the required amount of oil products from suppliers after customers' demands arise. On the other hand, minor surplus in the actual amount of oil products provided by the suppliers allows us to cater for small amount and unplanned purchases by customers through the sales from inventory model so that any inventory level can be further minimised. To reduce risks, we review the background and credibility of our new customers and suppliers before entering into any transaction with them. Thus, we are able to maintain low but sufficient level of inventory in our oil depots (mainly for our matched trade sales) and protect us from price risks arising from oil price fluctuations for inventory at hand.

During the Track Record Period, we had not experienced any material default in payment by our customers. As of the Latest Practicable Date, we had not received any notification from our oil trading counterparties that they intended to cancel any confirmed purchase or sales agreements. We strive to strictly enforce our risk management policies and review and update our policies regularly to accommodate the ever-changing market environment of the oil industry.

CREDIT POLICY AND CREDIT MANAGEMENT

Our Group adopts prudent credit policy in order to prevent excessive accumulation of trade receivables that may lead to delayed payment and potential bad debts. Before accepting a new customer, our Group will assess the potential customer's credit quality in determining the credit terms. We generally require our non state-owned company customers to place initial deposit upon entering into sales agreements and all of our customers to settle payment immediately upon acceptance of oil products. However on a case-by-case basis, we may at our discretion grant more flexible terms to our customers based on their credit history and reputation. In order to reduce our counterparty risk exposure, we may not grant credit to new customers or customers with relatively lower credit quality, and require them to make full or partial payment prior to delivery. In accordance with the above policy, we generally grant an average credit period of 0 to 30 days to our customers.

We may from time to time approve extended credit period to certain customers and the granting of extended credit period depends on the customers' past settlement record, the volume of order and their business relationship with our Group.

Under our credit policy, in case of outstanding trade receivables, we will send written reminders to the customers to demand for payment. If the outstanding trade receivables are not paid after our written reminders and further liaison, on a case by case basis, we may instruct our legal advisers to send legal demand letters to such customers as and when appropriate. Our Directors may consider taking legal action to recover the outstanding trade receivables if necessary. For the Track Record Period, our Group had not experienced any material bad debt.

ENTITIES WHO ARE OUR CUSTOMERS AND ALSO OUR SUPPLIERS

To the best knowledge and belief of our Directors, during the Track Record Period, five of our customers and/or their related companies in the same group were also our suppliers, one of them is the subsidiary of the Three State-owned Giants.

For the three years ended 31 December 2021 and the six months ended 30 June 2022, our sales to these entities accounted for approximately 36.2%, 23.4%, 49.4% and 76.6% respectively, of our total revenue, while our purchase from these entities accounted for approximately 8.2%, 28.4%, 5.4% and 5.2% respectively, of our total purchase. Gross profit (excluding service income) for the sale of oil products to these entities for the three years ended 31 December 2021 and the six months ended 30 June 2022 was approximately RMB36.5 million, RMB16.6 million, RMB38.5 million and RMB11.0 million respectively, and the gross profit margin (excluding service income) was 4.7%, 6.6%, 3.7% and 3.6%, respectively. The slight difference in gross profit margin between the sales to these entities and our gross profit margin of approximately 4.5%, 6.3%, 4.4% and 4.4% for the three years ended 31 December 2021 and the six months ended 30 June 2022 respectively, was primarily due to (i) nature of products traded; (ii) specifications and customisation for oil products required; and (iii) delivery cost and location.

Though some of our Group's customers and/or their related companies in the same group were also our Group's suppliers, the commodities our Group purchased from the suppliers were generally different from those our Group sold to them in terms of product type and characteristics. It is more cost-effective and efficient to procure from our Group instead of from their related companies in the same group as (i) the customers are located closer to our Group and so the risk relating to transportation is reduced; and (ii) our Group offers more flexible payment terms.

Given that some of our customers and suppliers are under the umbrella of national scale enterprises (i.e. the Three State-owned Giants), we consider the grouping of these individual customers and suppliers would provide a more meaningful classification for disclosure of our Group's stakeholders. Thus, it reveals a situation that we trade (i.e. both buy and sell) with an enterprise in a macro sense. According to the Frost and Sullivan Report, the scale of operation of the Three State-owned Giants is relatively massive, while most of their subsidiaries operate independently from each other and in general their transactions are conducted based on the best trade terms offered by their counterparties.

To the best knowledge, information and belief of our Directors having made reasonable enquiries, these entities and their ultimate beneficial owners are Independent Third Parties. Our Directors confirm that sales to and purchases from these entities and/or their related group companies (who are also our suppliers) are conducted on arm's length negotiation. Our Directors are of the opinion that since the majority of these entities and/or their related group companies concerned are national-scale corporations each with a number of operating subsidiaries and/or associate companies with their own business operations, and that the terms of our sales to and purchases from these entities and/or their related group companies are subject to negotiation in each individual order, the sales and purchases with these entities are independent and not inter-connected nor inter-conditional with each other, and are made on individual order-by-order basis. In particular, the products we trade with these entities are different from the products we purchase from them in terms of product type, characteristic and specification. Our Directors believe, and Frost and Sullivan concurs, that the terms of transactions with these entities and/

or their related group companies (who are also our suppliers) are in line with market practice, consistent with the industry norm in the PRC oil industry and similar to those transactions with other customers and suppliers of our Group.

INVENTORY MANAGEMENT

The market prices of oil products can be volatile. The fluctuations in the prices of oil products are affected by various factors which could neither be controlled nor predicted by us. In terms of level of inventory, since the majority of our businesses are conducted through matched trade sales model where we match suppliers in sourcing oil products after customers' demands arise, we generally do not have to acquire and store any inventory in our oil depots except for confirmed matched trades for our business operation. However, as there may be minor surplus in the actual amount of oil products delivered to us by the suppliers as allowed under our contract terms (i.e. up to 10% deviation of the agreed quantity), such small amount of surplus oil products are being stored at our oil depots and are sold to customers through sales from inventory model when customers approach us for small amount and unplanned purchase. By the above practice, we are able to maintain a low but sufficient level of inventory at our oil depots (mainly for our sales from inventory transactions) adequate to meet our customers' orders on a timely basis while reducing our exposure on prices of oil products. We closely monitor our inventory level to meet our requirements, minimise wastage, and avoid stocking up on obsolete inventory.

As at 31 December 2019, 2020 and 2021 and 30 June 2022, our Group's inventory amounted to approximately RMB85.7 million, RMB80.9 million, RMB42.1 million and RMB103.9 million respectively, representing about 25.7%, 20.0%, 7.1% and 22.8% of our total assets on such dates respectively.

Due to the unique and hazardous characteristics of oil products, they must be stored in storage tanks and we undertake prudent measures to ensure that the flammable inventories are properly stored. Moreover, the quantity, pressure and temperature levels of our storage tanks are monitored by our warehouse management personnel on a regular basis to ensure that our oil products are in good condition.

Our Group adopts various procedures to monitor the inventory movement, including proper record of incoming and outgoing inventories, preparation and review of stock list and physical stock count on a monthly basis by our warehouse management personnel to assess any shrinkage and identify any discrepancy from book. There was no write-down of inventory during the three years ended 31 December 2021 and the six months ended 30 June 2022. For the Track Record Period, our Group's average inventory turnover rate (i.e. the average of inventory balance at the beginning and end of the year divided by the cost of sales for the same year, and multiplied by the number of days in the year) was approximately 13.5 days, 29.5 days, 11.5 days and 34.6 days, respectively.

COMPETITION

China's oil production had been declining from 199.7 million tonnes in 2016 to 199.0 million tonnes in 2021. According to the Frost & Sullivan Report, oil production in China is expected to increase from 199.0 million tonnes in 2021 to 205.0 million tonnes in 2026, whilst oil consumption in China is expected to increase from 707.8 million tonnes in 2021 to 844.9 million tonnes in 2026. Hence, domestic supply of oil cannot match the demand given China's large consumption. Large quantity of oil is imported every year to support the demand. According to the Frost & Sullivan Report, from 2016 to 2021, oil consumption rose from 577.8 million tonnes to 707.8 million tonnes, representing a CAGR of 4.1%, and oil consumption is expected to reach 844.9 million tonnes by 2026.

Guangdong is one of the largest refined oil consumption markets in China. The consumption of gasoline has been growing due to the large passenger vehicle population in Guangdong. The refined oil consumption in Guangdong grew from 34.7 million tonnes in 2016 to 35.5 million tonnes in 2021, mainly due to the increase of gasoline consumption. The consumption of gasoline and diesel in Guangdong had exceeded production during the past several years. The production of kerosene in Guangdong decreased slightly from 6.8 million tonnes in 2016 to 6.3 million tonnes in 2021, representing a CAGR of -1.5%. The production of gasoline in Guangdong increased from 9.0 million tonnes to 14.2 million tonnes at a CAGR of 9.4%, while diesel production increased slightly at a CAGR of 3.7% during the same period.

There were approximately 60, 80 and 30 companies with the qualification to engage in wholesale business of refined oil in China in 2021 in Guangdong, Shandong and Fujian respectively according to the Frost & Sullivan Report.

QUALITY CONTROL

We believe that our success is built on our commitment in providing quality oil products in a timely manner. We have adopted internal quality control policies to ensure the quality of our products adhere to customers' specifications. For the Track Record Period, we had not received any material claims or complaints about the quality of our products.

Our quality control on oil products are mainly conducted by our warehouse management and safety control team and our laboratory staff who are under our operation department. As at the Latest Practicable Date, we had a total of 3 staff members for conducting quality control. They are responsible for ensuring that all oil products pass through our quality control procedures and meet the specifications of our clients. The quality control procedures on selecting and testing of oil products are conducted throughout our trading operations. Our Group's major quality control procedures are as follows:

(i) Incoming quality assurance

On or before entering into purchase agreement with our supplier, we require our supplier to provide a quality report on the oil product to be shipped. Before incoming oil products are put in storage, our laboratory staff and warehouse management team perform quality analysis and sample testing on them to ensure that they conform with the specifications and requirements stipulated in the relevant purchase agreements. Upon passing of the incoming quality assurance, oil products will be stored in our storage tanks. If the oil products fail to meet our specifications and requirements, they will be returned to the suppliers. During the Track Record Period, we had no material dispute with our suppliers regarding the quality of oil products delivered.

(ii) Blending process quality assurance

Our laboratory staff and warehouse management team conduct quality inspection at every stage of our blending process and testing on our oil product samples in order to ensure that the quality of our blended fuel oil meets the specifications and requirements of our customers. They conduct (i) blending simulation in our laboratory by computer; (ii) small quantity sample testing; (iii) testing after small quantity sample blending to ensure the blended fuel oil meets the specifications of customers; and (iv) bulk blending of the oil products and preparation of the blending report.

(iii) Storage quality assurance

Our warehouse management team is responsible for the maintenance of our storage facilities by conducting regular inspection of the facilities, including storage tanks, wharf, pipelines and blending equipment to ensure that they are in good condition to prevent any industrial accidents. For the rented oil tanks, the owners are responsible for their up-keeping. We also perform or arrange to perform random quality check on stored oil products to ensure that there is no contamination.

(iv) Outgoing quality assurance

Our laboratory staff conduct testing on all oil products prior to delivery to the customers. They will draw random samples of the oil products for laboratory analysis to ensure that our oil products conform with the quality, specifications and requirements stipulated in the sales agreement. After the test, a quality report is generated and we will inform our customers of the relevant results. Depending on the terms of the sales agreements, our customers may appoint their own representatives or hire licensed Independent Third Party institutions to inspect the quality of the oil products before they confirm delivery. Upon passing the outgoing quality assurance procedures conducted by ourselves or by our customers, our oil products will be transferred and stored in oil tanker vessels or tanker trucks for delivery to our customers in accordance with the relevant contractual terms.

Product returns

In case of any complaint on the quality of our products, our warehouse management team and sales team would investigate and liaise with our customers, and take necessary measures to satisfy our customers' requirements. During the Track Record Period and up to the Latest Practicable Date, we had not returned any product to our suppliers due to product quality issues and had no material incident of product return from our customers due to the quality of our products. We have implemented stringent quality control measures in order to maintain good business relationships with customers and strengthen their confidence in us.

Product liability

During the Track Record Period and up to the Latest Practicable Date, we had not received any complaint or claim from our customers in relation to any product liability. We have not taken out product liability insurance for our business operations. For details, please refer to the paragraph headed "Insurance coverage" in this section below.

OCCUPATIONAL HEALTH AND SAFETY

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

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

During the Track Record Period and up to the Latest Practicable Date, we had complied with the relevant PRC regulatory requirements on workplace safety in all material respects and there had been no material work- related injury or fatality at our oil depots. We were not subject to any material claims for personal or property damages as at the Latest Practicable Date.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

Governance on the ESG responsibilities

We acknowledge our responsibilities on environmental protection as well as the corporate social responsibility that may have impact on our business. We have established and implemented our ESG policy (the "**ESG Policy**") in accordance with the requirements under Appendix 20 of the GEM Listing Rules and Appendix 27 of the Main Board Listing Rules, which outlined, among others, (i) the appropriate risk governance on ESG matters, including ESG-related risks and opportunities; (ii) the identification of key stakeholders and communication channels to engage with them; (iii) the materiality assessment of ESG topics; (iv) the ESG risk management and monitoring; and (v) the identification of key performance indicators ("**KPIs**") and the relevant measurements and mitigating measures.

Our Board has an overall responsibility of overseeing and determining our Group's ESG-related risks and opportunities, establishing and adopting the ESG Policy and targets of our Group, and reviewing our Group's annual performance against the ESG-related targets and revising the ESG strategies as appropriate if significant variance from the target is identified.

Identification, assessment and management of the ESG-related risks

Our Board periodically reviews the risk assessment framework and risk management function to ensure the current and potential risks faced by us are covered, including, but not limited to, the risks arising from the ESG aspects strategic risk around disruptive forces. Our Board will assess or engage independent external consultant to evaluate the risks and review our Group's existing strategy, target and internal controls, and necessary improvement will be implemented to mitigate the risks. Our Board and Audit Committee will maintain oversight of our Group's approach to risk management, including ESG-related risks.

In order to manage the ESG-related risks, our Board has adopted measures to tackle the risks identified during the risk management function and has ensured that any potential risks inherent in our business operations or issues that may impact our operations are minimised. Risks are monitored as part of our standard operating processes to ensure the appropriate mitigations are in place as part of the regular management reviews.

The actual and potential impact of ESG-related risks on our business, strategy and financial performance

Our business operations at production facilities are subject to certain environmental requirements, including those in relation to air, water and waste pollutions, as well as work safety and labour protection requirements pursuant to the laws of the PRC. The key relevant laws and regulations abided by our Group are extracted below:

ESG-related risks	Impacts and consequences on our Group
(i) Environmental protection	Non-compliance with the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) may be subject to warnings, fines, suspension of operations and closing-down of business, as determined by the Competent Department of Environmental Protection Administration or any other relevant governmental authorities.
(ii) Air pollution and emissions	Non-compliance with the Law of the PRC on Prevention and Control of Atmospheric Pollution 《(中華人民共和國大氣污染防治法》) may be liable to a fine, or may be subject to suspension of operations and closing-down of business, depending on the circumstances of the violation. According to the Administrative Measures for Pollutant Discharge Licensing (for Trial Implementation) (《排污許可管理辦法(試行)》), non-compliance with Article 34 for failure to monitor the industrial exhaust, hazardous atmospheric or water pollutions, may be ordered to make correction and be liable to a fine ranging from RMB20,000 to RMB200,000 or suspension of operations if refusing to make correction; discharging pollutant without the discharge permit or violating the discharge permit may be liable to a fine ranging from RMB100,000 to RMB1,000,000 and suspension of operations or closing-down of business.
(iii) Production and occupational safety	Non-compliance with the Work Safety Law of the PRC (《中華人民共和國安全生產法》) may be subject to suspension of operations or fine up to RMB1,000,000, depending on the circumstances of violation.

ESG-related risks	Impacts and consequences on our Group
	According to the Occupational Disease Prevention Law of the PRC (《中華人民共和國職業病防治法》), employers who fail to arrange the required health checks for employees may be ordered by the relevant authorities to rectify within a specified period, given a warning or may face the imposition of a fine of not less than RMB50,000 but not more than RMB100,000.
(iv) Labour	Failure to pay social insurance contributions in accordance with the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) may result in being demanded by the relevant authorities to pay all outstanding social insurance contributions within a prescribed time limit, and we may also be subject to a late payment penalty at a daily rate of 0.05% on the outstanding amount, and if we fail to make such payment within the prescribed time limit, the relevant authorities may impose a further fine of one to three times on the outstanding amount. Failure to pay housing provident fund contributions in accordance with the Regulations Concerning the Administration of Housing Provident Fund (《住房公積金管理條例》) may result in being demanded by the relevant authorities to pay all outstanding housing provident fund contributions within a prescribed time limit. If we fail to make such payment within the prescribed time limit, an application for compulsory enforcement can be made to the People's Court of the PRC.

If our Group breaches any ESG-related laws and regulations, or faces any accusation of negligence in environmental and labour protection, product quality, in addition to the potential fines and penalties, such incidents may also adversely affect our reputation and creditability. Our business opportunities may be negatively impacted, for instance, when engaging with existing and potential customers, they may be less willing to purchase from us because of our reputational damage and loss of creditability.

During the Track Record Period and up to the Latest Practicable Date, save as disclosed in the paragraph headed "Non-compliance" in this section, we were not aware of any other material actual ESG-related risks that negatively impact our business and financial performance. To the best knowledge and belief of our Directors, no material non-compliance or violations of environmental protection, production safety, and labour protection laws and regulations currently exist or persist that could adversely affect our business operations and financial conditions.

The metrics and targets used to assess and manages ESG-related risks

The Group strives to promote a sustainable and low-carbon working environment. As such, our Group had identified several KPIs during our business operation to assess and manage our ESG-related risks, including:

(i) Air emissions;

(ii) Greenhouse gas ("**GHG**") emissions;

(iii) Energy consumption;

(iv) Water consumption; and

(v) Occupational health and safety

Where appropriate, the Board is responsible to set targets for those KPIs that are material to the Group in accordance with the requirements of Appendix 20 of the GEM Listing Rules and Appendix 27 of the Main Board Listing Rules. The weighted average of the previous three years of the relevant KPIs are set as the targets to ensure appropriateness to the needs of our operation and to identify deviations potential risks. On an annual basis, the relevant targets on material KPIs will be reviewed and monitored to ensure their appropriateness according to the needs of our operation. Any deviation exceeding 10% of the relevant targets will be subjected to investigation for the causes.

Air emissions

The air emissions produced by the Group are mainly attributed to the usage of vehicles owned by the Group for business purpose as well as the kitchen for providing meals for employees and customers. In the course of our operations and oil blending process, there is no significant discharge of air pollutants.

The following sets out the types of emissions and respective emissions data during the Track Record Period:

Air pollutants	**Units**	**2019** *(Note 1)*	**2020**	**2021**
Nitrogen Oxides ("NOx")	kg	n/a	0.8	1.31
Sulphur Oxides ("SOx")	kg	n/a	0.01	0.02
Particulate Matter ("PM")	kg	n/a	0.04	0.08
Total air emissions	kg	n/a	0.85	1.41

Notes:

(1) The air emissions data was collected and calculated since 2020, therefore, the data in 2019 is not available.

GHG emissions

The Group pursues to utilise energy efficiently, which serves as the major means to monitor our GHG emission. In order to continuously improve our energy performance and lower our carbon footprint, monitoring our energy usage is crucial. We always look for possible energy-saving opportunities, especially on choosing environmentally friendly equipment and facilities of our Group.

Apart from adopting energy-saving measures in our business operation, we broaden this idea to shift our offices into a green working environment and instilling a green mind-set in our employees. In the procurement of office equipment, we always seek to opt for the model with higher energy efficiency and from suppliers that have a relatively low carbon footprint. Employees are also regularly reminded to adopt energy efficient measures in the workspace.

During the Track Record Period, Scope 1 direct GHG emission was resulted from vehicle usage, while Scope 2 indirect GHG emission was resulted from the use of electricity for operation. To maintain the GHG emission reducing target in the future, the Group will continue to record and monitor the GHG emissions KPIs from time to time.

The following sets out the total GHG emission during the Track Record Period:

GHG emission	**Units**	**2019**	**2020**	**2021**
Scope 1 — Direct GHG emission	tCO2e	n/a *(Note 1)*	2.17	2.93
Scope 2 — Indirect GHG emissions	tCO2e	160.95	192.58	140.67
Total GHG emission	tCO2e	160.95	194.75	143.60
GHG intensity	tCO2e/number of employee	6.07	4.87	3.88

Notes:

(1) The GHG emissions from Scope 1 was collected and calculated since 2020, therefore, the data in 2019 is not available.

Energy consumption

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

— Lighting should be switched off while employees are off duty; and

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

The following sets out the total energy consumption during the Track Record Period:

Energy consumption	Units	2019	2020	2021
Non-renewable fuel consumed	kWh	n/a *(Note 1)*	15,598.53	18,215.37
Electricity consumption	kWh	185,974.00	229,436.00	229,559.00
Total energy consumption	kWh	185,974.00	245,034.53	247,774.37
Energy consumption intensity	MWh/number of employee	7.23	6.13	6.70

Notes:

(1) The non-renewable fuel consumed was collected and calculated since 2020, therefore, the data in 2019 is not available.

The Group will continue to assess and monitor its energy consumption KPIs as well as pursue an energy consumption reduction target in the future.

Water consumption

We endeavour to implement an effective water management through efficient water use. Our primary goal is to reduce the water consumption by measuring our water use, inspecting water pipes constantly to prevent any water leakage and promoting water-saving behaviours to all employees.

Majority of the Group's sewage is rainwater and domestic sewage. We use tributary septic tank for conducting the cleaning process that improves wastewater quality before it is discharged to the environment. Bacteria, viruses and parasites, which are harmful to public health, are also removed at this stage. In addition, a grease trap and partition are set at the end of the discharge pipe.

The following sets out the total water consumption during the Track Record Period:

Water consumption	Units	2019	2020	2021
Total water consumption	m^3	2,920.00	1,840.00	2,490.00
Water consumption intensity	m^3/number of employee	71.22	46.00	67.30

The Group will continue to closely monitor the KPIs related to water consumption and compare it with previous years' data to reach the water consumption reduction target.

Occupational health and safety

The Group strongly believes that employees are the most valuable asset for its sustainable development. Operating within the oil and petroleum industry, the Group prioritises occupational health and safety above all else. The Group is committed to deter the occurrence of all kinds of potential safety hazards, incidents and injuries.

To mitigate and contain such risks, the Group encourages our employees at all levels to monitor and report any hazards or potential threats and has established a comprehensive set of policies and procedures to ensure our safety performance conforms to the highest industry standards, including but not limited to (i) the temporary power supply safety management policy, (ii) fire safety management policy, (iii) warehouse and oil tank zone safety management policy and (iv) hazardous chemical safety management policy.

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

During the Track Record Period, our Group did not have any work-related fatalities, we commit to continuously provide a safe working environment and maintain a clean record of work-related fatality case.

ENVIRONMENT COMPLIANCE

Our operations are subject to current environmental protection laws and regulations promulgated by the PRC Government, such as Environmental Protection Law of the PRC《中華人民共和國環境保護法》. A summary of the environmental protection laws and regulations applicable to our Group is set out in the section headed "Regulatory Overview" in this document. Given the business nature of our oil product trading operations in the PRC, except for the pollution discharge permit as disclosed in the paragraph headed "Legal and regulatory compliance — Licences and permits" in this section, we are not required to obtain any other approvals from the relevant environmental authorities for our trading operations. In the course of our operations and oil blending process, there is no significant discharge of pollutants and our Group does not incur any significant cost of compliance under the applicable environmental protection laws and regulations.

Though our operations do not cause any material adverse impact to the environment, our Group is committed to minimising any negative impact on the environment which may be resulted from our business activities. Our Group provides mandatory training to all of our employees to raise their awareness of environmental protection. Our Group also liaises with relevant inspection centres or companies responsible for environmental inspection to carry out regular inspection and assessment on our Group's working environment to identify areas for improvement and to ensure compliance with applicable laws and regulations.

Our Directors believe that we have adopted effective measures to prevent and control pollution to the environment. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, our Group had fully complied with all relevant environmental laws and regulations in the PRC in all material respects and we had not received any penalty, notice or warning for failure to comply with the applicable PRC environmental laws and regulations.

INSURANCE COVERAGE

We maintain insurance policies covering our operations including transportation of oil products by means of maritime or land transportation in the PRC, property all risks and public liability. Our Directors consider our insurance coverage to be adequate in accordance with the relevant PRC laws and regulations in all material respects and in line with industry practices in the PRC. However, we will closely review the risks relating to our operations and adjust our insurance coverage as we continue our business expansion.

Our Directors have confirmed that during the Track Record Period and up to the Latest Practicable Date, our Group had not made or been the subject of any material insurance claim.

EMPLOYEES

As at the Latest Practicable Date, we had 34 full time employees who were directly employed by our Group in the PRC and one full-time employee in Hong Kong. A breakdown of our employees by function and location respectively as at the Latest Practicable Date is set forth below:

Employee	**As at the Latest Practicable Date**
(by function)	
Directors (excluding our independent non-executive Directors)	**3**
Sales and marketing	**9**
Operation	**17**
— General management	*1*
— Administration	*7*
— Execution	*3*
— Safety	*6*
— Laboratory	*1*
Accounting and finance	**4**
Total	**34**
(by location)	
Zengcheng Oil Depot	28
Gaolan Port Oil Depot	5
Hong Kong	1
Total	**34**

In general, we determine remuneration based on each employee's qualifications, position and seniority. We review the performance of our employees annually and decide on their salary rise, bonuses and promotions based on their performance. We consider our employees valuable assets of our Group and vital to our success. Our recruitment of employees is mainly based on our business strategies, operational requirements, expected staff turnover and our corporate structure and management. For the Track Record Period, our total staff costs were approximately RMB8.3 million, RMB6.5 million, RMB6.0 million and RMB2.9 million, respectively.

During the Track Record Period, our Group had not experienced any significant difficulties in recruiting employees or any significant staff or labour disputes. Our Directors consider that our Group has good relationship with our employees in general and that the management policies, working environment, career prospects and benefits extended to our employees have contributed to building such good relationship and employee retention. Our Group provides work safety trainings for our employees on monthly basis and they attend external seminars to equip them with the necessary technical operation skills and knowledge of industry quality standards and work place safety.

PRC

Social insurance and housing provident fund

Under the relevant PRC laws and regulations, our Group's principal operating subsidiary, JTF (PRC), is required to contribute to certain social welfare schemes in respect of our employees in the PRC. Such schemes include social insurance contributions (including unemployment insurance, medical insurance, work-related injury insurance, pension insurance and maternity insurance) and housing provident fund contributions.

Social insurance fund

Since the GEM Listing and up to the Latest Practicable Date, our Group has made contributions to the social insurance fund for our employees in the PRC in accordance with the relevant PRC laws and regulations. For the three years ended 31 December 2021 and the six months ended 30 June 2022, our Group's social insurance contribution (excluding any relief or subsidy, if any) amounted to approximately RMB0.6 million, RMB0.3 million, RMB0.7 million and RMB318,000, respectively.

Housing provident fund

Since the GEM Listing and up to the Latest Practicable Date, our Group has made contributions to the housing provident fund for our employees in the PRC in accordance with the relevant PRC laws and regulations. For the three years ended 31 December 2021 and the six months ended 30 June 2022, our Group's housing provident fund contribution (excluding any relief or subsidy, if any) amounted to approximately RMB0.1 million, RMB0.2 million, RMB0.2 million and RMB68,000, respectively.

Hong Kong

As required by the employment law in Hong Kong, we participate in a provident fund scheme registered under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all our eligible employees in Hong Kong. We contribute 5% of our employees' relevant income per month as required under the ordinance subject to a maximum of HK$1,500 per employee. Contributions from us are 100% vested in each employee immediately but, subject to limited exceptions, all benefits derived from the mandatory contributions must be preserved until the employee reaches the retirement age of 65 or creases employment and the employee declares not to become employed or self-employed within the foreseeable future. We also provide employee compensation insurance for our Hong Kong staff.

PROPERTIES

Leased properties

The following table sets out a summary of the properties leased by us as at the Latest Practicable Date:

Address	Use of property	Approximate area *(square metres)*	Duration of lease	Landlord(s)
No.35, Yanjiang Road, Shazhuangtujiang Village, Shitan Town, Zengcheng District, Guangzhou (廣州市增城區石灘鎮沙莊土江村沿江路35號)	Office, warehouse and operation	15,870.4	1 April 2017 to 31 March 2037	Mr. Xu and Ms. Huang who are connected persons of our Company (Please refer to the section headed "Connected Transaction" of this document for further details.)

Leased oil depots

The following table sets out a summary of the oil depot leased by us as at the Latest Practicable Date:

Address	Use of Property	Number of storage tanks	Duration of lease	Landlord(s)
No. 3, Fengyingbei Road, Gaolan Port Economic Zone, Zhuhai City (珠海市高欄港經濟區風鷹北路3號)	Gaolan Port Oil Depot	8	1 July 2021 to 30 June 2023 *(Note)*	Independent Third Party

Note: The original term of the lease was one year from 30 June 2021, and was renewed automatically for another year upon expiration pursuant to the terms of the lease.

For details of our leased oil depots, please refer to the paragraph headed "Our facilities" in this section.

Owned properties

We did not own any property as at the Latest Practicable Date.

INTELLECTUAL PROPERTIES

Our intellectual property rights primarily consist of the trademarks we use in our operations and the domain names. As at the Latest Practicable Date, we had registered two trademarks in the PRC and three trademarks in Hong Kong. Details of our trademarks and domain names are set out in the paragraph headed "B. Further information about the business of our Group — 2. Intellectual property rights of our Group" in Appendix V to this document.

We recognise the importance of protecting and enforcing our intellectual property rights. As at the Latest Practicable Date, we were not aware of any material infringement of our intellectual property rights, nor were we aware of any pending or threatened claims against us relating to the infringement of any intellectual property rights owned by third parties.

LEGAL AND REGULATORY COMPLIANCE

Licences and permits

Our PRC Legal Advisers have confirmed that our Group has obtained all necessary approvals, certificates, licences and permits required for our business operation and such approvals, certificates, licences and permits were within their respective effective periods as at Latest Practicable Date. Furthermore, our Directors have confirmed that our Group has not experienced any failure in applying for renewal of the following approvals, certificates, licences and permits since establishment:

	Licences/Permits	Effective Period	Issuing Authorities	Scope
1.	License for business operation in dangerous chemicals	16 September 2022 to 15 September 2025	Guangzhou Emergency Management Bureau	Gasoline and kerosene
2.	Port operation permit	2 September 2022 to 1 September 2025	Guangzhou Port Authority	Provision of wharf facilities and loading and unloading of goods within the port area
3.	Dangerous goods port operations sub-permit	2 September 2022 to 1 September 2025	Guangzhou Port Authority	Loading and unloading of diesel and fuel oil
4.	Guangdong Province Pollutant Discharge Permit	29 June 2020 to 28 June 2023	Guangzhou Ecology and Environment Bureau	Oil and gas storage

Litigation and potential claims

According to the retrieval from South Notary Office of Guangzhou city, Guangdong Province (廣東省廣州市南方公證處) in August 2021, when JTF (PRC) was still owned by its previous shareholders (the "**Former Shareholders**"), JTF (PRC), as debtor, and the Industry and Commercial Bank of China, Zengcheng Branch (the "**ICBC Zengcheng Branch**"), as lender, entered into a loan agreement with a total borrowing amount of RMB10 million (the "**Loan**") in May 2003, which was prior to the acquisition of the entire equity interest of JTF (PRC) by our founders (i.e. Mr. Xu and Ms. Huang) in December 2004 (the "**Acquisition**"). Subsequent to the Acquisition, our founders and the Former Shareholders entered into two supplemental agreements (the "**Supplemental Agreements**") in December 2004 and January 2005 respectively, which both provided that all rights, obligations and taxes accrued and incurred by JTF (PRC) prior to 30 December 2004 (i.e. the date on which the new business license of JTF (PRC) was issued with Ms. Huang registered as the new legal representative) shall be assumed and borne by the Former Shareholders.

Subsequent to the Acquisition and the requisite registrations and filings in relation thereto, the Former Shareholders purported to cause JTF (PRC) to enter into a repayment agreement (the "**Repayment Agreement**") to confirm the outstanding balance of RMB4,208,500 of the Loan, 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 and a Compulsory Enforcement Certificate (強制執行證書) was issued, granting the creditor of the Loan the power to compulsorily enforce the Loan. Our Directors have confirmed that they had no knowledge of the Repayment Agreement and the Notarization at the time when they were executed and issued.

Between 2005 and 2020, there were several transfers of the creditor's rights to the Loan, the details of which are set forth below:

Time of transfer	Transferor	Transferee
July 2005	ICBC Guangdong Branch Business Department (中國工商銀行廣東省分行營業部)	China Orient Asset Management Co., Ltd. Guangzhou Office (中國東方資產管理公司廣州辦事處)
April 2011	China Orient Asset Management Co., Ltd. Guangzhou Office (中國東方資產管理公司廣州辦事處)	China Huarong Asset Management Co., Ltd. Shenzhen Office (中國華融資產管理公司深圳辦事處)
April 2012	China Huarong Asset Management Co., Ltd. Shenzhen Office (中國華融資產管理公司深圳辦事處)	China Cinda Asset Management Co., Ltd. Guangdong Branch (中國信達資產管理公司廣東省分公司)
December 2020	China Cinda Asset Management Co., Ltd. Guangdong Branch (中國信達資產管理公司廣東省分公司)	Guangzhou Ruisen Real Estate Co., Ltd. (廣州銳森置業有限公司) (the "**Current Creditor**")

Our Directors have confirmed that (i) they do not know the reasons for, and are not aware of the circumstances leading to, the above transfers of the creditor's rights; and (ii) none of our Group, Directors, senior management or employees have any relationship with the abovenamed transferors and transferees.

After repeated transfers of the creditor's rights to the Loan, in August 2021, the Current Creditor applied for execution of the Compulsory Enforcement Certificate. In September 2021, the People's Court of Zengcheng District of Guangzhou City (廣州市增城區人民法院) (the "**Zengcheng Court**") issued a ruling, stating that the Notarization was issued wrongly as its issuance seriously violated notarization procedures prescribed by law. In particular, Ms. Huang, who was the legal representative of JTF (PRC) at the material time, did not herself and had not authorized anyone else to conduct the Notarization. It was ruled that both the Notarization and the Compulsory Enforcement Certificate will not be enforced. JTF (PRC) subsequently received a notice from the Zengcheng Court, notifying us that the case was closed by non-enforcement. After examining the court rulings and relevant documents involved in the case, our PRC Legal Advisers are of the opinion that the Notarization and the Compulsory Enforcement Certificate have been ruled unenforceable, and in the event that a party objects the enforcement ruling or seeks to apply for reconsideration of the non-enforcement ruling, the People's Court will not consider it.

In October 2021, the Current Creditor applied to the Zengcheng 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 Zengcheng Court made an order for the Interim Preservation pursuant to which several of JTF (PRC)'s bank accounts (the "**Bank Accounts**") were frozen accordingly. In November 2021, JTF (PRC) applied to the Zengcheng Court for a replacement of the subject matter under the Interim Preservation with certain real property ("**Certain Real Property**") owned by Mr. Xu, Ms. Huang, their daughter and Mr. Xu Jiexing, supervisor of JTF (PRC), such that the Bank Accounts can be unfrozen. Taking into consideration the application, the Zengcheng Court made a ruling on the Interim Preservation in December 2021 (the "**Court Ruling**"), pursuant to which the Bank Accounts would be unfrozen, a portion of JTF (PRC)'s bank balances would be placed under custody of the Zengcheng Court and Certain Real Property would be temporarily seized by the Zengcheng Court. Our Directors have confirmed that the Bank Accounts were unfrozen in January 2022 and there has not been any interruption in the business of our Group which has had a material adverse effect on our Group's financial condition and results of operations as a result of the Repayment Request or the Interim Preservation. As at the Latest Practicable Date, JTF (PRC)'s cash and cash equivalents of approximately RMB7.1 million was still under custody of the Zengcheng Court. In February 2022, the Zengcheng Court accepted the case with regard to the Repayment Request and ruled that the case shall be 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. Subsequently, JTF (PRC) raised an objection to the jurisdiction under the Nansha Court. In September 2022, JTF (PRC) received the final ruling which rejected its objection to the jurisdiction. In October 2022, the Nansha Court organized its first court hearing. As at the Latest Practicable Date, JTF (PRC) had not obtained further court ruling, judgment, decision or subpoena relating to the Repayment Request.

We have been advised by a PRC litigation counsel engaged by us to handle the disputes arising from the Loan (the "**Litigation Counsel**") that, taking into consideration the court ruling on the Notarization, the Repayment Agreement is null and void. As such, 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. Further, after reviewing the Supplemental Agreements, our PRC Legal Advisers are of the view that the Supplemental Agreements are legal and valid, and as such, constitute binding obligations among our founders and the Former Shareholders. Even if the Current Creditor will be supported by the competent courts in the relevant lawsuits, JTF (PRC) may further claim compensation from the Former Shareholders in accordance with the Supplemental Agreements subsequent to its settlement of the Loan.

Our Controlling Shareholders have agreed to indemnify us, pursuant to the Deed of Indemnity, against any claims, liabilities, losses or other expenses arising from any disputes relating to the settlement of the Loan.

Based on the examination of the applicable PRC laws and regulations, the Supplemental Agreements, the Court Ruling, the legal advice given by the Litigation Counsel and the Deed of Indemnity, our PRC Legal Advisers 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.

Our Directors have confirmed that there had been no further litigations, arbitrations or claims with regard to the settlement of the Loan against JTF (PRC), and as such, the Loan had not been settled up to the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, there were no material litigation or arbitration proceedings or administrative proceedings pending or threatened against us or any of our Directors by any government authorities or third parties which would have a significant adverse effect on our financial condition, results of operations or reputation.

Non-compliance

Since the GEM Listing and up to and including the Latest Practicable Date, our Group had the following non-compliance incidents which our Group had rectified:

Nature and reasons for the non-compliance	Legal consequence(s) and maximum potential penalty	Remedial action(s) taken/to be taken/latest status	Measures to prevent any future breaches and ensure ongoing compliance
Crediting input VAT from output VAT under VAT invoices issued irregularly by a supplier			
In May 2016, JTF (PRC) received five VAT invoices (the "**VAT Invoices**") from a supplier (the "**Supplier**") for oil purchased by our Group, with a total invoiced amount of RMB45,172,480.59 (consisting of price for oil purchased of RMB38,608,957.76 and VAT of RMB6,563,522.83) (the "**Transaction**"). Such oil products were procured under our Group's matched trade sales model and were subsequently sold and delivered to four corresponding customers including a customer from the SINOPEC Group, a customer from the CNPC Group and two customers which are private entities based in Zhejiang and Guangdong with a registered capital of RMB50 million and RMB25.05 million respectively. The Supplier is a limited liability company registered in Xinjiang Province with a registered capital of RMB5 million. Its business scope includes the financial settlement of refined oil and fuel oil as well as the trading of chemical products and raw materials, etc. In September 2016, the Supplier was suspected of issuing false VAT invoices by the local tax authorities for the reason that some of the product names on the VAT invoices issued by the Supplier were inconsistent with the Supplier's own purchase records and VAT deduction records, and as such, the Supplier was subject to a tax investigation. Although the products names shown on the VAT Invoices were consistent with the actual oil products we received in respect of the Transaction, the products names were inconsistent with those shown on the Supplier's internal record. As such, the VAT Invoices were considered by the relevant PRC government authorities as irregularly issued. According to the Interim VAT Regulations of the PRC (中華人民共和國增值稅暫行條例) (the "**Interim VAT Regulation**"), for taxpayers who sell goods or provide taxable services, the taxable amount is the balance of the output tax amount after deducting the input tax amount for the current period. JTF (PRC) had claimed input VAT deduction and credited input VAT of RMB6,563,522.83 from its output VAT in June 2016 (the "**Tax Deduction**") regarding the VAT Invoices. On 28 June 2018, JTF (PRC) received a decision on tax treatment (the "**Decision**") from the Eastern District Investigation Bureau of the Guangzhou Municipal Office of the State Administration of Taxation (廣州市國家稅務局東區稽查局), which informed us that based on the findings of the aboved-mentioned local tax authorities, the VAT Invoices were subsequently found to be irregularly issued by the Supplier, therefore JTF (PRC) was no longer allowed to make the Tax Deduction and was required to, within 15 days upon receiving the Decision, make up the payable VAT of RMB6,563,522.83 (the "**VAT Amount**") and pay a late payment at a daily rate of 0.05% on the VAT Amount from the date such VAT Amount was due until the date of actual payment. On 28 February 2019, we were advised by a PRC legal advisor to the tax incident (the "**Tax Incident Advisor**") that: (1) the oil purchase made by our Group from the Supplier was genuine; (2) the Group has received the oil products and paid up the product price; (3) the information provided on the VAT Invoices are consistent with the relevant sales documentation; and (4) the VAT Invoices were verified by the competent tax authorities and the relevant VAT was regularly deducted in July 2016. The Tax Incident Advisor further advised us that JTF (PRC) has fulfilled its due care obligation when making payment and receiving the VAT Invoices, and as a bona fide receiver of the VAT Invoices, JTF (PRC) legally claimed the Tax Deduction in 2016 and shall not be required to pay any administrative penalties or subject to more severe administrative punishments other than paying back the outstanding tax amount and the late tax payment pursuant to the Decision. Our Directors have confirmed that (1) all transactions under the VAT Invoices were carried out in the ordinary course of business of our Group; (2) JTF (PRC) had purchased the oil products under the VAT Invoices and duly paid the total price thereof to the Supplier; (3) our Directors, and the staff members of our Group who were responsible for the Tax Deduction, had no knowledge of any irregular circumstances under which such VAT Invoices were issued at the time the Tax Deduction was made; (4) JTF (PRC) obtained the irregular VAT Invoices from the Supplier and made the Tax Deduction due to mere inadvertence and it has no intention to evade tax; and (5) we were not required to pay any administrative penalties in addition to the late payment under this tax incident. Our Directors are of the view that such non-compliance was an one-off incident which did not involve intentional or willful tax evasion on our part, nor does it involve any fraud, dishonesty or corruption on the part of our Directors or management.	According to the Interim VAT Regulations, the Implementation Rules of the Interim VAT Regulations (增值稅暫行條例實施細則) and the Announcement of the State Administration of Taxation on Issues concerning the Full Payment of Taxes for False Issuance of Special VAT Invoices by Taxpayers (國家稅務總局關於納稅人虛開增值稅專用發票征補稅款問題的公告), where a taxpayer obtains a special VAT invoice that has been irregularly issued, the taxpayer shall not use the invoice as a lawful and valid VAT deduction voucher for deduction of its input tax. For the VAT Amount that has been deducted by JTF (PRC), pursuant to the Administration Law on Tax Collection of the PRC (中華人民共和國稅收徵收管理法) and its implementation rules, the tax authorities shall order the JTF (PRC) to pay the VAT Amount in full within a prescribed time limit and impose a late payment fee at the daily rate of 0.05% of the VAT Amount. If JTF (PRC) fails to pay the VAT Amount and the late payment fee within the prescribed time limit, according to the relevant laws and regulations, the relevant tax authorities may also impose administrative penalties. Our PRC Legal Advisers are of the view that the risk of JTF (PRC) being subject to administrative penalties or further administrative treatment by the relevant authorities is relatively low, based on the following reasons: (1) we have duly paid the VAT Amount and the late payment in the aggregate sum of approximately RMB9.1 million in accordance with the Decision; (2) we have obtained confirmations from Guangzhou Zengcheng Taxation Bureau of the State Administration of Taxation (國家稅務總局廣州市增城區稅務局) confirming that JTF (PRC) has paid the VAT Amount and the late payment as required and that the incident does not constitute material tax violation case (重大稅收違法案件); (3) there is no record of JTF (PRC) being subject to administrative penalties based on their review of the published information from the offical websites of the relevant tax authorities; and (4) our Company has confirmed that since paying the VAT Amount and the late payment, we have not received, and are not aware of, any form of further investigation, treatment or notice/decision of administrative penalty from the relevant authorities. (5) the Tax Incident Advisor has advised that our Company has fulfilled its due care obligatioin under the tax incident and shall not be required to pay administrative penalities.	We have duly made full payment of the VAT Amount and the late payment in accordance with the Decision on 31 August 2018. On 30 August 2018, our Company made a voluntary announcement disclosing the Decision and the relevant circumsatnces. Having discussed with our Tax Incident Advisor, our Directors were of the view that as the VAT Invoices have been recognised as irregularly issued invoices by the relevant PRC tax authorities, the chances for the Decision to be overruled are low, and as such, we did not object to the Decision. Our Tax Incident Advisor has issued a demand letter to the Supplier on 9 July 2019, demanding it to compensate all our losses. However, we have not received any response and were not able to make any further contact with the Supplier. Taking into account the time, human resources and litigation costs that may be incurred by us under the appeal, our Directors decided not to seek reimbursement from the Supplier by litigation but will continue to seek repayment from it. Our Group only purchased oil from the Supplier in 2016 and did not make any purchases from such Supplier during the Track Record Period, nor did we continue any business relationship with the Supplier after this tax incident. Our Directors have confirmed that JTF (PRC) was not involved in any other similar tax incidents, nor has it received similar irregularly issued VAT invoices.	We have established internal control policies for the management of procurement and accounts payable, including the review and approval of invoices issued by our suppliers. Please refer to the paragraph headed "Strengthening of internal control measures" in this section for further details.

Nature and reasons for the non-compliance	Legal consequence(s) and maximum potential penalty	Remedial action(s) taken/to be taken/latest status	Measures to prevent any future breaches and ensure ongoing compliance
Failure to arrange health checks for employees who were exposed to occupational disease hazards			
According to the Occupational Disease Prevention Law of the PRC (中華人民共和國職業病防治法), JTF (PRC) is required to arrange health checks for employees who were exposed to occupational disease hazards and it failed to do so for a total of five employees in 2018. Such non-compliance incident occurred because of the relevant administrative staff's lack of a comprehensive understanding of the legal requirements under the Occupational Disease Prevention Law.	On 8 June 2018, 廣州市增城區安全生產監督管理局 (Administration of Safety Production Supervision of Zengcheng District, Guangzhou) issued an administrative penalty decision (the "**Decision**") to JTF (PRC) which contained a warning and imposed an administrative penalty of RMB60,000 on JTF (PRC). Subsequently in July 2018, the Administration of Safety Production Supervision of Zengcheng District, Guangzhou further issued a payment notice of fines urging JTC (PRC) to pay the penalty. Our PRC Legal Advisers have advised that, pursuant to the relevant PRC laws and regulations, employers who fail to arrange the required health checks for employees may be ordered by the relevant authorities to rectify within a specified period, given a warning or may face the imposition of a fine of not less than RMB50,000 but not more than RMB100,000.	JTF (PRC) has paid the penalty of RMB60,000 to the Administration of Safety Production Supervision of Zengcheng District, Guangzhou on 27 July 2018. JTF (PRC) has obtained from the Guangzhou Zengcheng Emergency Management Bureau (廣州市增城區應急管理局) a confirmation letter dated 11 June 2020, 27 January 2021 and 15 October 2021 respectively, confirming that (1) JTF (PRC) has made full payment of the penalty as required by the Decision; (2) JTF (PRC)'s rectification was up to standard upon inspection; and (3) JTF (PRC) has not been subject to any administrative penalty imposed by it relating to production safety accidents from 1 January 2017 and up to 31 August 2021. According to the relevant provisions of the Law of the PRC on Administrative Penalty (中華人民共和國行政處罰法), for the same illegal act committed by a party, the party shall not be given an administrative penalty of fine for more than once. Our Directors have confirmed that JTF (PRC) (1) has completed appropriate rectification measures; and (2) has not received any verbal or written notification from Guangzhou Zengcheng Emergency Management Bureau requesting them to pay additional fines. Based on the above and as advised by our PRC Legal Advisers, the risk that our Group would face further penalties/fines is low.	The safety department of our Group is now responsible to regularly arrange for on-site workers to do occupational health checks. JTF (PRC) has also adopted a policy of health management system, pursuant to which occupational hazards at production sites of our Group are regularly tested, normally once a year, and the relevant results will be stored in the occupational health files of JTF (PRC).

Save as disclosed above, since the GEM Listing and up to the Latest Practicable Date, our Group had complied with applicable laws and regulations in all material respects for our business operations.

Indemnity given by our Major Shareholders

Our Controlling Shareholders have entered into a Deed of Indemnity whereby our Controlling Shareholders have agreed to indemnify our Group, subject to the terms and conditions of the Deed of Indemnity, in respect of any liabilities and penalties which may arise as a result of any outstanding and potential non-compliance, claims of our Group on or before the date on which the [REDACTED] becomes unconditional. Further details of the Deed of Indemnity are set out in the section headed "E. Other information — 1. Tax and other indemnities" in Appendix V to this document.

STRENGTHENING OF INTERNAL CONTROL MEASURES

To ensure on-going compliances with applicable laws and regulations upon the [REDACTED] and to prevent recurrence of non-compliance incidents in the future, our Group has implemented and adopted the following enhanced internal control measures:

(1) Implementation of internal control measure over compliance issues

To minmise the risk of receiving irregular VAT invoices from our suppliers without knowing and thereby inadvertently claiming tax deduction under such invoices, we have established internal control policies for the management of procurement and accounts payable, including the review and approval of invoices issued by our suppliers. Under such policies, our finance department is responsible for book keeping and preparing sets of original accounting documents for each transaction (including procurement order, warehouse receipt, invoices issued by suppliers, etc.). In particular, our accounting supervisors are responsible for reviewing the authenticity, legality, integrity, compliance and correctness of the original accounting documents, including invoices issued by suppliers and products acceptance certificate issued by our quality control department, in order to make sure no irregularity would be involved for the VAT invoices.

Moreover, we have been utilising the online VAT invoice comprehensive service platform (增值稅發票綜合服務平台) newly established by the PRC State Taxation Administration in January 2020, whereby we can check and authenticate the information on the VAT invoices issued by our suppliers, and get notified of the potential risks of inconsistency between the VAT invoices issued to us and our suppliers's internal record. In particular, all VAT invoices have to be issued on such platform, which records the corresponding purchase orders and monitors the product names and the tax amount of such VAT invoices, therefore enabling the purchasers to avoid irregular issuance of VAT invoices to a large extent. Such platform is also conducive to an efficient electronic managemnt of our VAT invoices and corresponding tax deduction as such data is stored automatically and can be dowloaded in batches for reviewing purpose.

Up to the Latest Practicable Date, the above internal control procedures had been effective and no non-compliance incident of the same nature has recurred.

(2) Internal control review by internal control consultant

During the two years ended 31 December 2019, we engaged an independent internal control consultant to perform a comprehensive review of our Group's internal control system, including, among other things, controls and procedures of our revenue and receipt cycle, expenses and payment cycle, inventory management, financial reporting, risk management, corporate governance and compliance management. In April 2020, we further engaged the independent internal control consultant to conduct additional reviews of our internal control measures for the purpose of the [REDACTED]. The internal control consultant has made recommendations to prevent further breaches and to ensure on-going compliance management. Phase two of the review was conducted by the internal control consultant in June 2020 regarding our Group's newly adopted policies and the implementation status of our improved internal controls. The internal control consultant did not identify any significant deficiencies in the internal control system of our Group from the effective implementation dates of those measures to their latest review completed in June 2020. After considering our remedial actions and results of the reviews by the internal control consultant, our

Directors are of the view, which the Sole Sponsor concurs, that these enhanced internal control measures are adequate and effective to ensure future compliance with relevant PRC laws and regulations.

(3) Set up of Compliance Committee

Our Group has set up the Compliance Committee in the third quarter of 2017 comprising of (i) Mr. Ng Ka Chai ("**Mr. Ng**"), the company secretary and financial controller of our Group; (ii) Ms. Huang, our executive Director; (iii) Mr. Choi, our executive Director; and (iv) Mr. Kan Siu Chung ("**Mr. Kan**"), our independent non-executive Director and chairman of the Compliance Committee. The committee is required to report any non-compliance incidents to the Board and the Audit Committee, which will then decide on the remedial actions to be taken. The Compliance Committee will continue to operate upon the [REDACTED].

Mr. Ng has experience acting as external auditor of listed companies where his responsibilities included internal control view and assessment of internal control system effectiveness of listed companies. Ms. Huang has about 20 years of experience in the wholesale and trading of oil industry, and is responsible for overseeing the overall operation and business development of our Group. Mr. Choi graduated from Tsinghua University with a master degree in civil and commercial laws and has over 11 years of experience in the wholesale and trading of oil industry in the PRC. Mr. Kan has been the chief operating officer for various companies in the PRC, responsible for overseeing financial, administrative and technical matters. Mr. Kan also has experience working in a subsidiary of one of the Three State-owned Giants. Please refer to the section headed "Directors and Senior Management" in this document for details of their experience and qualifications.

In view of the committee members' experience and knowledge mentioned above, our Directors believe the Compliance Committee possesses the requisite expertise to perform its function in respect of monitoring our Group's compliance of relevant PRC laws and regulations.

CORPORATE GOVERNANCE MEASURES

We recognise the value and importance of achieving high corporate governance standards to enhance corporate performance, transparency and accountability, earning the confidence of shareholders and the public. Although our Group does not maintain an internal audit function, our Board has overall responsibility for the risk management and internal control systems and for reviewing their effectiveness. Our Board reviews our Group's risk management and internal control system on an annual basis. During the Track Record Period, our Board had engaged an external consultant to conduct an internal control review and assessment. The internal control assessment procedures conducted by the external consultant include a comprehensive system for reviewing and reporting information and findings to our Board and management, and to assess whether the material controls are sufficient and adequate for our Group.

In order to comply with the requirements under the GEM Listing Rules and Main Board Listing Rules, in particular, the code provisions contained in the corporate governance code as set out in Appendix 14 (the "**CG Code**") to the Main Board Listing Rules, we have adopted the following measures prior to the [REDACTED]:

(i) we have established the audit committee, remuneration committee and nomination committee with respective written terms of reference in accordance with the code provisions contained in the Code. Please refer to the section headed "Directors and Senior Management — Board committees" in this document for further information;

(ii) we have appointed three independent non-executive Directors and at least one of them has accounting expertise;

(iii) our Directors have operated in accordance with the Articles which require the interested Director not to vote (nor be counted in the quorum) on any resolution of our Board approving any contract or arrangement or other proposal in which he/she or any of his/her close associates is materially interested except as permitted by the Articles;

(iv) pursuant to the CG Code, our Directors, including our independent non-executive Directors, are able to seek independent professional advice from external parties in appropriate circumstances at our cost;

(v) we have adopted comprehensive company policies covering legal and regulatory compliance with reference to the CG Code;

(vi) we have engaged our external consultant to perform regular review on corporate governance to ensure on-going compliance after the GEM Listing; and

(vii) our company secretary shall review and ensure our Board's policies and procedures, and all applicable rules and regulations, are complied with by each and every Director.

View of our Directors and the Sole Sponsor

The historical non-compliance incidents disclosed above were mainly due to the inadvertent oversight of the directors of JTF (PRC) and/or the relevant staff members or a lack of comprehensive understanding of the relevant laws and regulations in the past.

Having considered that (i) as at the Latest Practicable Date, there had not been any prosecution initiated against our Group or any of the directors of JTF (PRC); (ii) our Group has implemented adequate and effective internal control measures as disclosed above; (iii) our Directors have also sought necessary PRC legal advice in respect of our Group's business and operations; and (iv) the non-compliance incidents were unintentional and did not involve any fraudulent act of our Directors and so did not raise any question as to the integrity of our Directors, the Sole Sponsor considers that as the non-compliance incidents were due to (a) the irregularly issued VAT Invoices by the supplier as mentioned above and when claiming the relevant tax deduction, our executive Directors and the responsible staff could not have possibly discovered the latent irregularities of the VAT invoices as it was impracticable to request the supplier to provide its internal record for cross-checking; and (b) our responsible staff's lack of a comprehensive understanding of the legal requirements under the Occupational Disease Prevention Law, which since have been rectified, they should not have any negative implication on the character and integrity of our Directors under Rules 3.08 and 3.09 of the Main Board Listing Rules.

CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, Thrive Shine, Mr. Xu and Ms. Huang are regarded as controlling shareholders of our Company under the Main Board Listing Rules on the following bases:

1. Thrive Shine is entitled to exercise [REDACTED]% or more of the voting power at general meetings of our Company;

2. Mr. Xu holds 80% interest in Thrive Shine and so controls the exercise of the voting power of Thrive Shine in the Company; and

3. Ms. Huang is part of the controlling group of Shareholders for being holder of 20% interest in Thrive Shine and the spouse of Mr. Xu.

Immediately upon the [REDACTED], our Controlling Shareholders will together continue to be entitled to exercise or control the exercise of [REDACTED]% of the voting power at general meetings of our Company.

COMPETITION

None of our Directors, the Controlling Shareholders or any of their respective associates is a director or a shareholder of any business apart from the business of our Group which competes or is likely to compete, either directly or indirectly, with the business of our Group. Further the Controlling Shareholders have entered into the Deed of Non-Competition in favour of our Group, the principal terms of which are set out in the paragraph headed "Non-competition undertakings" in this section below.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors consider that we have been and will be capable of carrying business independent of our Controlling Shareholders and their respective associates since GEM Listing and following the [REDACTED], having taken into account, among others, the following factors:

Management independence

The Board comprises three executive Directors and three independent non-executive Directors. Save as disclosed in the section headed "Directors and Senior Management" in this document, there is no other relationship among our Directors.

Mr. Xu and Ms. Huang are our Controlling Shareholders and executive Directors. However our Directors are of the view that our Group is capable of maintaining management independence as:

1. our Group's strategies, management, operations and affairs are formulated, led, managed and/or supervised by the Board and not by any individual Director. All major and important corporate actions of our Group are and will be fully deliberated and determined by the Board collectively and objectively as a collective body;

2. our Company has maintained and will continue to maintain a balanced composition of executive Directors and independent non-executive Directors with diversified expertise and experience, so that a strong independent element is present to effectively exercise independent judgment on the corporate actions of our Group and a sufficient degree of checks and balances among members of the Board can be ensured;

3. pursuant to the terms of the service agreements entered into between our Company and the executive Directors, each executive Director is required to devote substantially the whole of his/her energy and time to the business of our Group and use his/her best endeavours to develop and extend the business of our Group;

4. besides Mr. Xu and Ms. Huang, the Company has one executive Director and three independent non-executive Directors, which constitute a majority of the members of the Board. In the event that there is a potential conflict of interest in or arising out of any transaction to be considered and approved by the Board, the interested Director(s) shall abstain from voting at the relevant meeting of the Board considering and approving such transaction and shall not be counted towards the quorum of such Board meeting unless this is otherwise permitted under the Articles and/or the Main Board Listing Rules;

5. our Company has established corporate governance procedures in safeguarding the interests of the Shareholders and enhancing Shareholders' value. Each Director is fully aware of his/her fiduciary duty to our Group, and will abstain from voting on any matter where there is or may be a conflict of interest as required under and in accordance with the Articles and the Main Board Listing Rules; and

6. the Board from time to time delegates certain functions to, and is assisted by the senior management in the implementation of the business plan and strategy as laid down by the Board. The day-to-day management and operations of our Group are operated independently from the influence of our Controlling Shareholders and their respective associates.

Operational independence

Our Group has established our own set of organisational structure made up of individual departments, each with specific areas of responsibilities. Our Group has also established a set of internal control to facilitate the effective operation of our business. We also own or lease from Independent Third Parties the equipment and facilities (except the Zengcheng Property leased from Mr. Xu and Ms. Huang) relating to our business operations. Our Group's customers and suppliers are all independent from our Controlling Shareholders. Accordingly, our Directors are of the view that our Group will continue to be able to operate independently from our Controlling Shareholders after the [REDACTED].

Financial independence

We have our own independent internal control and accounting systems. Our finance department is able to discharge the treasury functions for cash receipts and payments, accounting, reporting and internal control independently of the Controlling Shareholders. Since completion of the reorganisation of our corporate structure for the purpose of the GEM Listing, our business is funded from cash generated from our operations. Our Directors accordingly consider that our Group is able to maintain financial independence from the Controlling Shareholders.

NON-COMPETITION UNDERTAKINGS

In order to avoid any potential competition between our Group and our Controlling Shareholders upon the GEM Listing, each of our Controlling Shareholders as covenantors executed a deed of non-competition on 20 December 2017 in favour of our Company (for itself and as trustee for each of its subsidiaries) (the "**GEM Deed of Non-Competition**").

As the undertakings of each covenantor as laid in the GEM Deed of Non-Competition shall end on the occurrence of the date on which our Shares cease to be listed and traded on GEM, the Controlling Shareholders have entered into the Deed of Non-Competition on [REDACTED], pursuant to which the Controlling Shareholders have jointly and severally and unconditionally and irrevocably undertaken and covenanted with our Company (for itself and as trustee for each of its subsidiaries) that for so long as he/her/it and/or his/her/its close associates, directly or indirectly, whether individually or taken together, remain a controlling shareholder (as defined in the Main Board Listing Rules) of our Company:

(a) they shall not and shall procure their respective associates not to, whether as principal or agent and whether directly or indirectly (including through any of their associates, subsidiaries, partnerships, joint ventures or other contractual arrangements) and whether for profit or otherwise, carry on, engage, invest, participate in, or hold any right or interest in, or otherwise be involved in any business (the "**Restricted Business**") which is or may be in competition with the business of any member of our Group from time to time whether alone or jointly with another person and whether directly or indirectly except:

    (i) through their interests in our Group;

    (ii) through ownership of shares in any company whose shares are listed on the Stock Exchange or on any other stock exchange and which competes with our Group provided that such shares do not exceed 5% of such listed company's issued share capital and provided further that at no time shall any of the Controlling Shareholders and/or their respective associates participate in the management of such company; or

    (iii) investment, participation or engagement in any project relating to the Restricted Business if:

        I. the proposed investment, participation or engagement in such project has been offered to the Company with disclosure of all relevant information and the terms of such investment, participation and engagement to the Company; and

        II. an independent board committee of the Company has rejected the proposed investment, participation or engagement in such project (after taking into consideration such factors it deems relevant, which may include the profitability of such project, the resources of the Company required for carrying out such project, the relevant expertise required and the effect on the Company's business and competitiveness if such project is not taken up by the Company but by the relevant Controlling Shareholders) and approve that the relevant Controlling Shareholders or their associates may invest, participate or engage in such project;

(b) they will (i) provide the Company and the Directors (including the independent non-executive Directors) from time to time all information necessary for the annual review by the independent non-executive Directors with regard to compliance of the terms of the Deed of Non-Competition and the enforcement of the non-competition undertakings in such Deed; and (ii) make an annual declaration on compliance with the undertakings contained herein within 30 days after the end of each financial year of the Company for disclosure in the relevant annual report of the Company in accordance with the requirements of the Main Board Listing Rules from time to time; and

(c) they will allow the Directors, their respective representatives and the auditors of the Company to have sufficient access to the records of the Controlling Shareholders and/or their respective associates to ensure their compliance with the terms and conditions of the Deed of Non-Competition.

The Deed of Non-Competition and the rights and obligations thereunder are conditional and will take effect immediately upon the [REDACTED].

The obligations of our Controlling Shareholders under the Deed of Non-Competition will remain in effect until the earlier of the date on the happening of any of the following events:

(a) the shares of the Company cease to be [REDACTED] on the Stock Exchange; or

(b) the Controlling Shareholders and their respective associates (other than any member of our Group) together cease to be controlling shareholders (within the meaning of the Main Board Listing Rules) of the Company.

FULLY EXEMPTED CONTINUING CONNECTED TRANSACTION

Zengcheng Property Agreement

Our Zengcheng Oil Depot is situated at the Zengcheng Property leased from Mr. Xu and Ms. Huang (the "**Landlords**"). It comprises a parcel of land with a total site area of approximately 15,870.4 sq.m. together with a three storey office building, a kitchen, a fire pump room, a workshop, an oil pump room and an oil platform with a total gross floor area of about 1,454.5 sq.m. On 1 June 2017, (a) the Landlords; and (b) JTF (PRC) entered into the Zengcheng Property Agreement whereby Mr. Xu and Ms. Huang let the Zengcheng Property to JTF (PRC).

As Mr. Xu and Ms. Huang are our executive Directors and Controlling Shareholders and so are connected persons of our Company, the transactions contemplated under the Zengcheng Property Agreement constituted a continuing connected transaction of our Company pursuant to the GEM Listing Rules upon the GEM Listing and will continue to be continuing connected transaction under the Main Board Listing Rules upon the [REDACTED].

Major terms of the Zengcheng Property Agreement include:

1. term — 20 years from 1 April 2017 to 31 March 2037;

2. rent — RMB360,000 per annum, payable in advance on or before 30 June of each year;

3. uses — office, storage, operation and sales; and

4. undertakings of the Landlords — (a) they shall not sell the Zengcheng Property for a period of 10 years from the date of the Zengcheng Property Agreement. Thereafter, if they intend to sell the Zengcheng Property, they should give three month's written notice to JTF (PRC) prior to the proposed sale, and JTF (PRC) has the right of first refusal to purchase the Zengcheng Property on the same terms of the proposed sale; and (b) on JTF (PRC) giving three months' written notice prior to the expiry of the tenancy that it intends to renew the tenancy, it shall have the right of first refusal to renew the tenancy on the same terms of any proposed tenancy with other party.

Pursuant to the Zengcheng Property Agreement, the parties also agreed on the following:

(i) the lease agreement dated 1 January 2016 between them relating to the lease of the Zengcheng Property for a term of three years from 1 January 2016 to 31 December 2018 shall be terminated with effect from 1 April 2017, and the Landlords agreed to waive the rent due from JTF (PRC) for the period from 1 January 2016 to 31 March 2017 in the total sum of RMB300,000; and

(ii) if JTF (PRC) is unable to use the Zengcheng Property in accordance with the terms of the Zengcheng Property Agreement due to reasons attributable to the Landlords, JTF (PRC) is entitled to terminate the Zengcheng Property Agreement and claim against the Landlords for all damages suffered by it, including but not limited to expenses for all improvements and additions to the Zengcheng Property made by it (including expansion of the wharf and renovation and improvement of oil storage equipment and facilities), removal expenses and other losses.

We have previously engaged and received an opinion on 1 June 2017 from an independent property valuer confirming that the rent under the Zengcheng Property Agreement is fair and reasonable as it is the same as the market rent as at 31 March 2017 appraised by direct comparison approach by making reference to comparable rental evidence as available in the relevant market.

The annual cap for the rent payable by the Group under the Zengcheng Property Agreement for each year during its term is RMB360,000 (HK$404,500). The annual cap is set on the basis of the annual rent payable under the Zengcheng Property Agreement. There is no premium payable on exercise of any of the rights of first refusal to purchase the Zengcheng Property and to renew the tenancy.

As the applicable percentage ratios in respect of the Zengcheng Property Agreement is less than 5% and the annual cap is less than HK$3,000,000, by virtue of Rule 20.74(a) of the GEM Listing Rules and Rule 14A.76(1)(c) of the Main Board Listing Rules, the transaction thereunder constitutes a de minimis continuing connected transaction and is fully exempt from independent shareholders' approval, reporting, annual review and all disclosure requirements under both Chapter 20 of the GEM Listing Rules and Chapter 14A of the Main Board Listing Rules.

CONFIRMATION FROM THE DIRECTORS AND THE SOLE SPONSOR

In the opinion of our Directors (including our independent non-executive Directors), which the Sole Sponsor concurs (i) the Zengcheng Property Agreement has been entered into on terms which are on normal commercial terms and not less favourable to Independent Third Parties, and in the ordinary and usual course of business of our Group, and the terms are fair and reasonable and in the interests of our Company and the Shareholders as a whole; and (ii) the proposed annual cap of the Zengcheng Property Agreement is fair and reasonable and in the interests of our Company and the Shareholders as a whole.

DIRECTORS

There had been no change in our Board since the GEM Listing and up to the Latest Practicable Date. Our Board consists of six Directors, comprising three executive Directors and three independent non-executive Directors, and is the primary decision-making body of our Company setting fundamental business strategies and policies for the management and operation of our business and monitoring their implementation.

The table below provides summarised information of our Directors:

Name	Age	Present position	Date of appointment as Director	Roles and responsibilities	Year of joining our Group	Relationship with other Director(s), and senior management
Mr. Xu (徐子明)	57	Chairman of our Board, executive Director	23 October 2014	Overall business and growth strategies, and supervision of key management issues	2004	Spouse of Ms. Huang
Ms. Huang (黃四珍)	57	Executive Director	23 October 2014	Overseeing overall operation and business development	2004	Spouse of Mr. Xu
Mr. Choi (徐小平)	40	Executive Director	23 October 2014	General administration and supervision of daily operations	2007	Nephew of Mr. Xu and Ms. Huang
Mr. Chan William (陳沛衡)	43	Independent non-executive Director	20 December 2017	Providing independent advice to our Board	2017	Nil
Mr. Tsui Hing Shan (徐興珊)	43	Independent non-executive Director	20 December 2017	Providing independent advice to our Board	2017	Nil
Mr. Kan Siu Chung (靳紹聰)	40	Independent non-executive Director	13 September 2017	Providing independent advice to our Board	2017	Nil

Executive Director

Mr. Xu Ziming (徐子明), aged 57, is an executive Director, the chairman of our Board, and is one of our Controlling Shareholders. He has about 20 years of experience in the wholesale and trading of oil industry in the PRC. Mr. Xu had worked as an accounting supervisor at a branch of the Dongguan Rural Commercial Bank (東莞農村商業銀行) in the PRC from 1983 to 1988 prior to running his own business in various industries between 1989 and 1993. From 1998 to 2004, Mr. Xu engaged in his personal oil product brokage business in Dongguan, the PRC, primarily identifying sources of oil supply and matching buyer and seller for commission/agency fee income. He and Ms. Huang took over JTF (PRC) in December 2004. Mr. Xu is primarily responsible for our Group's overall business and growth strategies, and supervision of key management issues. Mr. Xu was elected as the vice president of the Third Administrative Committee of Dongguan Qingxi Chamber of Commerce (東莞市清溪商會第三屆理事會) in December 2009 by the Dongguan Qingxi Chamber of Commerce (東莞市清溪商會). Mr. Xu is the spouse of Ms. Huang.

Mr. Xu was a director/shareholder of the following companies, which were established in the PRC and revoked or deregistered pursuant to the PRC Company Law. Mr. Xu has confirmed that the dissolution for each of these companies was made voluntarily because the relevant company had ceased to carry on business or operation.

Name of company	Principal business activity immediately before dissolution	Status	Date of dissolution	Reason for dissolution
Panjin Jinyuehai Energy Co., Ltd. 盤錦金粵海能源有限公司	Sales of asphalt, lubricating base oil, fuel oil (flash point above 61 degrees Celsius), coal tar, oil slurry (with administrative approval), and chemical products (except hazardous chemicals)	Deregistered	11 November 2013	Closure of business
Dongguan Guangjin Energy Co., Ltd. 東莞市廣進能源有限公司	Sales of heavy oil, canned lubricating oil; chemical products (with license and relevant government authorities' approval)	Revoked	1 August 2008	Closure of business
Qingyuan Caiyuan Hardware Foundry Plant 清遠市財源五金鑄造廠	Production and sales of molds, billets, screw nuts, plastic hardwares (with relevant government authorities' approval)	Deregistered	18 July 2006	Closure of business
Panjin Jinshunda New Energy Co., Ltd. 盤錦金順達新能源有限公司	Manufacture and sales of lubricant base oil, asphalt, fuel oil; sales of chemical products (excluding hazardous chemicals)	Deregistered	1 April 2013	Closure of business

Mr. Xu confirmed that (i) the above companies were solvent immediately before their respective dissolution; (ii) there is no wrongful act on his part leading to the dissolution of these companies; and (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution, and that his involvement in the above companies was part and parcel of his services as a director/owner of these companies and that no material misconduct or misfeasance had been involved in the dissolution of these companies.

Ms. Huang Sizhen (黃四珍), aged 57, is an executive Director, the managing director of the Company, and is one of our Controlling Shareholders. Ms. Huang has about 20 years of experience in the wholesale and trading of oil industry in the PRC. She worked in the cashier department at a branch of the Dongguan Rural Commercial Bank (東莞農村商業銀行) in the PRC from 1983 to 1989 prior to running her own business in various industries with Mr. Xu between 1989 and 1993. From 1998 to 2004, Ms. Huang assisted Mr. Xu in running his personal oil product brokage business in Dongguan, the PRC, primarily identifying sources of oil supply and matching buyer and seller for commission/agency fee income. She and Mr. Xu took over JTF (PRC) in December 2004. Ms. Huang is primarily responsible for overseeing overall operation and business development of our Group. Ms. Huang is the spouse of Mr. Xu.

Ms. Huang was a director/shareholder of the following companies, which were established in the PRC and revoked or deregistered pursuant to the PRC Company Law. Ms. Huang has confirmed that dissolution for each of these companies was made voluntarily because the relevant company had ceased to carry on business or operation.

Name of company	Principal business activity immediately before dissolution	Status	Date of dissolution	Reason for dissolution
Panjin Jinyuehai Energy Co., Ltd. 盤錦金粵海能源有限公司	Sales of asphalt, lubricating base oil, fuel oil (flash point above 61 degrees Celsius), coal tar, oil slurry (with administrative approval), and chemical products (except hazardous chemicals)	Deregistered	11 November 2013	Closure of business
Dongguan Guangjin Energy Co., Ltd. 東莞市廣進能源有限公司	Sales of heavy oil, canned lubricating oil; chemical products (with license and relevant government authorities' approval)	Revoked	1 August 2008	Closure of business
Panjin Jinshunda New Energy Co., Ltd. 盤錦金順達新能源有限公司	Manufacture and sales of lubricant base oil, asphalt, fuel oil; sales of chemical products (excluding hazardous chemicals)	Deregistered	1 April 2013	Closure of business

Ms. Huang confirmed that (i) the above companies were solvent immediately before their respective dissolution; (ii) there is no wrongful act on her part leading to the dissolution of these companies; and (iii) she is not aware of any actual or potential claim that has been or will be made against her as a result of the dissolution, and that her involvement in the above companies was part and parcel of her services as a director/owner of these companies and that no material misconduct or misfeasance had been involved in the dissolution of these companies.

Mr. Choi Sio Peng (徐小平), aged 40, is an executive Director. Mr. Choi obtained a bachelor degree in laws from China University of Political Science and Law (中國政法大學) in July 2004 and a master degree in civil and commercial laws from Tsinghua University (清華大學) in July 2006. He joined our Group in 2007 and has over 10 years of experience in the wholesale and trading of oil industry in the PRC. Mr. Choi is primarily responsible for our general administration and supervision of daily operations. He is the nephew of Mr. Xu and Ms. Huang.

Independent non-executive Directors

Mr. Chan William (陳沛衡), aged 43, was appointed as our independent non-executive Director on 20 December 2017. Mr. Chan is the chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee.

Mr. Chan has over 20 years of experience in auditing, accounting and taxation and is the founder of Wall CPA Limited in April 2016 and since then its managing director. Prior to founding Wall CPA Limited, Mr. Chan had worked in Crowe Horwath (HK) CPA Limited as a senior audit manager from February 2009 to April 2016 and in the assurance department of PricewaterhouseCoopers from December 2003 to February 2009, where he was responsible for various audit, merger and acquisition and initial public offering assignments.

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

Mr. Tsui Hing Shan (徐興珊), aged 43, was appointed as our independent non-executive Director on 20 December 2017. Mr. Tsui is the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee.

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

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

Mr. Kan Siu Chung (靳紹聰), aged 40, was appointed as our independent non-executive Director on 13 September 2017. Mr. Kan is the chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee. He is also the chairman of the compliance committee of the Company.

Mr. Kan served as the chief operating officer of Joyzz Tech Co., Ltd. (廣州悅正網絡科技有限公司) between 2015 and 2020, that he oversaw the financial, administrative and technical matters of the company. Prior to this, Mr. Kan served as the chief operating officer of Peopro Tech Co., Ltd. (廣州彼博網絡科技有限公司) responsible for various fields including finance, administration and technique from 2011 to 2015. Prior to this, he was employed by Beijing Ling Yi Technology Corporation (北京市淩怡科技公司), a subsidiary of PetroChina Company Limited (中國石油天然氣股份有限公司), a company listed on the Main Board of the Stock Exchange (Stock Code: 857), from 2007 to 2009. During his employment there he was assigned to a project responsible for the implementation of the enterprise resource planning system.

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

SENIOR MANAGEMENT

Our senior management directly manages the day-to-day operations of our Group and implements the business strategies devised by our Directors.

The table below provides summarised information of our senior management:

Name	Age	Present position	Date of appointment as senior management	Roles and responsibilities	Year of joining our Group	Relationship with other Director(s), and senior management
Mr. Liu Fa Long (劉發龍先生)	42	Finance manager	1 January 2005	Responsible for accounting and financial management of our Group	2005	Nil
Mr. Deng Fan Zhi (鄧范芝先生)	40	Procurement manager	1 July 2015	Responsible for day-to-day procurement of our Group	2015	Nil
Mr. Ng Ka Chai (吳家齊先生)	39	Financial controller and company secretary	1 December 2016	Responsible for internal control, company secretarial and financial reporting matters of our Group	2016	Nil

Mr. Liu Fa Long (劉發龍), aged 42, was appointed in 1 January 2005 as finance manager of our Group responsible for our accounting and financial management. He has over 14 years of experience in finance and accounting matters through his time with us.

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

Mr. Deng Fan Zhi (鄧范芝), aged 40, was appointed on 1 July 2015 as procurement manager of our Group responsible for our day-to-day procurement. Prior to joining our Group in July 2015, Mr. Deng was employed by Fo Shan Shi Shan Shui Hai Sheng Dao Lu Cai Liao Co., Ltd (佛山市三水海盛達道路材料有限公司), an entity and was responsible for overseeing the overall production and operation management of that company from March 2012 to April 2015. Before that, Mr. Deng served Fo Shan Shi Rui Feng Shi Hua Ran Liao Co., Ltd (佛山市瑞豐石化燃料有限公司), an entity specialising in the production, refinery and trade of oil products, as a deputy general manager and was mainly responsible for overseeing the overall production management of that company from October 2003 to March 2012.

Mr. Ng Ka Chai (吳家齊), aged 39, was appointed as our financial controller and company secretary on 1 December 2016. He is responsible for internal control, company secretarial and financial reporting matters of our Group, including preparation of financial reports and ensuring our Group's compliance with the Main Board Listing Rules and other statutory and regulatory requirements.

Mr. Ng has over 10 years of experience in the audit field. Prior to joining our Group, he worked in Wall CPA Limited from June 2016 to November 2016 as a senior manager. Before that, he served Mabel Chan & Co. and Crowe Horwath (HK) CPA Limited from August 2008 to July 2010 and July 2010 to April 2016 respectively. During his time as an external auditor, Mr. Ng was responsible for various listed companies' audit and internal control review engagements.

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

Each of the senior management has not held directorships in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas.

GENERAL

Save as disclosed above, our Directors and senior management members (i) had no other relationship with any Directors, senior management, substantial Shareholders or Controlling Shareholders as at the Latest Practicable Date; and (ii) did not hold any other directorships in any listed companies in the three years prior to the Latest Practicable Date.

None of our Directors and senior management members nor their respective close associates has any interest in any business apart from the business of our Group which competes or is likely to compete, either directly or indirectly, with the business of our Group.

Save as disclosed herein, our Directors have confirmed that there were no other matters that need to be brought to the attention of our Shareholders and there was no information relating to our Directors which is required to be disclosed pursuant to Rule 13.51(2) of the Main Board Listing Rules as at the Latest Practicable Date.

COMPANY SECRETARY

Mr. Ng Ka Chai is the company secretary of our Company. For details of his biography, please refer to sub-section headed "Senior management" above.

BOARD COMMITTEES

We have established the following three committees: an Audit Committee, a Remuneration Committee and a Nomination Committee in accordance with the Main Board Listing Rules. The committees operate in accordance with their terms of reference established by our Board.

Audit Committee

We have established the Audit Committee with written terms of reference in compliance with Rules 3.21 to 3.23 of the Main Board Listing Rules and paragraph D.3.3 of the Corporate Governance Code set out in Appendix 14 to the Main Board Listing Rules.

Our Audit Committee has three members, namely Mr. Chan William, Mr. Tsui Hing Shan and Mr. Kan Siu Chung, all of whom are our independent non-executive Directors. The chairman of our Audit Committee is Mr. Chan William.

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

Remuneration Committee

We have established the Remuneration Committee with written terms of reference in compliance with Rules 3.25 to 3.27 of the Main Board Listing Rules and paragraph E.1.2 of the Corporate Governance Code set out in Appendix 14 to the Main Board Listing Rules.

Our Remuneration Committee has three members, namely Mr. Tsui Hing Shan, Mr. Chan William and Mr. Kan Siu Chung, all of whom are our independent non-executive Directors. The chairman of our Remuneration Committee is Mr. Tsui Hing Shan.

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

Nomination Committee

We have established the Nomination Committee with written terms of reference in compliance with Rule 3.27A of the Main Board Listing Rules and paragraph B.3.1 of the Corporate Governance Code set out in Appendix 14 to the Main Board Listing Rules.

Our Nomination Committee has three members, namely Mr. Kan Siu Chung, Mr. Chan William and Mr. Tsui Hing Shan, all of whom are our independent non-executive Directors. The chairman of our Nomination Committee is Mr. Kan Siu Chung.

The primary responsibility of our Nomination Committee is to make recommendations to our Board regarding its structure, size and composition, selection of members of the Board, to assess the independence of independent non-executive Directors and to review the board diversity policy adopted by our Company on 13 May 2022 (the "**Board Diversity Policy**") on a regular basis.

Corporate governance functions

The terms of reference of our Board include, among others, (i) developing and reviewing our Company's policies and practices on corporate governance and making recommendations to our Board; (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management; (iii) reviewing and monitoring our Company's policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors; and (v) reviewing our Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report in compliance with paragraph A.2.1 of the Corporate Governance Code.

BOARD DIVERSITY

Our Company has adopted the Board Diversity Policy on 13 May 2022. The purpose of the Board Diversity Policy is to enhance the effectiveness of our Board, maintain the highest standards of corporate governance, and recognise and embrace the benefits of diversity in our Board. Pursuant to the Board Diversity Policy, candidates to our Board will be selected based on a range of diversity perspectives, including but not limited to gender, age, length of service, cultural and educational background, or professional experience. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board. Our Board believes that such merit-based appointments will best enable our Company to serve our Shareholders and other stakeholders going forward.

Our Company values gender diversity. Our Board currently consists of one female Director. We will take opportunity to increase the proportion of female members over time when selecting and making recommendation on suitable candidates for Board appointments. Our Board would ensure that appropriate balance of gender diversity is achieved with reference to stakeholders' expectation and international and local recommended best practices.

The Nomination Committee will be responsible for the implementation, monitoring and periodic review of the Board Diversity Policy to ensure its effectiveness and application. A summary of the Board Diversity Policy and the measurable objectives which our Board has set for implementing the same, and the progress on achieving those objects, will be disclosed in the corporate governance reports of our Company annually upon [REDACTED].

Our Board consists of six members, comprising three executive Directors and three independent non-executive Directors. Our Directors have a balanced mix of experiences, including legal, accounting, finance and information technology in addition to experiences in the oil industry. Furthermore, the age range of our Board ranges from 40 years old to 57 years old. We also have a good mix of new and experienced Directors, such that all of our executive Directors have been part of our Group for over 13 years, who have valuable knowledge and insight on our Group's business over the years, while our other Directors are expected to bring in fresh ideas and new perspectives to our Group.

COMPLIANCE ADVISER

We had appointed Kingsway Capital Limited as our compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules for the purpose of our Listing on GEM for a period commencing on the date of listing of our Shares on GEM and ended on the date on which we comply with Rule 18.03 of the GEM Listing Rules in respect of our financial results for the second full financial year commencing after the GEM Listing Date, i.e. 8 March 2021, the date on which we dispatched our annual report for the financial year ended 31 December 2020.

Our Company intends to continue to engage a compliance adviser to the date on which we dispatch our annual report for the first full financial year commencing after the [REDACTED].

The compliance adviser shall advise us in, among others, the following circumstances:

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

(ii) where a transaction, which might be a notifiable or connected transaction under the Main Board Listing Rules, is contemplated, including share issues and share repurchases;

(iii) where our business activities, developments or results of operation deviate from any forecast, estimate or other information in the GEM Prospectus; and

(iv) where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares or any other matters under Rule 13.10 of the Main Board Listing Rules.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors' remuneration is determined with reference to the prevailing market practice, our Company's remuneration policy and their duties, responsibilities and time commitment with our Group. The aggregate amount of remuneration paid by us to our Directors, including salaries, allowances and benefits in kind, discretionary bonuses, and contributions to retirement benefit scheme was approximately RMB3.5 million, RMB1.9 million, RMB1.3 million and RMB0.8 million for the three years ended 31 December 2021 and the six months ended 30 June 2022. Details of the arrangement for remuneration are set out in Note 9 to the accountant's report in Appendix I to this document.

For the three years ended 31 December 2021 and the six months ended 30 June 2022, three, three, one and three of our Directors were included in the five individuals whose emoluments were the highest in our Group. The aggregate amount of emoluments payable to the remaining two, two four and two individuals, including salaries, allowances and benefits in kind, discretionary bonuses and contributions to retirement benefit scheme, was approximately RMB0.8 million, RMB0.9 million, RMB1.6 million and RMB0.5 million for the three years ended 31 December 2021 and the six months ended 30 June 2022, respectively.

We had not paid any remuneration to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office during the Track Record Period. During the years ended 31 December 2020 and 31 December 2021, in response to the harsh market environment, Mr. Xu, Ms. Huang and Mr. Choi waived emoluments of HKD640,000 and HKD480,000, respectively.

Save as disclosed above, no other payments had been made or are payable by us or any of our subsidiaries to our Directors during the Track Record Period. Under the arrangements currently in force, Mr. Xu, Ms. Huang and Mr. Choi have agreed to extend the pay cut arrangement for the year ending 31 December 2022, and our Directors will be entitled to receive remuneration and benefits in kind which, for the year ending 31 December 2022, is expected to be approximately RMB1.0 million.

REMUNERATION POLICY

The Director's fee for each of our Directors is subject to our Board's review from time to time in its discretion after taking into account the recommendation of our remuneration committee. The remuneration package of each of our Directors is determined by reference to market terms, seniority, experiences, duties and responsibilities of that Director within our Group. Our Directors are entitled to statutory benefits as required by law from time to time such as pension.

Prior to the Listing on GEM, the remuneration policy of our Group to reward our employees and executives was based on their performance, qualifications, competence displayed and market comparable. Remuneration package typically comprises salary, contribution to pension schemes and medical benefits. Upon and after the Listing on GEM, the remuneration package of our Director and senior management, in addition to the above factors, has been linked to the return to our Shareholders. The remuneration committee will review annually the remuneration of all our Directors to ensure that it is attractive enough to attract and retain a competent team of executive members.

DIRECTORS' COMPETING INTERESTS

None of our Controlling Shareholders, Directors and their respective close associates is interested in any business which competes or is likely to compete with that of ours.

So far as our Directors are aware, each of the following persons have an interest or short position in our Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group as at the Latest Practicable Date:

		As at the Latest Practicable Date	
Name	**Capacity/Nature of interest**	**Number of Shares** *(Note 1)*	**Approximate percentage of issued Shares**
Thrive Shine	Beneficial owner	[REDACTED]	[REDACTED]
Mr. Xu *(Note 2)*	Interest in a controlled corporation	[REDACTED]	[REDACTED]
Ms. Huang *(Note 2)*	Interest of spouse	[REDACTED]	[REDACTED]
Thrive Era	Beneficial owner	[REDACTED]	[REDACTED]
Mr. Choi *(Note 3)*	Interest in a controlled corporation	[REDACTED]	[REDACTED]

Notes:

1. The letter "L" denotes a person's/corporation's "long position" (as defined under Part XV of the SFO) in such Shares.

2. These Shares are held by Thrive Shine, a company owned by Mr. Xu and Ms. Huang as to 80% and 20% respectively. Mr. Xu and Ms. Huang are spouses. Pursuant to the SFO, Mr. Xu is deemed to be interested in the Shares in which Thrive Shine has an interest, and Ms. Huang is deemed to be interested in the Shares in which Mr. Xu has an interest.

3. These Shares are held by Thrive Era, a company wholly owned by Mr. Choi. Pursuant to the SFO, Mr. Choi is deemed to be interested in the Shares in which Thrive Era has an interest.

Save as disclosed above, our Directors are not aware of any person who will, immediately upon the [REDACTED], have an interest or short position in the Shares or the underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

SHARE CAPITAL

Assuming that the total number of Shares in issue remains unchanged from the Latest Practicable Date to the date of the [REDACTED] and without taking into account any Shares which may be or have been allotted and issued pursuant to the Share Option Scheme and any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to our Directors as referred to below, our share capital immediately upon the [REDACTED] will be as follows:

		HK$
Authorised share capital:		
2,000,000,000	Shares of par value of HK$0.01 each	20,000,000
Shares in issue as at the date of this document:		
[REDACTED]	Shares of par value of HK$0.01 each	[REDACTED]

SHAREHOLDING DISTRIBUTION

Our Company has made enquiries into our Company's shareholding distribution pursuant to section 329 of the SFO. Based on the information received up to 19 August 2022 and to the best knowledge of our Directors upon due enquiry, as at 22 July 2022 (being the latest practicable date for our Company to ascertain the following information prior to the [REDACTED]), (i) our Controlling Shareholders held in aggregate [REDACTED] Shares, representing [REDACTED]% of the entire issued share capital of our Company; (ii) our substantial Shareholders held in aggregate [REDACTED] Shares, representing [REDACTED]% of the entire issued share capital of our Company; (iii) the public Shareholders held in aggregate [REDACTED] Shares, representing approximately [REDACTED]% of the entire issued share capital of our Company; and (iv) there were at least 840 Shareholders other than CCASS, brokers and custodians *(Note 1)*. The Company was able to identify Shareholders holding approximately 99.32% of the shareholding of the Company in aggregate. Based on the aforesaid, as at 22 July 2022, among the identifiable public Shareholders, (i) the three largest public Shareholders held in aggregate [REDACTED] Shares, representing approximately [REDACTED]% of the Shares held in public hands and [REDACTED]% of the Shares; (ii) the top 20 public Shareholders held in aggregate [REDACTED] Shares, representing approximately [REDACTED]% of the Shares held in public hands and [REDACTED]% of the Shares; and (iii) the top 25 public Shareholders held in aggregate [REDACTED] Shares, representing approximately [REDACTED]% of the Shares held in public hands and approximately [REDACTED]% of the Shares. As at 22 July 2022, when the non-public Shareholders are included, (i) the three largest Shareholders held in aggregate [REDACTED] Shares, representing approximately [REDACTED]% of the Shares; (ii) the top 20 Shareholders held in aggregate [REDACTED] Shares, representing approximately [REDACTED]% of the Shares; and (iii) the top 25 Shareholders held in aggregate [REDACTED] Shares, representing approximately [REDACTED]% of the Shares.

The below table sets out the shareholding structure of our Company as at 22 July 2022:

	Aggregate number of Shares held *(Note 1)*	Approximate percentage of shareholding to the total issued share capital of the Company %
Top 25 Shareholders in terms of shareholding size in our Shares (including our Controlling Shareholders and substantial Shareholders)		
— Top 1 Shareholder *(Notes 2 & 3)*	[REDACTED]	[REDACTED]
— Top 2 Shareholder *(Notes 2 & 4)*	[REDACTED]	[REDACTED]
— Top 3 Shareholder *(Note 5)*	[REDACTED]	[REDACTED]
— Top 4 to 20 Shareholders *(Note 5)*	[REDACTED]	[REDACTED]
— Top 21 to 25 Shareholders *(Note 5)*	[REDACTED]	[REDACTED]
Sub-total	[REDACTED]	[REDACTED]
Other Shareholders	[REDACTED]	[REDACTED]
Total:	[REDACTED]	[REDACTED]

Notes:

1. For prudence sake, in calculating the number of Shareholders, (i) Shareholders with the same names; or (ii) Shareholders who hold shares through multiple brokerage accounts with different brokerage firms would be deemed as one single beneficial Shareholder and the respective shareholdings will be aggregated in our shareholding analysis.

2. Save for the interests disclosed in this document, our Controlling Shareholders and substantial shareholders are not and were not interested in any Shares through any person, entity, custodian, nominee and brokerage firm. On the other hand, our Controlling Shareholders and substantial shareholders do not and did not hold any Shares on behalf of any person, entity, custodian, nominee and brokerage firm. Please refer to the section headed "Substantial Shareholders" in this document for further details in respect of the interests held by our substantial shareholders.

3. Our top 1 Shareholder was Thrive Shine, a Controlling Shareholder of our Company.

4. Our top 2 Shareholder was Thrive Era, a substantial shareholder of our Company.

5. To the best knowledge of our Directors and having made all reasonable enquiries, these Shareholders are all Independent Third Parties.

SHARE CAPITAL

The below table sets out the number of identifiable public Shareholders and the Shareholder's spread other than the Shares held by the Controlling Shareholders and Substantial Shareholders as at 22 July 2022:

	Aggregate number of Shares held *(Note 2)*	**Approximately percentage of shareholding to the Shares held in public hands** %	**Approximate percentage of shareholding to the total issued share capital of the Company** %
Top identifiable public Shareholder *(Note 3)*	[REDACTED]	[REDACTED]	[REDACTED]
Top three identifiable public Shareholders *(Note 4)*	[REDACTED]	[REDACTED]	[REDACTED]
Top 20 identifiable public Shareholders *(Note 5)*	[REDACTED]	[REDACTED]	[REDACTED]
Top 25 identifiable public Shareholders *(Notes 6&7)*	[REDACTED]	[REDACTED]	[REDACTED]
Other identifiable public Shareholders	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

1. Based on the information received up to 19 August 2022, (i) the Company was able to identify public Shareholders holding an aggregate of [REDACTED] Shares, representing approximately [REDACTED]% of the Shares held in public hands and [REDACTED]% of the entire issued share capital of the Company; and (ii) the Company cannot identify Shareholders holding an aggregate of [REDACTED] Shares, representing approximately [REDACTED]% of the Shares held in public hands and [REDACTED]% of the entire issued share capital of the Company (the "**Unidentifiable Shares**").

2. For prudence sake, in calculating the number of Shareholders, (i) Shareholders with the same names; or (ii) Shareholders who hold shares through multiple brokerage accounts with different brokerage firms would be deemed as one single beneficial Shareholder and the respective shareholdings will be aggregated in our shareholding analysis.

3. As at 22 July 2022, the top identifiable public Shareholder held [REDACTED] Shares, representing approximately [REDACTED]% of the issued share capital of the Company. As there was no Shareholder other than the Controlling Shareholders and Substantial Shareholders holding 5% or more of the total issued share capital of the Company according to the Disclosure of Interests Online System on the website of the Stock Exchange as at 19 August 2022, being the latest practicable date in ascertaining the shareholdings in the Company, only a portion of the Unidentifiable Shares (if any) could be held by the top identifiable public Shareholder. Accordingly, the maximum aggregate number of Shares held by the top identifiable public Shareholder would be no more than [REDACTED] Shares, representing no more than 5% of the entire issued share capital of the Company.

4. Assuming that the Unidentifiable Shares were all held by the top three identifiable public Shareholders, the aggregate number of Shares held by them will be [REDACTED] Shares, representing approximately [REDACTED]% of the entire issued share capital of the Company.

5. Assuming that the Unidentifiable Shares were all held by the top 20 identifiable public Shareholders, the aggregate number of Shares held by them will be [REDACTED] Shares, representing approximately [REDACTED]% of the entire issued share capital of the Company.

6. Assuming that the Unidentifiable Shares were all held by the top 25 identifiable public Shareholders, the aggregate number of Shares held by them will be [REDACTED] Shares, representing approximately [REDACTED]% of the entire issued share capital of the Company.

7. To the best knowledge, information and belief of our Directors, having made all reasonable enquires, our Directors confirm that, the top 25 identifiable public Shareholders are third parties independent from, and not financed directly or indirectly by, and/or accustomed to taking instructions from, our Group, our Directors, our senior management, our Controlling Shareholders or substantial Shareholders or their respective associates.

MINIMUM PUBLIC FLOAT

The minimum level of public float to be maintained by our Company at all times after the [REDACTED] under the Main Board Listing Rules is 25% of our share capital in issue from time to time. Our Directors confirm that from the GEM Listing Date to the Latest Practicable Date, we have maintained the said minimum level of public float and have been in compliance with Rule 8.08 of the Main Board Listing Rules.

RANKING

Our Shares are ordinary shares in the share capital of our Company and will rank pari passu in all respects with each other, and will qualify and rank equally for all dividends or other distributions declared, made or paid and any other rights and benefits attaching or accruing to our Shares following completion of the [REDACTED].

GENERAL MANDATE TO ISSUE SHARES

Our Directors have been granted a general mandate to allot and issue Shares pursuant to the ordinary resolutions passed at the annual general meeting of our Company held on 11 April 2022.

GENERAL MANDATE TO REPURCHASE SHARES

Our Directors have been granted a general mandate to purchase the Company's own Shares, details of which are set out in the circular of our Company dated 10 March 2022 in relation to the general mandate to issue and repurchase Shares and in the paragraph headed "A. Further information about our Company — 4. Repurchase of our own securities" in Appendix V to this document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

The circumstances under which general meeting and class meeting are required are provided in our Articles of Association, summary of which is set out in the paragraph headed "Summary of the constitution of our Company and Cayman Islands Company Law" in Appendix IV to this document.

THE SHARE OPTION SCHEME

Our Company has adopted the Share Option Scheme on 28 May 2019. Such Share Option Scheme will remain valid and effective following the Main Board [REDACTED] and will be implemented in full compliance with Chapter 17 of the Main Board Listing Rules. As at the Latest Practicable Date, no share options under the Share Option Scheme have been granted. Details of the principal terms of our Share Option Scheme are summarised in the paragraph headed "D. Share Option Scheme" in Appendix V to this document.

You should read the following discussion and analysis of our Group's business, results of operations and financial conditions for the Track Record Period in conjunction with the consolidated financial information and the accompanying notes thereto set forth in the accountant's report in Appendix I to this document.

The following discussion and analysis contains certain forward-looking statements and information that involve substantial risks and uncertainties. For additional information regarding these risks and uncertainties, please refer to the section headed "Risk factors" of this document.

OVERVIEW

We are a wholesaler of oil and other petrochemical products based in Guangdong Province, the PRC.

The oil products that we operate in can be broadly categorised into (i) refined oil; (ii) fuel oil; and (iii) other petrochemical products. Our oil and petrochemical products are primarily used as fuel in marine vessels, transportation vehicles, and machinery equipment, for retail sale at gas stations and as raw materials in refining process for oil refineries. We also sell blended fuel oil according to our customers' specifications in order to meet their different needs and application requirements.

Currently, our wholesale business operations are primarily based in two oil depots in Zengcheng in Guangzhou and Gaolan Port Economic Zone in Zhuhai within the Pearl River Delta region of Guangdong Province, where our oil depots store and trade different types of oil products. All of our Group's products are sold in the PRC with primary focus in Guangdong Province. For the three years ended 31 December 2021 and the six months ended 30 June 2022, approximately 83.7%, 58.7%, 63.6% and 90.4% of our Group's revenue were derived from customers in Guangdong Province, respectively.

For the three years ended 31 December 2021 and the six months ended 30 June 2022, our Group recorded revenue of approximately RMB2,141.5 million, RMB1,100.3 million, RMB2,043.4 million and RMB400.1 million, respectively, and profit for the year/period of approximately RMB39.9 million, RMB15.2 million, RMB37.1 million and RMB2.5 million, respectively. Our Group's gross profit decreased by approximately 27.5% from approximately RMB95.8 million for the year ended 31 December 2019 to approximately RMB69.5 million for the year ended 31 December 2020, then increased by 30.6% to RMB90.7 million for the year ended 31 December 2021. Our gross profit margin increased from 4.5% for the year ended 31 December 2019 to approximately 6.3% for the year ended 31 December 2020, then decreased to 4.4% for the year ended 31 December 2021. Our net profit margin decreased from approximately 1.9% for the year ended 31 December 2019 to 1.4% for the year ended 31 December 2020, then increased to 1.8% for the year ended 31 December 2021. For the six months ended 30 June 2022, our revenue and gross profit decreased by 63.0% and 70.2% respectively when compared to the corresponding period in 2021. Our net profit margin also decreased from 2.6% for the six months ended 30 June 2021 to 0.6% for the six months ended 30 June 2022.

FACTORS AFFECTING THE RESULTS OF OPERATIONS AND FINANCIAL POSITION

Our Group's financial condition and results of operations have been, and will continue to be, affected by a number of factors, including those set out below.

Purchase cost and selling price

We trade different kinds of petroleum products when there are attractive opportunities and reasonable profit. Our gross profit and gross profit margin depend on our ability to secure comparatively lower purchase cost and a comparatively higher selling price. The price of oil could be affected by various factors including the demand and supply of petroleum products, and those factors are beyond our control. Since we do not engage in any hedging activities, our Group is directly exposed to the risk of oil price fluctuation.

Our Group generally adopts the matched trade sales model when conducting trades. Given the volatility of price movement in oil and petroleum products, we adopt a relatively conservative trade mechanism, whereby we enter into separate by-sale and sell-sale agreements with our suppliers and customers, within a short period of time in order to reduce our exposure to price volatility risks.

Under such strategy, our Group was generally able to pass on the movement in cost to our customers. However, if our Group is unable to continue to implement such strategy with success in the future and is unable to completely transfer the risk of price fluctuations to our customers, our Group's operating results could be adversely affected. There is no assurance that our Group can maintain historical levels of gross profit margins and net profit margins especially during volatile market conditions.

Demand of our trading products

For the three years ended 31 December 2021 and the six months ended 30 June 2022, all of our Group's revenue were derived from the PRC and approximately 83.7%, 58.7%, 63.6% and 90.4% of our Group's revenue were derived from customers in Guangdong Province, respectively. The demand for our trading products is primarily driven by the level of oil refinery activities and the overall demand for oil products in the PRC and Guangdong Province, which is affected by numerous factors, including but not limited to (i) economic growth in the PRC and Guangdong Province; (ii) market prices and supply of oil products; and (iii) development of downstream consumption industries. There is no assurance that demand of oil products will sustain in the future and the decrease in demand of our trading products may have an adverse effect on our business and operating results.

Oil storage capacity

The trading volume of our petroleum products is limited by the storage capacity of our oil depots. As different oil product categories require separate storage to avoid contamination, we need to maintain a sufficient number of oil tanks and respective capacity for our key product categories. As at the Latest Practicable Date, we operated two oil depots in Zengcheng and Gaolan Port Economic Zone in Zhuhai with an aggregate maximum storage capacity of 47,000 m^3, one of which was leased from Independent Third Party for short term. If we are not able to obtain new leases or renew existing leases for our oil depot on commercially acceptable terms at our desired locations upon expiry, it could negatively impact our Group's operation and financial performance.

Our Group's relationship with major customers

Our Group's future growth and profitability are significantly dependent on its ability to maintain close and mutually beneficial relationships with existing customers and to expand our customer base. For the three years ended 31 December 2021 and the six months ended 30 June 2022, our Group's five largest customers accounted for approximately 72.0%, 56.0%, 56.8% and 90.3% of our total revenue, respectively. As at the Latest Practicable Date, our Group did not enter into any long-term contract with our customers. There is no assurance that the existing top five customers will place orders with our Group on the same historical level. If any of these major customers were to terminate their business relationships with our Group, there is no assurance that our Group would be able to obtain orders from new customers or other existing customers to compensate for any such loss of sales. As such, the Group's operation and financial results may be adversely affected.

[REDACTED] expenses

We recorded [REDACTED] expenses of approximately RMB[REDACTED], RMB[REDACTED] and RMB[REDACTED], respectively, for the years ended 31 December 2020, 2021 and the six months ended 30 June 2022. For further details, please refer to the paragraph headed "[REDACTED] expenses" in this section.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

The audited financial information of our Group has been prepared in conformity with HKFRS. The accounting methods, estimates and assumptions that our Group applies in its preparation of financial information may have significant impacts on the reported financial condition and results of operations of our Group. These assumptions and estimates are often based on subjective judgments which are uncertain. Actual results may vary as facts, circumstances and condition change or as a result of different assumptions.

Below is a summary of the critical accounting policies adopted by our Group for the preparation of financial statements. For full details of our Group's accounting policies and estimates, please refer to Note 2 and Note 4 to the accountant's report set out in Appendix I to this document respectively.

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. Our Group recognizes revenue when specific criteria have been met for each of our Group's activities, as described below.

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".

Service income

Our 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.

Financial assets

Classification

Our Group classifies its financial assets in the following measurement categories:

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

(b) 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 our 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).

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which our 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 our Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, our 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.

Impairment of financial assets

Our 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, our Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, please refer to Note 20 to the accountant's report set out in Appendix I to this document for further details.

For other receivables, our 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.

Inventories and prepayment of 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 our 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 prepayment 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.

RESULT OF OPERATIONS

The following table sets forth a summary of our results of operations during the Track Record Period as extracted from the accountant's report set out in Appendix I to this document:

	Year ended 31 December			Six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	2,141,533	1,100,262	2,043,377	1,082,298	400,126
Cost of sales	(2,045,726)	(1,030,811)	(1,952,644)	(1,022,821)	(382,396)
Gross profit	95,807	69,451	90,733	59,477	17,730
Other (losses)/gains — net	(825)	1,418	6	1	(220)
Distribution expenses	(25,175)	(20,570)	(21,791)	(11,819)	(7,431)
Administrative expenses	(12,371)	(20,699)	(12,354)	(5,645)	(5,952)
Net reversal of impairment losses/ (impairment losses) on financial assets	3,221	(295)	—	—	—
Operating profit	60,657	29,305	56,594	42,014	4,127
Finance income/(costs) — net	116	(573)	51	137	528

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit before income tax	60,773	28,732	56,645	42,151	4,655
Income tax expense	(20,906)	(13,527)	(19,559)	(14,457)	(2,166)
Profit for the year/period	39,867	15,205	37,086	27,694	2,489
Other comprehensive income	—	—	—	—	—
Total comprehensive income for the year/period	39,867	15,205	37,086	27,694	2,489
Earnings per share					
— basic and diluted (RMB)	7.4 cents	1.6 cents	4.0 cents	3.0 cents	0.3 cents

DISCUSSION ON MAJOR ITEMS OF THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The following is a brief discussion on the principal income statement components, including revenue, cost of sales, gross profit and gross margin, other (losses)/gains — net, distribution expenses, administrative expenses, finance income/(costs) — net and income tax expense during the Track Record Period.

Revenue

During the Track Record Period, our Group derived its revenue from sales of (i) refined oil, (ii) fuel oil and (iii) other petrochemical products. Revenue principally represents the net value of goods sold after deduction of value-added tax. The primary market for our Group's trading products is Guangdong Province of the PRC. For details of our Group's revenue in terms of geographical breakdown, please refer to the sub-section headed "Customers, sales and marketing" in the section headed "Business" of this document.

Our revenue decreased by RMB1,041.2 million or 48.6% from RMB2,141.5 million for the year ended 31 December 2019 to RMB1,100.3 million for the year ended 31 December 2020, then increased by RMB943.1 million or 85.7% to RMB2,043.4 million for the year ended 31 December 2021.

The decrease in revenue for the year ended 31 December 2020 was mainly attributable to the decrease in number of sales orders and the decrease in the price of oil as impacted by the outbreak of the COVID-19 Pandemic and the drastic fall of international crude oil price since March 2020. Please refer to the section headed "Business — Impact of the COVID-19 Pandemic outbreak and drastic fluctuations in crude oil price on our business" in this document for further details.

The increase in revenue for the year ended 31 December 2021 was mainly attributable to (i) an increase of RMB605.3 million in the sales of our refined oil; and (ii) an increase of RMB434.1 million in the sales of our other petrochemical products. In general, our business performance in the year ended 31 December 2021 gradually improved and we were able to sell our oil at a higher average selling price as economic activities started to resume in the PRC and the adverse impacts brought about by the COVID-19 Pandemic and the drastic drop in oil price in early 2020 started to dissipate in 2021.

Our revenue decreased by 63.0% from RMB1,082.3 million for the six months ended 30 June 2021 to RMB400.1 million for the six months ended 30 June 2022. Such decrease was attributable to the significant decrease in the number of sales orders as a result of (i) the outbreak of the COVID-19 Omicron variant in China since late 2021 and the strict and widespread lockdown measures imposed by the PRC government in a number of major Chinese cities since late March 2022 which led to disruption to traffic and economic activities; and (ii) the drastic inflation in international oil price caused by the political crisis between Russia and Ukraine from late 2021 to early 2022, as a result of which oil market participants in general became more conservative and prudent in the trading of oils.

(i) Revenue by products

	Year ended 31 December						Six months ended 30 June			
Product type	**2019**		**2020**		**2021**		**2021**		**2022**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
1. Sales of goods										
(i) Refined oil	1,790,014	83.6	728,805	66.2	1,334,091	65.3	623,057	57.6	365,995	91.5
— Gasoline	1,443,175	67.4	558,082	50.7	1,120,408	54.8	422,011	39.0	351,967	88.0
— Diesel	280,025	13.1	162,115	14.7	210,490	10.3	197,853	18.3	14,028	3.5
— Kerosene	66,814	3.1	8,608	0.8	3,193	0.2	3,193	0.3	—	—
(ii) Fuel oil	258,651	12.0	164,441	15.0	91,535	4.5	91,401	8.4	—	—
— Blended	257,786	12.0	121,692	11.1	90,293	4.4	90,293	8.3	—	—
— Unblended	865	0.0	42,749	3.9	1,242	0.1	1,108	0.1	—	—
(iii) Other petrochemical products	86,770	4.1	179,266	16.3	613,385	30.0	363,474	33.6	33,083	8.2
— MTBE	58,537	2.7	14,054	1.3	15,173	0.7	—	—	11,673	2.9
— Isooctane	11,813	0.6	52,008	4.7	170,612	8.4	125,284	11.6	—	—
— Mixed aromatics	—	—	51,090	4.6	355,231	17.4	181,304	16.8	—	—
— Others	16,420	0.8	62,114	5.7	72,369	3.5	56,886	5.2	21,410	5.3
Subtotal — Sales of goods	2,135,435	99.7	1,072,512	97.5	2,039,011	99.8	1,077,932	99.6	399,078	99.7
2. Service income	6,098	0.3	27,750	2.5	4,366	0.2	4,366	0.4	1,048	0.3
(i) Refined oil	6,098	0.3	25,664	2.3	3,945	0.2	3,945	0.4	—	—
— Gasoline	4,048	0.2	14,812	1.3	—	—	—	—	—	—
— Diesel	—	—	1,254	0.1	1,696	0.1	1,696	0.2	—	—
— Kerosene	2,050	0.1	9,598	0.9	2,249	0.1	2,249	0.2	—	—
(ii) Fuel oil	—	—	1,259	0.1	421	0.0	421	0.0	—	—
— Blended	—	—	—	—	—	—	—	—	—	—
—Unblended	—	—	1,259	0.1	421	0.0	421	0.0	—	—
(iii) Other petrochemical products	—	—	827	0.1	—	—	—	—	—	—
— MTBE	—	—	—	—	—	—	—	—	—	—
—Isooctane	—	—	340	0.0	—	—	—	—	—	—
—Others	—	—	487	0.1	—	—	—	—	1,048	0.3
Total	2,141,533	100.0	1,100,262	100.0	2,043,377	100.0	1,082,298	100.0	400,126	100.0

(ii) Sales volume and average selling price

	Year ended 31 December									Six months ended 30 June					
	2019			2020			2021			2021			2022		
Product type	Number of customers	Total sales volume *(Tonnes)*	Average selling price *(Note)* *RMB*	Number of customers	Total sales volume *(Tonnes)*	Average selling price *(Note)* *RMB*	Number of customers	Total sales volume *(Tonnes)*	Average selling price *(Note)* *RMB*	Number of customers	Total sales volume *(Tonnes)*	Average selling price *(Note)* *RMB*	Number of customers	Total sales volume *(Tonnes)*	Average selling price *(Note)* *RMB*
1. Sales of goods															
(i) Refined oil	70	315,289	5,677	79	154,138	4,728	83	211,555	6,306	55	112,903	5,519	28	46,184	7,925
— Gasoline	15	250,955	5,751	21	116,188	4,803	18	166,483	6,730	12	69,874	6,040	6	44,236	7,957
— Diesel	51	50,909	5,501	55	35,253	4,599	65	44,097	4,773	43	42,053	4,705	22	1,948	7,200
— Kerosene	7	13,425	4,977	7	2,698	3,191	4	975	3,274	4	975	3,274	—	—	—
(ii) Fuel oil	25	67,566	3,828	8	47,799	3,440	10	27,512	3,327	9	27,491	3,325	—	—	—
— Blended	21	67,390	3,825	8	37,921	3,209	8	27,193	3,320	8	27,193	3,320	—	—	—
— Unblended	4	176	4,915	1	9,878	4,328	2	319	3,892	1	298	3,717	—	—	—
(iii) Other petrochemical products	2	17,793	4,877	4	57,143	3,137	14	127,200	4,822	10	77,679	4,679	3	4,824	6,858
— MTBE	2	11,364	5,151	1	5,041	2,788	1	3,008	5,044	—	—	—	2	1,848	6,315
— Isooctane	1	2,495	4,735	3	15,818	3,288	8	34,871	4,893	6	26,114	4,798	—	—	—
— Mixed aromatics	—	—	—	1	16,637	3,071	11	74,696	4,756	7	39,940	4,539	—	—	—
— Others	2	3,934	4,174	4	19,645	3,162	5	14,625	4,948	4	11,625	4,893	1	2,976	7,195
2. Service income															
(i) Refined oil	3	29,937	204	9	145,815	176	3	34,494	114	3	34,494	114	—	—	—
— Gasoline	1	11,117	364	5	53,529	277	—	—	—	—	—	—	—	—	—
— Diesel	—	—	—	2	6,010	209	2	13,344	127	2	13,344	127	—	—	—
— Kerosene	2	18,820	109	2	86,276	111	1	21,150	106	1	21,150	106	—	—	—
(ii) Fuel oil	—	—	—	1	11,254	112	1	4,992	84	1	4,992	84	—	—	—
— Blended	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
— Unblended	—	—	—	1	11,254	112	1	4,992	84	1	4,992	84	—	—	—
(iii) Other petrochemical products	—	—	—	3	13,957	59	—	—	—	—	—	—	—	—	—
— MTBE	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
— Isooctane	—	—	—	1	2,957	115	—	—	—	—	—	—	—	—	—
— Others	—	—	—	2	11,000	44	—	—	—	—	—	—	2	10,331	101

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

1. Sales of goods

(i) Refined oil

Sales of refined oil accounted for approximately 83.6%, 66.2%, 65.3% and 91.5% of our Group's revenue for the three years ended 31 December 2021 and the six months ended 30 June 2022, respectively.

Our sales of refined oil decreased by 59.3% from approximately RMB1,790.0 million for the year ended 31 December 2019 to approximately RMB728.8 million for the year ended 31 December 2020. Such decrease in revenue from the sale of refined oil was primarily attributable to the decrease in both sales volume and average selling price of refined oil, as we entered into fewer sales contracts due to the outbreak of the COVID-19 Pandemic and the drastic drop of prices of oil products in early 2020. Please refer to the sub-section headed "Business — Impact of the COVID-19 Pandemic outbreak and drastic fluctuations in crude oil price on our business" of this document for further details.

However, our overall sales volume (including outport trade) of refined oil amounted to 299,953 tonnes for the year ended 31 December 2020, representing a relatively slight decrease of 13.1% when compared to that for the year ended 31 December 2019. Such slighter decrease was mainly attributable to the increase of the sales volume (including outport trade) of kerosene, which increased by 56,729 tonnes for the same periods. Such increase in the sales of kerosene was mainly attributable to the fact that our Group received sales orders from Customer B for a relatively large amount of kerosene, amounting to a total of approximately 64,076 tonnes, for the year ended 31 December 2020. Of that 64,076 tonnes of kerosene, approximately 61,860 tonnes were sold under outport trades because currently only our Zengcheng Oil Depot has the suitable storage facilities for kerosene, therefore our storage capacity for kerosene was limited and most of the kerosene we sold to our customers had to be delivered to or collected by our customers directly. Customer B was a recurring customer whom we newly secured in the second half of 2019 and who had also purchased other types of oil products from us under through-port trades. Notwithstanding our limited ability to sell kerosene under our principal business model (i.e. through-port trades), our Directors believe that it was beneficial to our business as a whole to accept the orders from Customer B and conduct the sales under outport trades because the oil market in 2020 was volatile and for better risk management, (a) we decided to temporarily engage in more outport trades to improve our cash flow and mitigate oil price fluctuation risks as elaborated below; and (b) it was better for us to diversify our product mix of refined oil by trading more kerosene and lessen our reliance on gasoline and diesel in view of the harsh market environment.

Our sales of refined oil increased by RMB605.3 million, or 83.1% from RMB728.8 million for the year ended 31 December 2020 to RMB1,334.1 million for the year ended 31 December 2021. Such considerable increase was primarily attributable to the increase of RMB562.3 million in the sales of our gasoline. The sales volume of our gasoline increased by 50,295 tonnes and the average selling price of our gasoline increased from RMB4,803 per tonne in 2020 to RMB6,730 per tonne in 2021. This is in line with the development of the oil market in the PRC in 2021. The price ceiling prescribed by the PRC government for the retail of gasoline in Guangdong Province was raised from RMB7,640 per tonne in January 2021 to RMB8,635 per tonne in June 2021 and further to RMB8,930 per tonne in December 2021. In contrast, as at January, June and December 2020, such price ceiling was RMB8,750, RMB7,020 and RMB7,210 per tonne, respectively.

For the six months ended 30 June 2022, our sales of refined oil decreased by 41.3% when compared to the corresponding period in 2021, because the sales volume decreased by 58.7% due to the same reasons for the decrease in our revenue discussed above. We entered into significantly fewer sales orders for refined oil during the six months ended 30 June 2022 when compared to the corresponding period in 2021. For the six months ended 30 June 2022, we entered into 25 sales orders for refined oil whilst in the six months ended 30 June 2021, we had a total of 63 sales order for refined oil. Such decrease in our sales of refined oil was partially offset by the increase of 43.1% in average selling price, which was commensurate with the increase in the market price of refined oil over the periods. According to the Frost & Sullivan Report, the average market price of refined oil increased by 37.9% from RMB6,107 per tonne for the six months ended 30 June 2021 to RMB8,424 for the corresponding period in 2022.

Our gasoline products were mainly sold in relatively large volume to PRC State-owned Enterprise customers for their retail distribution (i.e. gas station) and trading. These customers of our gasoline in aggregate contributed approximately RMB895.9 million, RMB288.6 million, RMB865.8 million and RMB330.2 million of revenue, accounting for approximately 41.8%, 26.2%, 42.4% and 82.5% of our total revenue, for the three years ended 31 December 2021 and the six months ended 30 June 2022, respectively. Thus, we believe the gasoline market has the potential to provide greater stability and product diversity which will allow our Group to better adapt to different market conditions. Sales of gasoline accounted for a significant portion of our total revenue for the six months ended 30 June 2022, representing 88.0%. This is in line with our business strategy to capture additional demands of gasoline. Please refer to the section headed ''Business — Our Business Strategies'' for further details.

The total sales volume of our diesel products was relatively larger for the year ended 31 December 2019 as we sold more diesel in bulk shipment to PRC State-owned Enterprises. The total sales volume of our kerosene was also relatively large for the year ended 31 December 2019 when compared to the other two years during the Track Record Period, because we received sales orders for kerosene in bulk shipment in that year, whilst for the two years ended 31 December 2021, almost all of our kerosene sales orders were in small quantities.

(ii) Fuel oil

We have reduced our reliance on sales of fuel oil during the Track Record Period. For the three years ended 31 December 2021 and the six months ended 30 June 2022, sales of fuel oil accounted for approximately 12.0%, 15.0%, 4.5% and nil of our Group's revenue, respectively.

Our Group's fuel oil sales decrease from approximately RMB258.7 million for the year ended 31 December 2019 to approximately RMB164.4 million for the year ended 31 December 2020. Such decrease in revenue from fuel oil was primary due to the decrease in sales volume of fuel oil from approximately 67,566 tonnes for the year ended 31 December 2019 to approximately 47,799 tonnes for the year ended 31 December 2020. Our sales of fuel oil further decreased to RMB91.5 million for the year ended 31 December 2021, mainly due to the decrease in sales volume of fuel oil from 47,799 tonnes for the year ended 31 December 2020 to 27,512 tonnes for the year ended 31 December 2021. There was no sales of fuel oils for the six months ended 30 June 2022.

Sales volume of fuel oil decreased during the Track Record Period because we focused more resources on our expansion into the gasoline market in accordance with our Group's business strategy to capture more of the rising market demand for gasoline in the Guangdong Province. According to the Frost & Sullivan Report, demand for fuel oil from the downstream industry in the Guangdong Province decreased from 2015 to 2021 as a result of (i) the renovation and shutdown of small-scale companies in downstream heavy industries such as steel, metallurgy and chemical production in order to meet PRC government's increasing environmental protection and emission requirements; and (ii) the decreasing oil consumption as a proportion of total primary energy consumption along with the promotion of clean energy by the PRC government. Under such market environment, we believe the potential for business growth in the fuel oil market is limited and reducing reliance on the contracting fuel oil market whilst developing into a growing gasoline market is conducive to maximising our overall profit. Thus, we gradually entered into relatively fewer sales contracts for the sale of fuel oil during the Track Record Period.

(iii) Other petrochemical products

Sales of other petrochemical products accounted for approximately 4.1%, 16.3%, 30.0% and 8.2% of our Group's total revenue for the three years ended 31 December 2021 and the six months ended 30 June 2022, respectively. Our trades of other petrochemical products were mainly conducted through Gaolan Port Oil Depot. Gaolan Port Oil Depot has the storage facilities licensed for certain types of chemical materials, which enabled our Group to expand the range of other petrochemical products to be traded through our oil depot.

For the year ended 31 December 2020, our sales of other petrochemical products increased from RMB86.8 million for the year ended 31 December 2019 to approximately RMB179.3 million, primarily because we believe it was beneficial for our Group to diversify our product mix in view of the harsh market environment as impacted by the COVID-19 Pandemic and the drastic fluctuation in oil price during the year.

Our sales of other petrochemical products increased significantly from RMB179.3 million for the year ended 31 December 2020 to RMB613.4 million for the year ended 31 December 2021. Such increase was primarily attributable to the fact that (a) we received sales orders for other petrochemical products from more customers (i.e. 14 customers, as compared to 2 and 4 for the two years ended 31 December 2020, respectively), as a result of which our sales volume of other petrochemical products increased from 57,143 tonnes for the year ended 31 December 2020 to 127,200 tonnes for the year ended 31 December 2021; (b) the average selling price of other petrochemical products increased from RMB3,137 per tonne for the year ended 31 December 2020 to RMB4,822 per tonne for the year ended 31 December 2021; and (c) in order to mitigate the adverse impact of the COVID-19 Pandemic and the drastic fluctuation in oil price during 2020, we have been diversifying our product mix since 2020 and have continued to do so during the year ended 31 December 2021.

Our sales of other petrochemical products decreased by 90.9% from RMB363.5 million for the six months ended 30 June 2021 to RMB33.1 million for the corresponding period in 2022. Such decrease was attributable to the same reasons for the decrease in our revenue discussed above.

2. *Service income*

Service income represents the fee charged (based on a margin of the oil or petroleum products traded between our suppliers and customers) for our outport trades during the Track Record Period.

Our service income increased from approximately RMB6.1 million for the year ended 31 December 2019 to approximately RMB27.8 million for the year ended 31 December 2020. Our service income increased significantly for the year ended 31 December 2020 as our Group shifted to engage in relatively more outport trades for the following reasons:

(a) generally the sales cycle of our outport trades is shorter than that of our through-port trades as there is no need to transport the oil back to our oil depots and store them until delivery could be arranged. Therefore, the payment collection cycle (i.e. the period from the date we pay our supplier for the oil we purchased to the date we collect payment from the corresponding customer for the oil we sold) is also shorter in general for outport trades. In light of the harsh and volatile economic environment in 2020 and the fact that customers may be more cautious in payments, we adopted a more prudent approach and engaged in more outport trades to lessen the pressure on our cash flow;

(b) more than half of the oil products we sold under outport trades for the year ended 31 December 2020 were kerosene. For the year ended 31 December 2020, oil products sold under outport trades amounted to 171,026 tonnes, of which 86,276 tonnes, or 50.4%, were kerosene. Currently, only our Zengcheng Oil Depot has the appropriate and suitable facilities for the storage of kerosene. As such, the capacity of our Group to store kerosene was limited and most of the kerosene we sold to our customers had to be delivered to or collected by our customers directly. Be that as it may, we decided to take up more sales orders for kerosene in 2020 because for better risk management, it was better for us to diversify our product mix of refined oil by trading more kerosene and lessen our reliance on gasoline and diesel in view of the harsh market environment in 2020. Out of 86,276 tonnes of kerosene sold under outport trades for the year ended 31 December 2020, approximately 71.7% was sold to Customer B and 28.3% was sold to Zhuhai Jiuzhou Group. Our Group became acquainted with the management of Customer B in an industry conference in 2018 and they became our customer in the second half of 2019, whereas we became acquainted with Zhuhai Jiuzhou Group in 2017 as they had been our supplier;

(c) in early 2020, the international oil price plummeted and there was a global outbreak of the COVID-19 Pandemic, which led to fluctuations in the market prices of our oil products. Under our inventory and risk management policy, to ensure that our Group would not be exposed to high inventory risk, we would continually evaluate our level of inventory against existing and predicted oil price fluctuations, as well as the expected demand for our oil products. Under volatile market conditions, we would keep our inventory at a minimal level and engage in more outport trades for which no inventory need to be maintained. Oil price fluctuations would adversely affect the gross profit margin of our products, especially those sold under our sales from inventory model, since our ability to raise the selling price against the purchase price would be limited. For example, we experienced a gross loss margin for the sales of diesel in the year ended 31 December 2020 as most of such sales in early 2020 were under the sale from inventory model and at a loss due to the unprecedented drop in oil price. As such, when oil price fluctuates drastically, we would be able to stabilise our gross profit margin by lowering our inventory level and engage in more outport trades;

(d) the market price of crude oil fluctuated greatly since early 2020. In April 2020, crude oil market price was near its all-time low since 2015 and subsequently showed signs of a rebound. Based on our industry experience and observation, some oil trading companies would purchase oil products at such unprecedentedly low oil price in anticipation of a gradual recovery of the economy and the oil market, as well as a subsequent rebound of the oil price. Against such background, in 2020, more sales orders were placed with us which requested for delivery in one single batch. Therefore, it was more cost-effective for us to arrange direct delivery of single batch of oil products from our suppliers to our customers, as opposed to sales which required delivery in several batches, because under the latter scenario, it would be more cost-effective for us to first ship the bulk of oil products we purchased from our suppliers back to our oil depot in order to arrange further logistics and apportionment for delivery in multiple batches; and

(e) due to the outbreak of the COVID-19 Pandemic in early 2020, China experienced a nationwide lockdown in January and February 2020 and transportation was restricted in most of the cities in Guangdong. In response to such emergency measures of the government, the operations of our oil depots were kept at a minimal functioning level so as to minimise social contact for the protection of our employees. As such, more oil products were directly delivered to our customers without first shipping back to our oil depots.

Our service income then decreased to RMB4.4 million for the year ended 31 December 2021, primarily because the general market environment had been improving as the impacts of the COVID-19 Pandemic and the drastic drop in oil price in early 2020 started to dissipate. As a result, as compared to the situation in 2020 as elaborated above, we no long had the pressing need to shift to engage in more outport trade for the year ended 31 December 2021.

Our service income decreased from RMB4.4 million for the six months ended 30 June 2021 to RMB1.0 million for the six months ended 30 June 2022 because we entered into fewer sales orders in general and we sold other petrochemical products through outport trade to only two customers during the period.

Cost of sales

Our Group's cost of sales mainly includes the cost of refined oil, fuel oil and other petrochemical products, which is measured on a moving weighted average basis. Our cost of sales for three years ended 31 December 2021 and the six months ended 30 June 2022 was approximately RMB2,045.7 million, RMB1,030.8 million, RMB1,952.6 million and RMB382.4 million, respectively. The purchase cost for our trading products is subject to the purchase prices offered by our suppliers, which are influenced by, among other things, the relative oil price quoted in the market. The fluctuation of our cost of sales during the Track Record Period was in line with our increase or decrease in revenue during the period.

The following table sets forth a breakdown of our cost of sales by products for the periods indicated:

		Year ended 31 December						Six months ended 30 June			
Product type		**2019**		**2020**		**2021**		**2021**		**2022**	
		RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
(i)	**Refined oil**	1,710,959	83.6	700,954	68.0	1,281,116	65.6	588,552	57.5	352,276	92.1
	— Gasoline	1,374,387	67.2	529,550	51.4	1,077,374	55.2	395,977	38.7	338,924	88.6
	— Diesel	271,198	13.2	163,283	15.8	200,759	10.3	189,592	18.5	13,352	3.5
	— Kerosene	65,374	3.2	8,121	0.8	2,983	0.1	2,983	0.3	—	—
(ii)	**Fuel oil**	250,544	12.2	156,886	15.2	88,957	4.6	88,826	8.7	—	—
(iii)	**Other petrochemical products**	84,223	4.2	172,971	16.8	582,571	29.8	345,443	33.8	30,120	7.9
	— MTBE	56,941	2.8	13,622	1.4	14,980	0.8	—	—	11,158	2.9
	— Isooctane	11.435	0.6	49,889	4.8	165,087	8.5	121,978	11.9	—	—
	— Mixed aromatics	—	—	49,669	4.8	331,638	17.0	167,428	16.4	—	—
	— Others	15,847	0.8	59,791	5.8	70,866	3.5	56,037	5.5	18,962	5.0
Total		2,045,726	100.0	1,030,811	100.0	1,952,644	100.0	1,022,821	100.0	382,396	100.0

(i) Refined oil

Our refined oil mainly consisted of 92, 95 and 98 gasoline, No. 0 diesel and aviation kerosene. For the three years ended 31 December 2021 and the six months ended 30 June 2022, our cost of refined oil was approximately RMB1,711.0 million, RMB701.0 million, RMB1,281.1 million and RMB352.3 million, representing approximately 83.6%, 68.0%, 65.6% and 92.1% of our cost of sales, respectively.

The decrease in cost of refined oil for the year ended 31 December 2020 was mainly attributable to the decrease in sales volume of (i) gasoline from approximately 250,955 tonnes for the year ended 31 December 2019 to approximately 116,188 tonnes for the year ended 31 December 2020; and (ii) diesel from approximately 50,909 tonnes for the year ended 31 December 2019 to approximately 35,253 tonnes for the year ended 31 December 2020.

Our cost of refined oil increased for the year ended 31 December 2021 because the sales volume of (i) gasoline increased from 116,188 tonnes for the year ended 31 December 2020 to 166,483 tonnes for the year ended 31 December 2021 and (ii) diesel increased from 35,253 tonnes for the year ended 31 December 2020 to 44,097 tonnes for the year ended 31 December 2021.

Our cost of refined oil decreased from RMB588.6 million for the six months ended 30 June 2021 to RMB352.3 million for the six months ended 30 June 2022 because the sales volume of our refined oil decreased in general during the periods.

(ii) Fuel oil

Cost of fuel oil includes the cost of unblended and blended fuel oil of various standards and qualities. Cost of fuel oil amounted to approximately RMB250.5 million, RMB156.9 million, RMB89.0 million and nil, representing approximately 12.2%, 15.2%, 4.6% and nil of our cost of sales for the three years ended 31 December 2021 and the six months ended 30 June 2022, respectively.

The decrease in cost of fuel oil for the three years ended 31 December 2021 are in line with the decrease in sales volume of our fuel oil products from 67,566 tonnes for the year ended 31 December 2019 to 47,799 tonnes for the year ended 31 December 2020 and further to 27,512 tonnes for the year ended 31 December 2021. The decrease in sales volume was attributable to our business strategy to reduce reliance on the fuel oil market.

(iii) Other petrochemical products

Our other petrochemical products mainly consisted of MTBE, isooctane, mixed aromatics and other types of petrochemical related products. The cost amounted to approximately RMB84.2 million, RMB173.0 million, RMB582.6 million and RMB30.1 million, representing approximately 4.2%, 16.8%, 29.8% and 7.9% of our cost of sales for the three years ended 31 December 2021 and the six months ended 30 June 2022, respectively.

The increase in cost of other petrochemical products of approximately 105.4% for the year ended 31 December 2020 was mainly attributable to the increase in sales volume of our other petrochemical products from approximately 17,793 tonnes for the year ended 31 December 2019 to approximately 57,143 tonnes for the year ended 31 December 2020.

Our cost of other petrochemical products then increased by RMB409.6 million for the year ended 31 December 2021 when compared with 2020 because the sales volume of our other petrochemical products increased by 70,057 tonnes and the average cost increased from RMB3,027 per tonne to RMB4,580 per tonne.

Our cost of other petrochemical products decreased by 91.3% from RMB345.4 million for the six months ended 30 June 2021 to RMB30.1 million for the six months ended 30 June 2022 because the sales volume of our other petrochemical products decreased by 93.8% from 77,679 tonnes to 4,824 tonnes.

Gross profit and gross profit margin

The following table sets forth a breakdown of our gross profit and gross profit margin by product type for the Track Record Period:

Product type	Year ended 31 December						Six months ended 30 June			
	2019		2020		2021		2021		2022	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
1. Sales of goods										
(i) Refined oil	79,055	4.4	27,851	3.8	52,975	4.0	34,505	5.5	13,719	3.7
— Gasoline	68,788	4.8	28,532	5.1	43,034	3.8	26,034	6.2	13,043	3.7
— Diesel	8,827	3.2	(1,168)	(0.7)	9,731	4.6	8,261	4.2	676	4.8
— Kerosene	1,440	2.2	487	5.7	210	6.6	210	6.6	—	—
(ii) Fuel oil	8,107	3.1	7,555	4.6	2,578	2.8	2,575	2.8	—	—
(iii) Other petrochemical products	2,547	2.9	6,295	3.5	30,814	5.0	18,031	5.0	2,963	9.0
— MTBE	1,596	2.7	432	3.1	193	1.3	—	—	515	4.4
— Isooctane	378	3.2	2,119	4.1	5,525	3.2	3,306	2.6	—	—
— Mixed aromatics	—	—	1,421	2.8	23,593	6.6	13,876	7.7	—	—
— Others	573	3.5	2,323	3.7	1,503	2.1	849	1.5	2,448	11.4
Subtotal — Sales of goods	89,709	4.2	41,701	3.9	86,367	4.2	55,111	5.1	16,682	4.2
2. Service income *(Note)*	6,098	N.A.	27,750	N.A.	4,366	N.A.	4,366	N.A.	1,048	N.A.
Total	95,807	4.5	69,451	6.3	90,733	4.4	59,477	5.5	17,730	4.4

Note: As service income was reported on a net basis, it was directly recognised as both our revenue and gross profit. As such, gross profit margin is not applicable for outport trades. Please refer to the paragraph headed "Service income (outport trades)" below in this section for the service income margin of our outport trades, which is presented for illustrative purpose only.

With the adoption of cost plus pricing policy together with our relatively conservative matched trade sales model, our Group was generally able to pass on the increase in product costs to our customers. For details, please refer to the section headed "Business — Pricing policy" of this document.

Our overall gross profit decreased by approximately 27.5% from RMB95.8 million for the year ended 31 December 2019 to approximately RMB69.5 million for the year ended 31 December 2020. Our gross profit decreased over such period because our revenue decreased by 48.6% as we entered into fewer sales contracts and the average selling price of our oil products dropped as a result of the outbreak of the COVID-19 Pandemic and the drastic drop in oil price in early 2020 (please refer to the section headed "Business — Impact of the COVID-19 Pandemic outbreak and drastic fluctuations in crude oil price on our business" in this document for further details).

Our overall gross profit increased considerably by 30.6% from RMB69.5 million for the year ended 31 December 2020 to RMB90.7 million for the year ended 31 December 2021 because our revenue increased significantly by 85.7% as a result of improvement of our business performance for reasons explained above. The percentage increase of our revenue was larger than that of our overall gross profit because a significant portion of the gross profit in 2020 came from service income, which was reported on a net basis and directly recognised as both our revenue and gross profit. Our service income decreased from RMB27.8 million for the year ended 31 December 2020 to RMB4.4 million for the year ended 31 December 2021.

Our overall gross profit decreased by 70.2% from RMB59.5 million for the six months ended 30 June 2021 to RMB17.7 million for the corresponding period in 2022. Such decreased was primarily attributable to the decrease in our revenue as we entered into fewer sales contracts mainly as a result of the outbreak of the COVID-19 Omicron variant in China since late 2021.

Our Group's overall gross profit margin (excluding service income) decreased from approximately 4.2% for the year ended 31 December 2019 to approximately 3.9% for the year ended 31 December 2020. The decrease was mainly attributable to the decrease in our gross profit for reasons explained above. We recorded losses for the sale of diesel mainly because of the drastic fall of international crude oil price during the period which adversely affected the profitability of our Group. Although we adopt a cost plus pricing policy, we are still exposed to the risk of oil price fluctuation. In early 2020, the price of oil dropped drastically and the general market conditions worsened due to the outbreak of the COVID-19 Pandemic. Under such volatile market conditions, our management believe that, based on their industry experience, our customers' tolerance for price increase would be at a relatively low level, therefore our ability to increase the selling price of our products as compared to our purchase price was limited. Please refer to the section headed "Business — Impact of the COVID-19 Pandemic outbreak and drastic fluctuations in crude oil price on our business" in this document for further details.

Our Group's overall gross profit margin (excluding service income) increased from approximately 3.9% for the year ended 31 December 2020 to approximately 4.2% for the year ended 31 December 2021. The increase was primarily attributable to the increase in our gross profit margin of mixed aromatics, diesel and kerosene. In particular, as compared to a gross loss margin for the sale of diesel for the year ended 31 December 2020 for reasons explained above, we recorded a gross profit margin of 4.6% for the year ended 31 December 2021.

Our overall gross profit margin (excluding service income) decreased from 5.1% for the six months ended 30 June 2021 to 4.2% for the corresponding period in 2022. The decrease was primarily attributable to the decrease in our gross profit margin of gasoline from 6.2% for the six months ended 30 June 2021 to 3.7% for the six months ended 30 June 2022.

Sales of goods

(i) Refined oil

The gross profit for our Group's refined oil decreased from RMB79.1 million for the year ended 31 December 2019 to approximately RMB27.9 million for the year ended 31 December 2020 as our sales of refined oil decreased by 59.3% for reasons mentioned above.

The gross profit for our refined oil increased by RMB25.1 million, or 90.2%, from RMB27.9 million for the year ended 31 December 2020 to RMB53.0 million for the year ended 31 December 2021 primarily because of the increase in gross profit for the sale of gasoline and diesel while we recorded a gross loss for the sale of diesel for the year ended 31 December 2020.

The gross profit of our refined oil decreased by 60.2% from RMB34.5 million for the six months ended 30 June 2021 to RMB13.7 million for the corresponding period in 2022 because the sales volume of refined oil decreased by 58.7% for reasons mentioned above.

The gross profit margin of gasoline increased from 4.8% for the year ended 31 December 2019 to 5.1% for the year ended 31 December 2020, then decreased to 3.8% for the year ended 31 December 2021. The gross profit margin of gasoline decreased for the year ended 31 December 2021 because 76.7% of our gasoline sold during the year were sold to PRC State-owned Enterprise, compared to a lower percentage of 56.0% for the year ended 31 December 2020. We generally have lower bargaining power when negotiating the contract terms with our PRC State-owned Enterprise customers, but we would nonetheless trade with PRC State-owned Enterprises in bulk shipment and thus generated greater amount of total profit for each single order which compensated for the lower profit margin. Therefore, despite such lower gross profit margin, we enjoyed a higher amount of gross profit for the sale of gasoline for the year ended 31 December 2021 as the sales volume of gasoline increased.

Our gross profit margin of gasoline decreased to 3.7% for the six months ended 30 June 2022 because of the harsh market environment as a result of strict and widespread lockdown measures imposed by the PRC government in a number of major Chinese cities since late March 2022, as well as the drastic inflation in international oil price caused by the political crisis between Russia and Ukraine, which would in turn affect our Group's ability to negotiate a better term with both our customers and suppliers. As a result of the above, our average costs of gasoline increased for the six months ended 30 June 2022.

For the year ended 31 December 2020, we experienced a gross loss margin for the sales of diesel products mainly because in early 2020, most of our diesel products were sold under the sale from inventory model and at a loss due to the unprecedented drop in oil price.

The gross profit margin of kerosene was comparatively low for the year ended 31 December 2019. It was because for the two years ended 31 December 2021, most of our kerosene were sold in small quantities from our existing inventory through the model of sales from inventory. Under this method, sales volumes are relatively small in general and higher margin can often be achieved.

(ii) Fuel oil

The gross profit for our Group's fuel oil products decreased by approximately RMB0.6 million or approximately 6.8% from RMB8.1 million for the year ended 31 December 2019 to approximately RMB7.6 million for the year ended 31 December 2020. The decrease was mainly due to (i) the decrease in sales volume from approximately 67,566 tonnes for the year ended 31 December 2019 to approximately 47,799 tonnes for the year ended 31 December 2020; and (ii) our limited ability to increase the selling price of oil products as compared to our purchase price under volatile market conditions as explained above. The gross profit for our Group's fuel oil then decreased to approximately RMB2.6 million for the year ended 31 December 2021 which was largely attributable to (i) the decrease in sales volume of 20,287 tonnes; and (ii) the decrease in gross profit margin from approximately 4.6% for the year ended 31 December 2020 to approximately 2.8% for the year ended 31 December 2021.

The gross profit margin of our fuel oil decreased from 4.6% for the year ended 31 December 2020 to 2.8% for the year ended 31 December 2021. It was because a greater proportion, i.e. 81.2%, of our fuel oil sold during the year ended 31 December 2021 were to PRC State-owned Enterprises, compared to 58.2% for the corresponding period in 2020 and we generally have lower bargaining power when negotiating the contract terms with our PRC State-owned Enterprise customers. We would trade with our PRC State-owned Enterprise customers even though we may not achieve a profit margin as high as that we could have achieved for trades with non-state-owned customers, because our Directors believe that PRC State-owned Enterprises usually have established scale of operations and they usually pay on time, which is conducive to our Group's better credit management.

(iii) Other petrochemical products

The gross profit of other petrochemical products increased from approximately RMB2.5 million for the year ended 31 December 2019 to RMB6.3 million for the year ended 31 December 2020 mainly because (a) the revenue from the sale of other petrochemical products increased for reasons mentioned above; and (b) the average cost per tonne of other petrochemical products decreased by 36.1% from RMB4,734 per tonne for the year ended 31 December 2019 to RMB3,027 per tonne for the year ended 31 December 2020.

The gross profit for our Group's other petrochemical products increased by approximately RMB24.5 million from approximately RMB6.3 million for the year ended 31 December 2020 to RMB30.8 million for the year ended 31 December 2021. Such increase was in line with the increase in our revenue from the sales of other petrochemical products for reasons explained above.

Our gross profit of other petrochemical products decreased by 83.6% from RMB18.0 million for the six months ended 30 June 2021 to RMB3.0 million for the corresponding period in 2022, which was in line with the 90.9% decrease in revenue generated from sales of other petrochemical products over the same periods.

The gross profit margin of our other petrochemical products for the year ended 31 December 2021 was relatively high when compared to the two years ended 31 December 2020 because we were able to achieve a relatively high profit margin of 6.6% for the sales of mixed aromatics because (i) we were able to secure purchases of mixed aromatics from Maoming Haoda Petrochemical Co., Ltd.* (茂名市昊大石化有限公司), one of our five largest suppliers for each of the two years ended 31 December 2021, in bulk shipments; and (ii) such mixed aromatics were imported by Maoming Haoda Petrochemical Co., Ltd. and according to our management's industry experience and knowledge, the purchase price of imported mixed aromatics is generally lower that of domestic mixed aromatics. As a result, we were able to mark a higher profit margin for the sales of our mixed aromatics for the year ended 31 December 2021.

We recorded a high gross profit margin of 9.0% for the sales of other petrochemical products for the six months ended 30 June 2022 because of the relatively high profit margin of 11.4% for the sales of petroleum mixed xylene to Guangxi Free Trade Zone Guobin Haike Petrochemical Trading Co., Ltd.* (廣西自貿區國賓海科化工貿易有限公司) ("**Guobin Haike**"), one of our five largest customers for the six months ended 30 June 2022. We were able to achieve such a high profit margin because we secured purchases of petroleum mixed xylene from Qinzhou Tianheng Petrochemical Co., Ltd.* (欽州天恒石化有限公司), one of our five largest suppliers for the year ended 31 December 2021 and the six months ended 30 June 2022, at a relatively low purchase price in early 2022 when the international oil price had just started surging as a result of the Russia-Ukraine crisis, whilst the corresponding sales contract with Guobin Haike was only finalized in June 2022 as the process was delayed due to the sudden outbreak of the COVID-19 Omicron variant and strict lockdown measures in China since late March 2022, therefore allowing us to fix a relatively high selling price in light of the continuous inflation of oil price in the first half of 2022. The relatively high selling price also reflects the storage service we provided since we stored the batch of petroleum mixed xylene in our Gaolan Oil Depot for around three months before we delivered them to Guobin Haike.

Service income (outport trades)

The following table sets forth a breakdown of the gross income, related cost, gross profit (i.e. service income) and service income margin of outport trades during the Track Record Period:

	Year ended 31 December												Six months ended 30 June							
	2019				2020				2021				2021				2022			
Product type	Gross income	Related costs	Gross profit (i.e. service income)	Service income margin *(Note)*	Gross income	Related costs	Gross profit (i.e. service income)	Service income margin *(Note)*	Gross income	Related costs	Gross profit (i.e. service income)	Service income margin	Gross income	Related costs	Gross profit (i.e. service income)	Service income margin *(Note)*	Gross income	Related costs	Gross profit (i.e. service income)	Service income margin *(Note)*
	RMB'000	*RMB'000*	*RMB'000*	%	*RMB'000*	*RMB'000*	*RMB'000*	%	*RMB'000*	*RMB'000*	*RMB'000*	%	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	%	*RMB'000*	*RMB'000*	*RMB'000*	%
Refined oil	156,245	150,147	6,098	3.9	550,134	524,470	25,664	4.7	141,012	137,067	3,945	2.8	141,012	137,067	3,945	2.8	—	—	—	—
— Gasoline	61,686	57,638	4,048	6.6	239,360	224,548	14,812	6.2	—	—	—	—	—	—	—	—	—	—	—	—
— Diesel	—	—	—	—	25,900	24,646	1,254	4.8	70,308	68,612	1,696	2.4	70,308	68,612	1,696	2.4	—	—	—	—
— Kerosene	94,559	92,509	2,050	2.2	284,874	275,276	9,598	3.4	70,704	68,455	2,249	3.2	70,704	68,455	2,249	3.2	—	—	—	—
Fuel oil	—	—	—	—	46,105	44,846	1,259	2.7	24,388	23,967	421	1.7	24,388	23,967	421	1.7	—	—	—	—
Other petrochemical products	—	—	—	—	45,609	44,782	827	1.8	—	—	—	—	—	—	—	—	77,768	76,720	1,048	1.3
Total	156,245	150,147	6,098	3.9	641,848	614,098	27,750	4.3	165,400	161,034	4,366	2.6	165,399	161,033	4,366	2.6	77,768	76,720	1,048	1.3

Note: As service income was reported on a net basis, it was directly recognised as both our revenue and gross profit. As such, gross profit margin is not applicable for outport trades. The above table presenting, among others, the service income margin (calculated based on service income divided by the gross income for outport trades multiplied by 100%) of our outport trades is for illustrative purpose only.

For the year ended 31 December 2019, the year ended 31 December 2021 and the six months ended 30 June 2022, our service income margin was approximately 3.9%, 2.6% and 1.3% respectively, which were similar to the industry average according to Frost & Sullivan. Such service income margin is relatively lower as compared to our gross profit margin of sales of goods (including through-port trades and sales from inventory) of approximately 4.2%, 4.2% and 4.2% respectively. We normally enjoy a higher gross profit margin for sales of goods mainly because for through-port trades, (i) we would gather multiple orders from our customers and make bulk purchases from our suppliers, enabling us to enjoy bulk purchase discount as well as spread costs, like transportation costs, over various sales orders; and (ii) we believe our customers are willing to pay more in general as we provide storage services which offer them greater flexibility in collecting the oil in various batches. For the three years ended 31 December 2021 and the six months ended 30 June 2022, we had 232, 114, 144 and 29 sales contracts, respectively, under through-port trades while under outport trades, we had seven, 32, five and seven sales contracts, respectively. Given the small number of sales orders under outport trades and the timing of such outport trades for the year ended 31 December 2019, the year ended 31 December 2021 and the six months ended 30 June 2022, such sales orders were not gathered for making bulk purchases, and no storage services were provided to the respective customers for such outport trades. Therefore, for outport trades, our ability under our cost-plus pricing policy to increase the selling price as compared to the purchase price of the oil products was limited.

However, for the year ended 31 December 2020, the service income margin of approximately 4.3% was slightly higher than the gross profit margin of sales of goods of approximately 3.9%. It was mainly because in the year ended 31 December 2020, we were able to achieve a relatively high service income margin for the sales of gasoline to Guangdong Jin Sheng Petrochemical Co., Ltd.* (廣東金盛石油化工有限公司) ("**Jin Sheng**"), our largest customer for outport trades during the year, for the following reasons:

(a) the selling price of the gasoline we sold to Jin Sheng was relatively high as compared to that of the gasoline we sold to other customers around the same period. In May 2020, Jin Sheng and us entered into a sales order for gasoline which required an exceptionally long delivery period (i.e. delivery scheduled in September 2020) along with an exceptionally long credit period (i.e. 10% deposit only payable in August 2020 and the remaining balance was payable upon delivery). We were informed by Jin Sheng that they requested for such exceptionally long delivery period because, even though they did not have enough storage in their oil tanks at the material time for the gasoline, they would like to lock the purchase price of the gasoline in advance when its market price was near its all-time low in recent years as they anticipated a subsequent rebound of oil price and a rising demand for gasoline, so that even though the selling price was raised by us to reflect the long delivery and credit period, they could still enjoy relatively low costs as compared to the anticipated increased costs when the oil market subsequently picks up. Moreover, the associated companies of Jin Sheng are oil retailers and operate several petrol filling stations. The retail price of gasoline was more competitive since the retail market was not as affected by the drastic drop in international crude oil price as the wholesale market, therefore Jin Sheng has greater tolerance for the markup on the gasoline which was made to reflect the long delivery and credit period.

(b) we were able to secure a relatively low purchase price for the gasoline that was sold to Jin Sheng. In April 2020, when the market prices of both crude oil and gasoline were near their all-time lows since 2015, we started negotiating with Zhuhai Jiuzhou Group for the procurement of gasoline prior to finalising the sales agreement with Jin Sheng, because we believed the demand for gasoline in the long run would remain strong and any surplus of gasoline we purchased could be stored in our oil depot for sales to other customers. By paying Zhuhai Jiuzhou Group an upfront payment of approximately 20% of the major contract sum, we were able to lock the purchase price at such relatively low level. We then received the aforementioned order confirmation from Jin Sheng which requested for an exceptionally long delivery period. Therefore, we decided to extend the delivery period under our purchase contract with Zhuhai Jiuzhou Group, so that the gasoline could be arranged for direct delivery to Jin Sheng for the reasons that (i) if we were able to arrange direct delivery of the gasoline to Jin Sheng upon delivery by Zhuhai Jiuzhou Group, we could save much costs, including transportation costs and costs associated with storage of oil since the operations of our oil depots had been kept at a minimal functioning level in response to the emergency COVID-19 measures of the government; and (ii) we could better manage our cash flow as extension of delivery period meant we could delay payment of the remaining balance to Zhuhai Jiuzhou Group. Such extension of delivery time was a one-off and exceptional arrangement with Zhuhai Jiuzhou Group given our friendly and long-standing relationship with Zhuhai Jiuzhou Group as we purchased oil from them regularly and they have been one of our five largest suppliers throughout the Track Record Period, as well as their willingness to accommodate such one-off extension without requesting to revise the contract terms or purchase price.

Under the above one-off arrangements, sales to Jin Sheng was accounted as services income for outport trades. As with all our purchases and sales, we acted as a bridge between upstream supplier, i.e. Zhuhai Jiuzhou Group, and downstream customer, i.e. Jin Sheng and indirectly, its associated companies. We provided additional value to Jin Sheng by granting it an exceptionally long delivery and credit period (i.e. 10% deposit only payable three months after the order confirmation, with the remaining balance payable upon delivery), as we consider Jin Sheng our long-standing customer who has no history of default and with whom we have a friendly relationship. In contrast, to source the oil products from Zhuhai Jiuzhou Group, we had to pay an upfront payment of approximately 20% of the major contract sum. Our flexibility in arranging delivery and granting credit terms, together with our ability to leverage our established relationships and mutual trust with Zhuhai Jiuzhou Group and Jin Sheng, give us a competitive advantage as it is unlikely that upstream suppliers like Zhuhai Jiuzhou Group would accommodate Jin Sheng's unusual request for an exceptionally long delivery and credit period.

As there is no guarantee that such rare opportunity would arise again in the future, we believe it was only an one-off situation and such high service income margin does not reflect the normal service income margin we could achieve.

Sensitivity analysis

Gross profit

For the three years ended 31 December 2021 and the six months ended 30 June 2022, gross profit amounted to approximately RMB95.8 million, RMB69.5 million, RMB90.7 million and RMB17.7 million, respectively. Fluctuations in the gross profit could affect our operating profits. The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our gross profit on net profit for the year, assuming all other factors affecting our net profit remain unchanged. Fluctuations are assumed to be 10%, 20%, 30% and 40% during the Track Record Period.

	Year ended 31 December						Six months ended 30 June			
	2019		2020		2021		2021		2022	
Change in gross profit	Net profit	Change in net profit	Net profit	Change in net profit	Net profit	Change in net profit	Net profit	Change in net profit	Net profit	Change in net profit
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (Unaudited)	*%*	*RMB'000*	*%*
40%	68,609	72.1	36,040	137.0	64,306	73.4	45,842	63.7	7,808	213.7
30%	61,424	54.1	30,831	102.8	57,501	55.0	41,381	47.8	6,478	160.3
20%	54,238	36.0	25,623	68.5	50,696	36.7	36,921	31.9	5,149	106.9
10%	47,053	18.0	20,414	34.3	43,891	18.3	31,460	15.9	3,819	53.4
0%	39,867	—	15,205	—	37,086	—	27,694	—	2,489	—
–10%	32,681	(18.0)	9,996	(34.3)	30,281	(18.3)	23,538	(15.9)	1,159	(53.4)
–20%	25,496	(36.0)	4,787	(68.5)	22,412	(36.7)	19,077	(31.9)	(171)	(106.9)
–30%	18,310	(54.1)	(421)	(102.8)	16,671	(55.0)	14,617	(47.8)	(1,500)	(160.3)
–40%	11,125	(72.1)	(5,630)	(137.0)	9,866	(73.4)	10,156	(63.7)	(2,830)	(213.7)

Cost of oil products

A sensitivity analysis on the price fluctuations in average cost of oil products during the Track Record Period is set forth below, which illustrates the hypothetical effects on our net profit based on the respective historical fluctuations by product during the Track Record Period (being the minimum and maximum monthly fluctuation of our Group's average purchase price during the Track Record Period) with all other variables remain constant.

	Impact on net profit (change in net profit)				
Hypothetical fluctuations in average cost of refined oil	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Increase/(decrease) by:					
21%	(282,308)	(115,657)	(211,384)	(97,111)	(58,124)
10%	(128,322)	(52,572)	(96,084)	(44,141)	(26,420)
(20%)	256,644	105,143	192,167	88,283	52,840
(35%)	449,127	184,000	336,293	154,495	92,471

	Impact on net profit (change in net profit)				
Hypothetical fluctuations in average cost of fuel oil	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Increase/(decrease) by:					
15%	(23,802)	(14,904)	(8,451)	(8,439)	—
10%	(18,791)	(11,766)	(6,672)	(6,662)	—
(10%)	18,791	11,766	6,672	6,662	—
(18%)	35,076	21,964	12,454	14,436	—

Hypothetical fluctuations in average cost of other petrochemical products	Impact on net profit (change in net profit)				
	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Increase/(decrease) by:					
12%	(5,896)	(12,108)	(40,780)	(24,181)	(2,109)
5%	(2,106)	(4,324)	(14,564)	(8,636)	(753)
(5%)	3,158	6,486	21,846	12,954	1,130
(15%)	10,107	20,757	69,909	41,453	3,615

Other (losses)/gain — net

We recorded other losses of RMB825,000 for the year ended 31 December 2019 and RMB220,000 for the six months ended 30 June 2022, whilst for the two years ended 31 December 2021, we recorded other gains of RMB1,418,000 and RMB6,000, respectively.

Other gains of RMB1.4 million for the year ended 31 December 2020 represented mainly the liquidated damages compensation received from a supplier.

Distribution expenses

The following table sets out the breakdown of our Group's distribution expenses for the Track Record Period:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Transportation expenses	6,462	2,371	5,526	2,458	770
Operating lease expenses and handling charges	1,060	4,516	5,006	2,529	2,438
Expenses relating to short term lease	13,149	8,943	6,127	4,141	2,117
Staff costs	2,607	2,853	2,660	1,421	1,134
Depreciation	207	549	553	275	281
Other expenses	1,690	1,338	1,919	995	691
Total	25,175	20,570	21,791	11,819	7,431

Distribution expenses were approximately RMB25.2 million, RMB20.6 million, RMB21.8 million and RMB7.4 million, representing approximately 1.2%, 1.9%, 1.1% and 1.9% of our Group's total revenue for the three years ended 31 December 2021 and the six months ended 30 June 2022, respectively.

Operating lease expense and handling charge and expenses relating to short term lease were the largest component in our Group's distribution expense structure and mainly represented the lease of our oil depots during the Track Record Period. Such expenses in aggregate represented 0.7%, 1.2%, 0.5% and 1.1% of our Group's total revenue for the three years ended 31 December 2021 and the six months ended 30 June 2022, respectively. We incurred more expenses for the lease of oil depots in the year ended 31 December 2019 because we leased more oil depots during the year as compared with the two years ended 31 December 2021. We further terminated our lease of the Panyu Oil Depot in March 2021 taking into account our business strategy and the expansion plan of our Zengcheng Oil Deport.

Transportation expenses mainly represented the cost of our delivery service provided by Independent Third Party logistics companies for the delivery of oil products to our customers. Whether the transportation costs would be borne by our customers or us depends on our negotiations and is determined on a case-by-case basis. The decrease in transportation expenses from approximately RMB6.5 million for the year ended 31 December 2019 to approximately RMB2.4 million for the year ended 31 December 2020 was mainly due to the decreased number of customers orders under which we had to arrange delivery and we generally entered into fewer sales orders in 2020 as a result of the outbreak of the COVID-19 Pandemic in early 2020. The transportation expenses then increased to approximately RMB5.5 million for the year ended 31 December 2021 which was in line with the increase in our total revenue as a result of a general improvement in our business performance. The decrease in transportation expenses for the six months ended 30 June 2022 when compared to the corresponding period in 2021 was also commensurate with the decrease in our revenue during the period.

The staff costs mainly represented the salaries and pension payable to our Group's sales employees. The increase in staff and welfare costs from approximately RMB2.6 million for the year ended 31 December 2019 to approximately RMB2.9 million for the year ended 31 December 2020 was mainly attributable to the increase in average number of employees during the year to support our Group's business growth.

Other expenses were approximately RMB1.7 million, RMB1.3 million, RMB1.9 million and RMB0.7 million for the three years ended 31 December 2021 and the six months ended 30 June 2022, respectively, which mainly represented cost incurred for the inspection of our oil products, insurance expenses, fire safety expenses and safety assessment and equipment expenses.

Administration expenses

The following table sets forth our Group's administrative expenses for the Track Record Period:

	Year ended 31 December			Six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Expenses relating to short term leases	69	—	—	—	—
Staff costs	5,737	3,691	3,300	1,481	1,779
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Taxes and surcharges	941	1,000	1,265	734	624
Depreciation	1,232	1,311	1,001	498	497
Auditor's remuneration	1,333	896	900	—	—
Other expenses	3,059	2,888	2,406	1,453	2,302
Total	12,371	20,699	12,354	5,645	5,952

Our administrative expenses increased from RMB12.4 million for the year ended 31 December 2019 to approximately RMB20.7 million for the year ended 31 December 2020 because we incurred [REDACTED] expense of approximately RMB[REDACTED]. Our administrative expenses then decreased to approximately RMB12.4 million for the year ended 31 December 2021 mainly attributable to the decrease in [REDACTED] expense of approximately RMB[REDACTED]. Our administrative expenses then increased from approximately RMB5.6 million for the six months ended 30 June 2021 to RMB6.0 million for the six months ended 30 June 2022 mainly due to the increase in other administrative expenses of approximately RMB0.8 million.

Administrative expenses represented approximately 0.6%, 1.9%, 0.6% and 1.5% of our Group's total revenue for the three years ended 31 December 2021 and the six months ended 30 June 2022, respectively.

The staff costs mainly represented the salaries and pension payable to our Group's management employees. For the year ended 31 December 2020, the staff costs decreased to approximately RMB3.7 million, mainly because (i) the emoluments paid to our Directors decreased because all of our three executive Directors waived their emoluments as part of the cost-cutting measures in response to the harsh market environment; and (ii) salaries and pension paid to our Group's management employees who are not Directors also decreased by 16.6% from RMB2.2 million for the year ended 31 December 2019 to RMB1.8 million for the year ended 31 December 2020.

The auditor's remuneration decreased from RMB1.3 million for the year ended 31 December 2019 to RMB0.9 million and RMB0.9 million for the years ended 31 December 2020 and 2021, respectively, because part of the annual audit work for 2020 and 2021 overlapped with the work performed by our reporting accountant for the [REDACTED]. We recognised approximately RMB2.3 million and RMB1.6 million for audit-related work for the [REDACTED] for the years ended 31 December 2020 and 2021, respectively, and such amount was included as part of the [REDACTED] expenses.

Other expenses included, among others, travel expenses, office expenses, conference costs, public relations expenses and other professional fees that were not recognised as [REDACTED] expenses, which mainly include the retainer fee for legal adviser, printer fee, fee for internal control review and share registrar fee. Other expenses decreased from approximately RMB3.1 million for the year ended 31 December 2019 to approximately RMB2.9 million for the year ended 31 December 2020 and further to approximately RMB2.4 million for the year ended 31 December 2021 mainly because of the decrease in office and travel expenses as a result of the outbreak of the COVID-19 Pandemic. Other expenses for the six months ended 30 June 2022 increased by 58.4% when compared to the corresponding period in 2021 which was primarily attributable to the increase in other professional fees from approximately RMB0.8 million for the six months ended 30 June 2021 to RMB1.2 million for the six months ended 30 June 2022. Such increase was because of the additional professional fees paid to legal advisers and printer for the amendment of the Memorandum and Articles of Association of the Company during the period.

Total transportation expenses

Our total transportation expenses comprise (i) transportation expenses under distribution expenses, which represent the cost of our delivery service provided by Independent Third Party logistics companies for the delivery of oil products to our customers; and (ii) transportation expenses we incurr in procuring oil products from our suppliers, which were accounted for as part of our cost of sales.

For the three years ended 31 December 2021 and the six months ended 30 June 2022, our total transportation expenses amounted to RMB37.3 million, RMB12.8 million, RMB21.5 million and RMB1.4 million respectively. Such expenses decreased by 65.6% for the year ended 31 December 2020 when compared to 2019. The extent of such decrease was greater than the percentage decrease of our revenue over the same years, which was 48.6%, because in 2020, (i) we entered into a smaller number of purchase orders pursuant to which our Group was responsible for transportation (i.e. we had to arrange picking up of the oil products we purchased from our suppliers). The number of such purchase orders accounted for 39.0% of our total number of purchase orders for the year ended 31 December 2020, compared to 46.1% for the year ended 31 December 2019; and (ii) we shifted to engage in more outport trades under which we generally incur less transportation expense as oil products were directly delivered to our customers or picked up by the customers at the designated port without first shipping back to our oil depots (thus incurring additional transportation expense) and having to arrange for subsequent delivery to customers. For example, if we are responsible for transportation under the sales contract with our customer as well as the back-to-back purchase contract with our supplier, then under through-port trade, we will incur transportation expense in shipping the oil back to our oil depots as well as in subsequent delivery of the oil to our customer; while under outport trade, we will incur transportation expense only in delivering the oil to our customer. For all our trades, regardless of whether it is through-port or outport, whether the transportation costs would be borne by our suppliers/ customers or us depends on our negotiations and is determined on a case-by-case basis.

Net reversal of impairment losses/(impairment losses) of financial assets

For the three years ended 31 December 2021 and the six months ended 30 June 2022, our management reviewed our 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.

As at 31 December 2019, 2020 and 2021 and 30 June 2022, trade receivables of RMB1,148,000, RMB1,443,000, RMB1,443,000 and RMB1,443,000, respectively, were impaired and provisions were made as at the end of the year/period.

For information regarding the movement of provision for impairment of trades receivables, please see Note 20 to the accountant's report set out in Appendix I to this document.

Finance income/(costs) — net

Finance income — net mainly consists of interest income on bank deposits, interest expenses on lease liabilities and gains or loss from foreign exchange on cash.

Income tax expense

Taxation represented the amount of enterprise income tax payable by our Group. Our Company was incorporated in the Cayman Islands as an exempted company with limited liability and accordingly, is exempted from the Cayman Islands income tax. There was no provision for Hong Kong profits tax, as our Group did not have assessable profit in Hong Kong during the Track Record Period. The profit of our subsidiary in Hong Kong is mainly derived from dividend income from its subsidiary, which is not subject to Hong Kong profits tax.

Pursuant to the Enterprise Income Tax Law of the PRC, the tax rate was unified at 25% of taxable income for all PRC companies effective from 1 January 2008 and a withholding income tax rates of 10% is levied on the immediate holding company outside of the PRC when its PRC subsidiary declares dividends out of profits earned after 1 January 2008. A lower withholding tax rate of 5% may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign immediate holding company.

For the three years ended 31 December 2021 and the six months ended 30 June 2022, (i) our Group's effective tax rate was approximately 34.4%, 47.1%, 34.5% and 46.5% respectively; (ii) PRC withholding tax of approximately RMB4.0 million, RMB2.3 million, RMB3.8 million and RMB0.2 million were accounted for respectively; and (iii) our effective tax rate (excluding withholding tax) was approximately 27.9%, 38.9%, 27.8% and 41.9% respectively.

For the year ended 31 December 2020, our effective tax rate (excluding withholding tax) of 38.9% was higher than the PRC enterprise income tax rate due to the non-deductible [REDACTED] expenses in the amount of approximately RMB[REDACTED]. Our effective tax rate (excluding withholding tax) decreased to 27.8% for the year ended 31 December 2021, which was slightly higher than the PRC standard tax rate, as we recorded a smaller amount of non-deductible [REDACTED] expenses in the amount of RMB[REDACTED]. Our effective tax rate (excluding withholding tax) increased to 41.9% for the six months ended 30 June 2022, which was higher than the PRC enterprise income tax rate, mainly because of (i) the tax loss incurred by the Company for which no deferred tax assets was recognised; and (ii) the non-deductible [REDACTED] expenses of RMB[REDACTED].

Our Directors have confirmed that our Group has made all required tax filing and has settled all outstanding tax liabilities with relevant tax authorities in the PRC. They have also confirmed that our Group is not subject to any dispute or potential dispute with tax authorities in the PRC.

DISCUSSION ON MAJOR ITEMS OF THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	18,117	17,521	17,137	16,620
Right-of-use assets	4,943	4,681	4,259	4,048
Deferred income tax assets	684	708	733	770
Prepayments	4,644	4,644	4,194	4,194
	28,388	27,554	26,323	25,632
Current assets				
Inventories	85,742	80,850	42,131	103,936
Prepayments	107,684	85,689	15,210	131,006
Trade and other receivables	68,934	147,071	504,936	89,071
Cash and cash equivalents	42,580	63,695	7,805	106,637
	304,940	377,305	570,082	430,650
Current liabilities				
Trade and other payables	11,221	29,590	179,700	15,154
Contract liabilities	16,456	2,210	3,527	28,193
Lease liabilities	612	336	353	362
Current income tax liabilities	11,631	6,390	5,945	3,269
	39,920	38,526	189,525	46,978
Net current assets	265,020	338,779	380,557	383,672
Total asset less current liabilities	293,408	366,333	406,880	409,304
Non-current liability				
Lease liabilities	4,409	4,407	4,054	3,772
Deferred income tax liabilities	10,033	12,373	16,187	16,404
Net assets	278,966	349,553	386,639	389,128

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
EQUITY				
Equity attributed to owners of the Company				
Share capital	5,301	7,980	7,980	7,980
Other reserves	210,532	273,381	282,462	285,916
Retained earnings	63,133	68,192	96,197	95,232
Total equity	278,966	349,553	386,639	389,128

Property, plant and equipment

The following table sets out our property, plant and equipment as at the dates indicated:

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Storage facilities and leasehold improvements	15,698	15,260	14,587	14,161
Office equipment, motor vehicles and others	1,119	961	800	709
Assets under construction	1,300	1,300	1,750	1,750
Total	18,117	17,521	17,137	16,620

Our property, plant and equipment remained relatively stable during the Track Record Period. Our assets under construction mainly included our refurbishment of oil tanks, pipelines and other oil depot facilities and upgrade of the wharf berth capacity of Zengcheng Oil Depot.

Trade and other receivables

The following table sets forth the breakdown of our trade and other receivables as at the dates indicated:

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	60,536	138,974	499,491	54,040
Less: provision for impairment	(1,148)	(1,443)	(1,443)	(1,443)
Trade receivables — net	59,388	137,531	498,048	52,597
VAT recoverable	6,566	7,443	3,725	12,877
Purchase refund and liquidated damages receivables	—	—	—	16,050
Deposits and others	2,980	2,097	3,163	7,547
Trade and other receivables	68,934	147,071	504,936	89,071

Our Group's trade and other receivables increased by approximately RMB78.1 million, or 113.4% from approximately RMB68.9 million as at 31 December 2019 to approximately RMB147.1 million as at 31 December 2020. The increase was mainly attributable to the increase in net trade receivables of approximately RMB78.1 million from approximately RMB59.4 million as at 31 December 2019 to approximately RMB137.5 million as at 31 December 2020. Although service income was reported on a net basis and was directly recognised as both our revenue and gross profit during the Track Record Period, the amounts due from our customers for service income were recognised on a gross basis as our Group's trade receivables. As a result, although the proportion of our services income increased substantially for the year ended 31 December 2020 as our Group shifted to engage in relatively more outport trades during the year, our trade receivables also increased substantially as at 31 December 2020 due to the increase in sales for certain major customers under both outport and through-port trades close to year end. Approximately 81.2% or RMB111.7 million of the trade receivables as at 31 December 2020 was contributed by three major customers, who made purchases from our Group close to year end or delayed settling the invoices with us due to their prudent credit policy adopted as a result of the outbreak of COVID-19 Pandemic in 2020. All of the net trade receivables due from such three major customers had been subsequently settled in 2021.

Our Group's trade and other receivables increased by approximately RMB357.9 million, or 243.3% from approximately RMB147.1 million as at 31 December 2020 to approximately RMB504.9 million as at 31 December 2021. The increased was primarily attributable to the increase in our trade receivables. As at 31 December 2021, approximately RMB320.6 million were due from our PRC State-owned Enterprise customers and approximately 92.5% or RMB460.7 million were due from four major customers who made purchases from us close to year end or delayed settling the invoices with us due to their prudent credit policy adopted. All of the net trade receivables due from such four major customers had been subsequently settled in 2022.

Our trade and other receivables decreased by RMB415.9 million, or 82.4%, from RMB504.9 million as at 31 December 2021 to RMB89.1 million as at 30 June 2022. Such decrease was primarily attributable to the decrease of RMB445.5 million in our trade receivables, which was in line with the decrease in our revenue for the six months ended 30 June 2022.

The following table sets forth the aging analysis of trade receivables net of provision based on the dates when the trade receivables were recognised, as at each balance sheet date for the Track Record Period:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 30 days	58,888	137,358	69,346	41,319
31–90 days	191	137	388,922	161
Over 90 days	309	36	39,780	11,117
Total	59,388	137,531	498,048	52,597

Our Group's sales are usually made on credit terms of 0 to 30 days counted from the dates when the trade receivables are being recognised. For details, please refer to the section headed "Business — Credit policy and credit management" in this document.

In determining impairment losses, our Group conducts regular reviews of aging analysis and keeps regular communications with customers to gain up to date understanding of changes in customers' business and financial conditions to evaluate collectability. Provisions are applied to the receivables when there are events or changes in circumstances which indicate that the trade receivables may not be collectible. As at 31 December 2019, 2020 and 2021 and 30 June 2022, our Group's impairment provisions were approximately RMB1.1 million, RMB1.4 million, RMB1.4 million and RMB1.4 million respectively. The aging of these impaired receivables is over 30 days. The expected credit loss rates of the Group's trade and other receivables were approximately 1.90% and 1.04%, 0.29% and 2.67% as at 31 December 2019, 2020 and 2021 and 30 June 2022, respectively.

The following table sets out our debtors' turnover days for the Track Record Period:

	Year ended 31 December			Six months ended 30 June
	2019	2020	2021	2022
	days	*days*	*days*	*days*
Debtors' turnover days *(Note)*	11.4	33.1	57.0	125.2

Note: Debtors' turnover days is calculated based on the average trade receivables for the year/period divided by the sales for the year/period, and multiplying by the number of days in the year/period.

For the three years ended 31 December 2021 and the six months ended 30 June 2022, our debtors' turnover days were approximately 11.4 days, 33.1 days, 57.0 days and 125.2 days respectively. We generally require our customers to settle payment immediately upon receipt of our invoice after acceptance of oil products. However on a case-by-case basis, we may at our discretion grant more flexible terms to our customers based on their credit history and reputation. Our debtors' turnover days increased from approximately 11.4 days for the year ended 31 December 2019 to approximately 33.1 days for the year ended 31 December 2020 and further increased to approximately 57.0 days for the year ended 31 December 2021 and then further increased drastically to 125.2 days for the six months ended 30 June 2022. The fluctuation in debtor's turnover during the Track Record Period was mainly due to the different amount of trade receivables outstanding from sales close to year/period end, which was primarily caused by the short time gap between customer acceptance of oil product, our issuance of VAT invoice and customer payment. The increase in debtors' turnover days for the years ended 31 December 2020 and 2021 and the six months ended 30 June 2022 was also hindered by the global outbreak of COVID-19 Pandemic that led to delayed payment from certain major customers due to their prudent credit policy adopted. These related to a number of independent customers who have no recent history of default. Based on their past credit history, management believes that no provision for impairment is necessary in respect of these balances as there has not been any significant change in their credit quality and the balances are still considered fully recoverable.

Up to 31 October 2022, approximately RMB52.5 million or 99.9% of our Group's trade receivables as at 30 June 2022 had been subsequently settled.

The following tables set out the ageing analysis of trade receivables net of provision as at 30 June 2022:

	Trade receivables as at 30 June 2022	**Subsequently settled up to 31 October 2022**	**Remaining unsettled balance as at 31 October 2022**
	RMB'000	*RMB'000*	*RMB'000*
Less than 30 days	41,319	41,319	—
31–90 days	161	100	61
Over 90 days	11,117	11,116	1
Total	52,597	52,535	62

Inventories

Our Group's inventories consist of refined oil, fuel oil and other petrochemical products. The inventories are stated at the lower of cost and net realisable value. We closely monitor and keep our inventory at a minimum level so as to maintain profitability and reduce financial exposure and risk. The following table sets forth our Group's inventory ending balances for the Track Record Period:

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Refined oil	62,142	72,945	14,397	76,011
Fuel oil	23,600	7,905	1,551	1,551
Other petrochemical products	—	—	26,183	26,374
Total	85,742	80,850	42,131	103,936

Our Group's inventories decreased slightly by approximately RMB4.8 million, or 5.6% from approximately RMB85.7 million as at 31 December 2019 to approximately RMB80.9 million as at 31 December 2020. The change in our inventories level was mainly attributable to the decrease of fuel oil inventories due to our sales of products delivered before 31 December 2020. Our Group's inventories amounted to approximately RMB80.9 million as at 31 December 2020, of which approximately RMB35.9 million were diesel. All of the diesel inventories as at 31 December 2020 had been subsequently sold in 2021, with a gross profit of approximately RMB2.3 million. Therefore, no impairment provision was made in respect of our diesel inventories as at 31 December 2020 notwithstanding the gross loss recorded for our diesel sold for the year ended 31 December 2020.

Our inventory decreased by RMB38.7 million, or 47.9%, from RMB80.9 million as at 31 December 2020 to RMB42.1 million as at 31 December 2021. The decrease was primarily attributable to the decrease in refined oil inventories of RMB58.5 million due to our sales of products delivered before 31 December 2021, partially offset by the increase of RMB26.2 million in inventories of other petrochemical products.

Our inventory increased by RMB61.8 million, or 146.7%, from RMB42.1 million as at 31 December 2021 to RMB103.9 million as at 30 June 2022 because our refined oil inventories increased by RMB61.6 million. The refined oil inventories consisted mostly of gasoline to cope with the expected rise in the demand for and market price of gasoline in the remainder of 2022.

There was no write-down of inventory during the Track Record Period.

The following table sets forth our Group's inventory turnover days for the Track Record Period:

	Year ended 31 December			Six months ended 30 June
	2019	**2020**	**2021**	**2022**
	days	*days*	*days*	*days*
Inventory turnover days *(Note)*	13.5	29.5	11.5	34.6

Note: Inventory turnover days is calculated based on the average inventory balance for the year/period divided by cost of sales for the year/period, and multiplying by the number of days in the year/period.

Inventory turnover days remained at a relatively stable level for the year ended 31 December 2019 and the year ended 31 December 2021. This was mainly attributable to our Group's matched trade sales model, which allowed our Group to maintain a minimum level of inventory to satisfy confirmed demand. Our inventory turnover days was at a relatively high level for the year ended 31 December 2020 mainly because we entered into fewer contracts for the purchase of our oil products as impacted by the outbreak of the COVID-19 Pandemic and drastic drop in oil price in early 2020, and as a result the cost of sales for such period was at a relatively low level.

For the six months ended 30 June 2022, our inventory turnover was relatively slow because we were unable to negotiate sales contracts and deliver our oil products and services effectively to our customers in early 2022 as a result of (i) the outbreak of the COVID-19 Omicron variant in China since late 2021 and the strict and widespread lockdown measures imposed by the PRC government in a number of major Chinese cities since late March 2022 which led to disruption to traffic and economic activities; and (ii) the drastic inflation in international oil price caused by the political crisis between Russia and Ukraine from late 2021 to early 2022, as a result of which oil market participants in general became more conservative and prudent in the trading of oils.

Up to 31 October 2022, approximately RMB102.4 million or 98.5% of our Group's inventories as at 30 June 2022 had been subsequently sold. The following tables set out the ageing analysis of inventory as at 30 June 2022:

	Inventory as at 30 June 2022	**Subsequently sold up to 31 October 2022**	**Remaining unsold balance as at 31 October 2022**	**Expected subsequent utilisation date**
	RMB'000	*RMB'000*	*RMB'000*	
Less than 30 days	76,011	76,011	—	N/A
31–90 days	—	—	—	N/A
Over 90 days	27,925	26,374	1,551	Fourth quarter of 2022
Total	103,936	102,385	1,551	

The following table sets forth a breakdown of the gross profit margin from the subsequent sales of the Group's inventories as at 30 June 2022 up to 31 October 2022:

Inventory Type	Inventory as at 30 June 2022 which had been subsequently sold	Gross profit from subsequent sales	Gross profit margin
	RMB'000	*RMB'000*	*%*
Refined oil	76,011	3,980	5.0
Fuel oil	—	—	—
Other petrochemical products	26,374	4,811	15.0
Total	102,385	8,791	7.9

Prepayments

Our Group's prepayments mainly consist of prepayments for inventories and prepayments for [REDACTED] expenses. The following table sets forth our Group's prepayments at each balance sheet date for the Track Record Period:

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments for inventories	106,938	84,756	14,753	130,587
Others	5,390	5,577	4,651	4,613
Total	112,328	90,333	19,404	135,200

As at 31 December 2019, 2020 and 2021 and 30 June 2022, our prepayments amounted to approximately RMB112.3 million, RMB90.3 million, RMB19.4 million and RMB135.2 million respectively. Such fluctuation over the Track Record Period was mainly due to the difference in prepayment terms agreed with different suppliers. We are generally offered one of the following payment terms by our suppliers: (i) full prepayment of the total price prior to delivery; (ii) prepayment of up to 20% of the total price before delivery; or (iii) no prepayment required.

We recorded a relatively large amount of prepayments for inventories of RMB106.9 million as at 31 December 2019 because RMB75.9 million of prepayments for inventories we paid to Liaoning Baolai Group, one of our five largest suppliers throughout the Track Record Period, was not realised as at year end. We also recorded a large amount of current prepayments in the amount of RMB131.0 million as at 30 June 2022, because we made prepayment for inventories to a total of five suppliers, three of whom were our five largest suppliers during the period. The following table sets forth a breakdown of the average purchase price of the Group's prepayments of each type of inventory during the Track Record Period compared with the respective average current market prices:

	Year ended 31 December						Six months ended 30 June	
	2019		2020		2021		2022	
Inventory Type	Average purchase price *(RMB per tonne)*	Average market price *(RMB per tonne)*	Average purchase price *(RMB per tonne)*	Average market price *(RMB per tonne)*	Average purchase price *(RMB per tonne)*	Average market price *(RMB per tonne)*	Average purchase price *(RMB per tonne)*	Average market price *(RMB per tonne)*
Refined oil	5,065	6,370	4,459	5,026	7,677	6,606	7,653	8,424
Fuel oil	—	3,280	3,009	2,575	—	3,333	—	4,538
Other petrochemical products	—	6,126	—	4,469	5,462	6,410	6,672	8,251

Up to 31 October 2022, all of our Group's prepayments for inventories as at 30 June 2022 had been subsequently utilised and the corresponding inventories had been delivered to our customers.

Trade and other payables

Our Group's trade and other payables mainly comprise trade payables for oil and petroleum products purchased from suppliers, accruals for staff cost and allowances, construction projects, handling charges and [REDACTED] expenses. The following table sets forth a summary of our trade and other payables at each balance sheet date for the Track Record Period:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	1,435	16,243	157,030	35
Accruals for staff cost and allowances	1,765	2,538	2,903	2,594
Accruals for construction projects	251	251	251	251
Accruals for handling charges	326	1,216	2,540	415
Accruals for short term lease expenses	—	1,089	1,808	349
Accruals for [REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other payables	7,249	5,753	12,093	5,187
Other tax payables	195	264	347	3,851
Total	11,221	29,590	179,700	15,154

Our trade and other payables increased by approximately RMB18.4 million from approximately RMB11.2 million as at 31 December 2019 to approximately RMB29.6 million as at 31 December 2020. The increase was mainly due to the increase in (i) trade payables of approximately RMB14.8 million;

and (ii) the accruals for [REDACTED] expenses of approximately RMB[REDACTED], which was offset by the decrese in other payables of approximatley RMB[REDACTED]. Our trade payables increased to approximately RMB16.2 million as at 31 December 2020 mainly because we had RMB15.4 million of trade payables due to Zhuhai Jiuzhou Group, one of our five largest suppliers throughout the Track Record Period.

Our trade and other payables increased by approximately RMB150.1 million from approximately RMB29.6 million as at 31 December 2020 to approximately RMB179.7 million as at 31 December 2021. The increase was primarily attributable to the increase in trade payables of approximately RMB140.8 million and increase in other payables of RMB6.3 million. Our trade payables increased to approximately RMB157.0 million as at 31 December 2021 mainly because we had a total of RMB135.5 million of trade payables due to Guangdong Xinyao Petrochemical Co., Ltd.* (廣東鑫垚石化有限公司) and Dalian Benteng Petrochemical Co., Ltd.* (大連犇騰石油化工有限公司), both our five largest suppliers for the year ended 31 December 2021, from whom we made purchases close to year end.

Our trade and other payables decreased by RMB164.5 million from RMB179.7 million as at 31 December 2021 to RMB15.2 million as at 30 June 2022. The decrease was primarily attributable to the decrease in trade payables of RMB157.0 million, which was mainly due to our timely settlement with major suppliers up to the end of the reporting period.

Other payables mainly represented fees payable for auditing services, provisions for VAT incurred for our oil products sold but in respect of which VAT invoices have not yet been issued as at the end of the relevant year, and adjustments of contract liabilities which were re-categorised as other payables because the contractual amounts were subsequently adjusted downwards and for which refunds were yet to be made. We had a relatively larger amount of other payables as at 31 December 2019 and 31 December 2021 as more provisions were made for VAT incurred for our oil products sold but in respect of which VAT invoices had not been issued as at the respective year ends.

The following table sets forth the aging analysis of trade payables based on the date when the trade payables are being recognised as at each balance sheet date for the Track Record Period:

	As at 31 December			**As at 30 June**
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 30 days	1,435	16,243	32,044	35
31 to 180 days	—	—	124,986	—
	1,435	16,243	157,030	35

The following table sets out our creditors' turnover days for the Track Record Period:

	Year ended 31 December			Six months ended 30 June
	2019	**2020**	**2021**	**2022**
	days	*days*	*days*	*days*
Creditors' turnover days *(Note)*	0.9	3.1	16.2	37.2

Note: Creditors' turnover days is calculated based on the average trade payables for the year/period divided by the cost of sales for the year/period, and multiplying by the number of days in the year/period.

Our suppliers generally require our Group to settle payment immediately upon receipt of supplier invoice after acceptance of oil products. Our creditors' turnover days increased from approximately 0.9 days for the year ended 31 December 2019 to approximately 3.1 days for the year ended 31 December 2020 and further increased to approximately 16.2 days for the year ended 31 December 2021 and further to approximately 37.2 days for the six months ended 30 June 2022. The fluctuation in creditors' turnover during the Track Record Period was mainly due to the different amount of trade payable outstanding from purchase close to year end, which was primarily caused by the short time gap between our acceptance of oil product, suppliers' issuance of VAT invoice and our payment.

Up to 31 October 2022, all of our Group's trade payables as at 30 June 2022 had been subsequently settled.

Contract liabilities

Contract liabilities represent cash received from customers before goods are delivered. Our contract liabilities decreased from approximately RMB16.5 million as at 31 December 2019 to approximately RMB2.2 million as at 31 December 2020 and subsequently increased slightly to approximately RMB3.5 million as at 31 December 2021 and then increased significantly to RMB28.2 million as at 30 June 2022. The fluctuation was mainly attributable to the difference in prepayment terms agreed with various customers. We generally requires non-PRC State-owned Enterprises to make prepayment of approximately 10%–20% of the total price following the confirmation of sales agreements.

We recorded a relatively large amount of contract liabilities as at 31 December 2019 because we received RMB10.0 million from Jin Sheng but the corresponding oil products had not been delivered as at year end. We also recorded a large amount of contract liabilities as at 30 June 2022 because we received cash from more customers (i.e. 13 customers) for which goods had not been delivered as at period end. As at 31 December 2019, 2020 and 2021, such number of customers were six, six and two respectively.

Lease liabilities

The following table sets forth our lease liabilities as of each date indicated:

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current lease liabilities	612	336	353	362
Non-current lease liabilities	4,409	4,407	4,054	3,772
	5,021	4,743	4,407	4,134

Lease liabilities mainly represents rentals payable by our Group for our oil depots leased from Independent Third Parties and the Zengcheng Oil Depot leased from Mr. Xu and Ms. Huang. As at 31 December 2019, 2020 and 2021 and 30 June 2022, our lease liabilities amounted to approximately RMB5.0 million, RMB4.7 million, RMB4.4 million and RMB4.1 million, respectively and our interest expenses on lease liabilities amounted to approximately RMB260,000, RMB245,000, RMB224,000 and RMB107,000, respectively. There were no additions to the right-of-use assets during the year ended 31 December 2019 and the year ended 31 December 2021 and the six months ended 30 June 2022. During the year ended 31 December 2020, there were additions amounting to RMB912,000 for new lease and reductions amounting to RMB452,000 for not exercising extension options.

RELATED PARTY TRANSACTIONS

Apart from the emoluments of individual director of the Company paid/payable during the Track Record Period, the Group also had entered into a lease agreement with the Controlling Shareholders to lease a piece of land and office building located in Guangzhou City, Guangdong Province with annual rental fee of RMB360,000 from 1 April 2017 to 31 March 2037. The details of which are set forth below:

Significant related party transactions

	Year ended 31 December			Six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest expenses on lease liabilities — Controlling Shareholders	209	201	193	98	93

Balances with related parties

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Lease liabilities				
— The Controlling Shareholders	4,173	4,014	3,847	3,761

The balances with related parties were non-trade in nature.

Details of our related party transactions during the Track Record Period are summarised in Note 29 to the accountant's report set out in Appendix I to this document.

KEY FINANCIAL RATIOS

	As at 31 December			As at 30 June
	2019	2020	2021	2022
Current ratio[(1)]	7.6	9.8	3.0	9.2
Quick ratio[(2)]	2.8	5.5	2.7	4.2
Gearing ratio[(3)]	—	—	—	—
Debt to equity ratio[(4)]	(15.3)%	(18.2)%	(2.0)%	(27.4)%

	Year ended 31 December			As at 30 June
	2019	2020	2021	2022
Return on equity[(5)]	14.3%	4.3%	9.6%	0.6%
Return on assets[(6)]	12.0%	3.8%	6.2%	0.5%
Net profit margin[(7)]	1.9%	1.4%	1.8%	0.6%

Notes:

(1) Current ratio is calculated based on total current assets divided by total current liabilities as at the relevant year/period end.

(2) Quick ratio represents current assets (net of inventories and prepayments for inventories) divided by total current liabilities as at the relevant year/period end.

(3) Gearing ratio is calculated based on total loans and borrowings divided by total equity as at the relevant year/period end and multiplied by 100%.

(4) Debt to equity ratio represents net borrowing (net of cash and cash equivalents) divided by total equity as at the relevant year/period end and multiplied by 100%.

(5) Return on equity is calculated by profit for the year/period divided by the total shareholders' equity as at the relevant year/period end and multiplied by 100%.

(6) Return on assets is calculated by profit for the year/period divided by the total assets as at the relevant year/period end and multiplied by 100%.

(7) Net profit margin is calculated by dividing profit for the year/period by revenue as at the relevant year/period end and multiplied by 100%.

Current ratio

Our current ratio increased from 7.6 as at 31 December 2019 to approximately 9.8 as at 31 December 2020 mainly due to the decrease of approximately RMB14.2 million in our contract liabilities and the increase of approximately RMB78.1 million in our trade and other receivables. Our current ratio subsequently decreased to approximately 3.0 as at 31 December 2021 mainly because there was an increase of approximately RMB150.1 million in our trade and other payables. Our current ratio then increased to 9.2 as at 30 June 2022 because of the decrease of RMB164.5 million in our trade and other payables.

Quick ratio

As at 31 December 2019, 31 December 2020 and 31 December 2021 and 30 June 2022, our Group's quick ratios were approximately 2.8, 5.5, 2.7 and 4.2 respectively. Due to our Group's trading practices, our current assets consist largely of inventories and prepayment for inventories, resulting in a relatively low quick ratio. The movement in our current ratios has direct consequence on quick ratio. Our quick ratio increased to approximately 5.5 as at 31 December 2020 mainly due to the increase of approximately RMB78.1 million in trade and other receivables, and subsequently decreased to 2.7 because of the increase in trade and other payables of RMB150.1 million. Our quick ratio increased to approximately 4.2 as at 30 June 2022 mainly due to the decrease in our trade and other payables of RMB164.5 million.

Gearing ratio

Our Group did not have any borrowings during the Track Record Period.

Debt to equity ratio

As at 31 December 2019, 31 December 2020, 31 December 2021 and 30 June 2022, our Group's debt to equity ratio was approximately negative 15.3%, 18.2%, 2.0% and 27.4% respectively. Negative ratio was primarily due to cash balance retained by our Group and our Group did not have any borrowings during the Track Record Period. Our debt to equity ratio increased to negative 2.0% as at 31 December 2021 because our cash and cash equivalent decreased by RMB55.9 million from RMB63.7 million as at 31 December 2020 to RMB7.8 million as at 31 December 2021. Our debt to equity ratio then decreased to negative 27.4% as at 30 June 2022 because our cash and cash equivalent increased by RMB98.8 million.

Return on equity

Our return on equity decreased from 14.3% for the year ended 31 December 2019 to 4.3% for the year ended 31 December 2020, mainly because (a) our net profit decreased by approximately 61.9% as a result of a drop in revenue and (b) our equity base increased as a result of the [REDACTED] by the Company to Thrive Shine and Thrive Era in January 2020 and therefore approximately RMB[REDACTED] was credited as our [REDACTED] premium. Our return on equity subsequently increased to 9.6% for the year ended 31 December 2021 because our net profit increased significantly by 143.9% as a result of an increase in revenue. It then decreased to 0.6% for the six months ended 30 June 2022 because our revenue decreased significantly as a result of our unsatisfactory business performance caused by the outbreak of the COVID-19 Omicron variant in China since late 2021 and the strict and widespread lockdown measures imposed in China, as well as the drastic inflation in international oil price caused by the political crisis between Russia and Ukraine.

Return on assets

Our Group's return on assets was approximately 12.0%, 3.8%, 6.2% and 0.5% for the three years ended 31 December 2021 and the six months ended 30 June 2022. Our return on assets for the year ended 31 December 2020 was relatively low as compared to the other two years comprising the Track Record Period because our net profit decreased, as our business performance was adversely affected by the outbreak of the COVID-19 Pandemic and the drastic drop in oil price in 2020. Our return on assets subsequently increased to 6.2% as our net profit increased, partially offset by an increase in our current assets. Our return on assets was low for the six months ended 30 June 2022 because of the significant decrease in our net profit as a result of our unsatisfactory business performance for reasons explained above.

Net profit margin

The net profit margin was approximately 1.9%, 1.4%, 1.8% and 0.6% respectively for the three years ended 31 December 2021 and the six months ended 30 June 2022. According to the Frost & Sullivan Report, our Group's thin net profit margin is in line with the industry norm due to the nature of industry.

LIQUIDITY AND CAPITAL RESOURCES

Financial resources

We finance our operations primarily through cash generated from operating activities and capital injection from our Shareholders. As at 31 December 2019, 31 December 2020, 31 December 2021 and 30 June 2022, we had cash and cash equivalents of approximately RMB42.6 million, RMB63.7 million, RMB7.8 million and RMB106.6 million, respectively, which consisted of cash at banks and cash on hands.

Our Group's primary uses of cash include payment for purchases from suppliers and various operating expenses. During the Track Record Period, there had been no material change in our Group's fundamental drivers of financial resources.

During the Track Record Period and up to the Latest Practicable Date, our Group had not obtained any banking facilities, and had no unutilised banking facilities as at the Latest Practicable Date.

Cash flows

The following table sets forth a selected summary of our consolidated statements of cash flow for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Cash and cash equivalents at beginning of the year/period	26,699	42,580	63,695	63,695	7,805
Net cash (used in)/generated from operating activities	(29,995)	(32,403)	(55,307)	3,904	98,627
Net cash (used in)/generated from investing activities	(9,538)	(282)	(7)	102	511
Net cash generated from/(used in) financing activities	55,312	54,419	(560)	(380)	(380)
Net increase/(decrease) in cash and cash equivalents	15,779	21,734	(55,874)	3,626	98,758
Exchange differences on cash and cash equivalents	102	(619)	(16)	27	74
Cash and cash equivalents at end of the year/period	42,580	63,695	7,805	67,348	106,637

Cash and Cash equivalents

Our cash and cash equivalents increased by RMB21.1 million from RMB42.6 million as at 31 December 2019 to RMB63.7 million as at 31 December 2020 because we completed a [REDACTED] in January 2020 with [REDACTED] of RMB[REDACTED] million, partially offset mainly by net cash used in operating activities of RMB32.4 million. Our cash and cash equivalents then decreased to RMB7.8 million as at 31 December 2021 primarily because we recorded net cash used in operating activities of RMB55.3 million for the year. Our cash and cash equivalents increased by RMB98.8 million from RMB7.8 million as at 31 December 2021 to RMB106.6 million as at 30 June 2022 primarily because we recorded net cash generated from operating activities of RMB98.6 million.

Net cash used in operating activities

The following table sets forth a breakdown of our cash flows from operating activities:

	Year ended 31 December			Six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Operating profit before movement in working capital	58,875	31,471	58,148	42,787	4,905
Changes in working capital	(76,647)	(47,422)	(97,240)	(30,172)	98,384
Cash (used in)/generated from operations	(17,772)	(15,951)	(39,092)	12,615	103,289
Income tax paid	(12,223)	(16,452)	(16,215)	(8,711)	(4,662)
Net cash (used in)/generated from operating activities	(29,995)	(32,403)	(55,307)	3,904	98,627

We had negative cash flow from operating activities for the three years ended 31 December 2021, which was mainly attributable to adjustments for movements in working capital. For the year ended 31 December 2019, the decrease in working capital was mainly attributable to (i) an increase in prepayments of RMB68.4 million; and (ii) an increase in inventories of RMB20.0 million. For the year ended 31 December 2020, the decrease in working capital was mainly attributable to (i) an increase in trade and other receivables of RMB78.4 million; and (ii) a decrease in contract liabilities of RMB14.2 million. For the year ended 31 December 2021, the decrease in working capital was mainly attributable to an increase in trade and other receivables of RMB357.9 million, partially offset by an increase in trade and other payables of RMB150.1 million. Such fluctuations of working capital depend much on the timing of purchases and sales towards period ends and on the prepayment terms we negotiate with our suppliers and customers. Our management would closely monitor and regularly evaluate our cash flows, as well as review our working capital forecast to ensure our cash flow position remains healthy. We also manage our borrowings carefully. We had not obtained any bank facilities during the Track Record Period, but would constantly review our need to obtain bank borrowings to finance our working capital.

Our Directors are of the view that the measures described below would enable us to improve our liquidity position in view of the net operating cash outflows for the three years ended 31 December 2021:

(a) closely and continuously monitor our net current assets position. Our net current assets improved for the three years ended 31 December 2021 from RMB265.0 million as at 31 December 2019 to RMB338.8 million as at 31 December 2020 and further to RMB380.6 million as at 31 December 2021;

(b) conduct credit assessments on our new customers, such as their background, reputation and financials, upon customer acceptance; and

(c) follow up on the overdue trade receivables including (i) actively communicate with customers on the settlement dates; (ii) update their results of credit assessment if there are material changes on their operations or credit worthiness; (iii) make adequate provisions for irrecoverable amounts; and (iv) take appropriate legal actions if necessary.

We have also adopted treasury policies to manage our daily expenses and cash withdrawals, so as to ensure our working capital would be utilised efficiently. For bookkeeping and monitoring purposes, all receipts and withdrawals are recorded in our daily cash flow record. Detailed policies were also implemented to closely monitor our receivables and payables. We would better utilise different payment terms through negotiation to optimise payment schedules under contracts with our suppliers to match our collection of payments from our customers.

Net cash (used in)/generated from operating activities

For the year ended 31 December 2019, our Group had net cash used in operating activities of approximately RMB30.0 million, which was primarily attributable to (i) the increase in prepayments of approximately RMB68.4 million due to the difference in prepayment terms agreed with different suppliers; (ii) the increase in inventories of approximately RMB20.0 million due to the increase in inventories of fuel oil to cope with the expected increase in sales demand of fuel oil products after 31 December 2019, partially offset by (i) the operating profit before working capital changes of RMB58.9 million; and (ii) the increase in contract liabilities of approximately RMB9.9 million.

For the year ended 31 December 2020, our Group had net cash used in operating activities of approximately RMB32.4 million, which was primarily attributable to (i) the increase in trade and other receivables of approximately RMB78.4 million. Although service income was reported on a net basis and was directly recognised as both our revenue and gross profit during the Track Record Period, the amounts due from our customers for service income were recognised on a gross basis as our Group's trade receivables. As a result, although the proportion of our services income increased substantially for the year ended 31 December 2020 as our Group shifted to engage in relatively more outport trades during the year, our trade receivables also increased substantially as at 31 December 2020 primarily due from certain major customers who made purchases from our Group under both outport and through-port trades close to year end or delayed settling the invoices with us due to their prudent credit policy adopted as a result of the outbreak of COVID-19 Pandemic in 2020; and (ii) the decrease in contract liabilities of approximately RMB14.2 million, partially offset by (i) the decrease in prepayments of approximately RMB22.0 million; and (ii) the decrease in inventories of approximately RMB4.9 million.

For the year end 31 December 2021, we had net cash used in operating activities of approximately RMB55.3 million, which was primarily attributable to (i) an increase in trade and other receivables of RMB357.9 million, partially offset by an increase in trade and other payables of RMB150.1 million. Our trade receivables of RMB460.7 million as at 31 December 2021 were due from four major customers who made purchases from us close to year end or delayed settling the invoices with us due to their prudent credit policy adopted. All of the net trade receivables due from such four major customers had been subsequently settled in 2022.

For the six months end 30 June 2022, we had net cash generated from operating activities of approximately RMB98.6 million, which was primarily attributable to a decrease in trade and other receivables of RMB415.9 million, partially offset by a decrease in trade and other payables of RMB164.5 million.

Net cash (used in)/generated from investing activities

For the year ended 31 December 2019, our net cash used in investing activities was approximately RMB9.5 million, which was primarily due to the increase in purchase of property, plant and equipment of approximately RMB9.8 million.

For the year ended 31 December 2020, our net cash used in investing activities was approximately RMB0.3 million, which consisted of purchase of property, plant and equipment, partially offset by interest income on cash deposit.

For the year ended 31 December 2021, our net cash used in investing activities was approximately RMB7,000, which consisted of payments for property, plant and equipment, partially offset by interest income on cash deposit.

For the six months end 30 June 2022, our net cash generated from investing activities was approximately RMB511,000, which consisted of interest income on cash deposit, partially offset by payments for property, plant and equipment.

Net cash generated from/(used in) financing activities

For the year ended 31 December 2019, our net cash generated from financing activities was approximately RMB55.3 million, which was primarily attributable to the [REDACTED] of approximately RMB[REDACTED] from the [REDACTED] of our Company which was completed in June 2019.

For the year ended 31 December 2020, our net cash generated from financing activities was approximately RMB54.4 million, which was primarily attributable to the [REDACTED] of approximately RMB[REDACTED] from the [REDACTED] to Thrive Shine and Thrive Era.

For the year ended 31 December 2021, our net cash used in financing activities was approximately RMB0.6 million, which consisted of RMB0.3 million of principal elements of lease payments and RMB0.2 million of interest paid.

For the six months ended 30 June 2022, our net cash used in financing activities was approximately RMB0.4 million, which consisted of RMB0.3 million of principal elements of lease payments and RMB0.1 million of interest paid.

Working capital sufficiency

The Directors confirm that, taking into account the financial resources available to our Group, including our internal resources and our existing cash and bank balances, in the absence of unforeseen circumstances, the working capital available to our Group is sufficient for our Group's present requirements and for at least the next 12 months from the date of this document.

NET CURRENT ASSETS

Our Group's current assets mainly comprise of cash and cash equivalents, trade and other receivables, prepayments and inventories. Our Group's current liabilities mainly comprise of trade and other payables, contract liabilities, advances from customers, and current income tax liabilities.

The following table sets forth our current assets and current liabilities as at the dates indicated.

	As at 31 December			As at 30 June	As at 30 September
	2019	2020	2021	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)
Current assets					
Inventories	85,742	80,850	42,131	103,936	261,444
Prepayments	107,684	85,689	15,210	131,006	129,199
Trade and other receivables	68,934	147,071	504,936	89,071	9,701
Cash and cash equivalents	42,580	63,695	7,805	106,637	120,725
	304,940	377,305	570,082	430,650	521,069
Current liabilities					
Trade and other payables	11,221	29,590	179,700	15,154	47,004
Contract liabilities	16,456	2,210	3,527	28,193	63,301
Lease liabilities	612	336	353	362	366
Current income tax liabilities	11,631	6,390	5,945	3,269	9,618
	39,920	38,526	189,525	46,978	120,289
Net current assets	265,020	338,779	380,557	383,672	400,780

Our Group's net current assets increased from RMB265.0 million as at 31 December 2019 to RMB338.8 million as at 31 December 2020. The increase of RMB73.8 million was mainly attributable to the increase in trade and other receivables of approximately RMB78.1 million.

Our Group's net current assets increased from RMB338.8 million as at 31 December 2020 to RMB380.6 million as at 31 December 2021. The increase of RMB41.8 million was mainly attributable to the increase in trade and other receivables of RMB357.9 million, partially offset by (i) an increase in trade and other payables of RMB150.1 million; (ii) a decrease in prepayments of RMB70.5 million; and (iii) a decrease in cash and cash equivalents of RMB55.9 million.

Our Group's net current assets remained relatively stable and increased slightly from approximately RMB380.6 million as at 31 December 2021 to RMB383.7 million as at 30 June 2022, which was mainly attributable to the decrease in our trade and other payable.

Based on our unaudited financial statements as at 30 September 2022, our Group's net current assets increased slightly from RMB383.7 million as at 30 June 2022 to RMB400.8 million as at 30 September 2022, which was mainly attributable to the increase in inventories of RMB157.5 million, partially offset by (i) a decrease in trade and other receivables of RMB79.4 million; and (ii) an increase in contract liabilities of RMB35.1 million.

COMMITMENTS

Capital commitments

Our significant capital expenditures contracted for as of each date indicated but not recognised as liabilities were as follows:

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	8,483	8,483	8,483	8,483
	8,483	8,483	8,483	8,483

Save as disclosed herein, our Group did not have any other material commitments for the Track Record Period.

CAPITAL EXPENDITURE

The capital expenditure is principally related to the purchase of storage facilities, office equipment and motor vehicles and assets under construction. We funded our capital expenditure by internal cash resources. The following table sets forth our capital expenditures during the Track Record Period:

	Year ended 31 December			Six months ended 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Storage facilities and leasehold improvements	—	10	173	—
Office equipment, motor vehicles and others	212	187	125	50
Assets under construction	2,391	376	450	—
Total	2,603	573	748	50

OFF-BALANCE SHEET COMMITMENTS AND FINANCIAL INSTRUMENTS

Save for the capital commitments and operating lease commitments disclosed above, we had not entered into any material off-balance sheet commitments and arrangements during the Track Record Period and up to the Latest Practicable Date.

INDEBTEDNESS

Lease liabilities

Our lease liabilities primarily represented for the leases in relation to the land, buildings and office premises. Our lease liabilities amounted to approximately RMB5,021,000, RMB4,743,000, RMB4,407,000, RMB4,134,000 and RMB4,094,000 as at 31 December 2019, 31 December 2020, 31 December 2021, 30 June 2022 and 30 September 2022, respectively.

Our Group did not have any debt securities issued or outstanding, or authorised or otherwise created but unissued, or any term loans whether guaranteed or secured as at 30 September 2022, being the latest practicable date to ascertain the indebtedness of our Group.

Contingent liabilities

As at 30 September 2022, except as disussed below, neither our Group nor our Company had any significant contingent liabilities.

When JTF (PRC) was still owned by its previous shareholders, JTF (PRC), as debtor, entered into a loan agreement with a total borrowing amount of RMB10 million (the "**Loan**") in May 2003, which was prior to the acquisition of the entire equity interest of JTF (PRC) by our founders in December 2004. In October 2021, the current creditor of the Loan applied to the People's Court of Zengcheng District of Guangzhou City (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 for the Interim Preservation pursuant to which several of JTF (PRC)'s bank accounts (the "**Bank Accounts**") were frozen accordingly. The Court made a further ruling on the Interim Preservation in December 2021, pursuant to which, among others, the Bank Accounts would be unfrozen and a portion of JTF (PRC)'s bank balances would be placed under custody of the Court. As at 31 December 2021, cash and cash equivalents of RMB2,318,000 were placed under custody of the Court. In January 2022, further cash and cash equivalents of RMB4,777,000 were placed under custody of the Court. As at 30 June 2022, cash and cash equivalents of RMB7,095,000 were placed under custody of the Court. Our Directors are of the view that these receivables are recoverable. For further details, please refer to the section headed "Business — Legal and regulatory compliance — Litigation and potential claims" and Note 27 to the accountant's report set out in Appendix I to this document.

Save as aforesaid and apart from the normal trade and other payables in the ordinary course of the business, as at the close of business on 30 September 2022, our Group did not have other outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

The Directors confirm that there has been no material change in the indebtedness and contingent liabilities of our Group since 30 September 2022, being the latest practicable date to ascertain the indebtedness of our Group.

EVENTS AFTER REPORTING PERIOD

There were no material subsequent events undertaken by the Company or by our Group after 30 June 2022.

DIVIDEND

There were no dividends paid or payable by our Company in respect of the Track Record Period.

Our Company does not have a dividend policy or any pre-determined dividend distribution ratio. The declaration of future dividends will be subject to the recommendation by the Board at its discretion in accordance with our Articles of Association and will depend on a number of factors, including market conditions, our strategic plans and prospects, business opportunities, financial condition and operating results, working capital requirements and anticipated cash needs, statutory and contractual restrictions on the payment of dividends by us and other factors that our Board considers relevant. In addition, the Controlling Shareholders will be able to influence our dividend policy. Cash dividends on Shares, if any, will be paid in Hong Kong currency.

[REDACTED] EXPENSES

We have incurred [REDACTED] expenses in connection with the [REDACTED], which include professional fees and other related expenses. None of such [REDACTED] expenses is underwriting-related as the [REDACTED] is not an underwritten offering, or an offering of any kind. The total amount of [REDACTED] expenses is estimated to be approximately RMB[REDACTED], of which (i) approximately RMB[REDACTED], RMB[REDACTED] and RMB[REDACTED] was charged to our consolidated statements of profit or loss and other comprehensive income for the years ended 31 December 2020 and 2021 and the six months ended 30 June 2022, respectively; and (ii) approximately RMB[REDACTED] is expected to be charged to our consolidated statements of profit or loss and other comprehensive income for the six months ending 31 December 2022. Our Directors do not consider any item of the [REDACTED] expenses material or unusually high.

Our Directors expect that our financial performance for the year ending 31 December 2022 will be adversely affected by such expenses in relation to the [REDACTED].

SAFETY RESERVE

Pursuant to certain regulations issued by the Ministry of Finance and the State Administration of Work Safety of the PRC, our Group's PRC subsidiary is required to set aside an amount to safety reserve at progressive rates from 0.5% to 4% of the sales of hazardous chemical since 14 February 2012. The reserve can be utilised for the spending on improvements and maintenance of work safety of our Group's daily operations, which are considered expenses in nature and charged to the consolidated statement of comprehensive income as incurred. As at 1 January 2019, our Group's safety reserve amounted to approximately RMB15.7 million. Our appropriation to safety reserves was approximately RMB6.8 million, RMB7.6 million, RMB4.8 million and RMB3.5 million for the three years ended 31 December 2021 and the six months ended 30 June 2022 respectively.

DISTRIBUTABLE RESERVES

As at 30 June 2022, the aggregate amount of distributable reserve of our Company available for distribution to the Shareholders was approximately RMB197.5 million.

QUANTITATIVE AND QUALITATIVE ANALYSIS OF FINANCIAL RISKS

Our Group is exposed to various types of financial risks in the ordinary course of its business, including market risk (including foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk.

Market risk

Foreign exchange risk

Most transactions of our Group were settled in RMB, except for certain transactions which are settled in foreign currencies. As at 31 December 2019, 31 December 2020, 31 December 2021 and 30 June 2022, our Group's non-RMB denominated assets and liabilities included trade and other receivables, cash and cash equivalents and trade and other payables, and they are denominated in HK$. For further details, please refer to Note 3.1.1(a) to the accountant's report set out in Appendix I to this document.

Cash flow interest rate risk

Our Group's cash flow interest risk arises primarily from deposits held in banks. Cash at banks at variable rates exposes our Group to cash flow interest rate risk. For further details, please refer to Note 3.1.1(b) to the accountant's report set out in Appendix I to this document.

Credit risk

The credit risk of our Group mainly arises from cash and cash equivalents, trade and other receivables. Our Group's maximum exposure to credit risk is limited to the carrying amounts of the financial assets at the end of each reporting date. For further details, please refer to Note 3.1.2 to the accountant's report set out in Appendix I to this document.

Liquidity risk

Liquidity risk relates to the risk that our Group will not be able to meet our financial obligations as they become due. In the management of liquidity risk, our Group monitors and maintains a level of cash and cash equivalents to finance our Group's operations and mitigate the effects of fluctuations in cash flows. Our Group is expected to fund our future cash flow needs through internally generated cash flows from operations and available sources of financing. For further details, please refer to Note 3.1.3 to the accountant's report set out in Appendix I to this document.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirmed that, as at the Latest Practicable Date, there were no circumstances that, had we been required to comply with Rules 13.13 to 13.19 of the Main Board Listing Rules, would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Main Board Listing Rules.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

For the unaudited pro forma adjusted consolidated net tangible of our Group, please refer to Appendix II to this document.

PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2022

Forecast consolidated profit attributable to owners of our Company
for the year ending 31 December 2022. . . . . not less than RMB[REDACTED] million
(approximately HK$[REDACTED] million)

The Directors believe that, on the bases and assumptions set out in the Profit Forecast in Appendix III to this document and in the absence of unforeseen circumstances, our forecast consolidated net profit attributable to owners of the Company for the year ending 31 December 2022 is unlikely to be less than RMB[REDACTED] million. The profit forecast has been prepared by the Directors based on the audited consolidated results of our Group for the six months ended 30 June 2022, the unaudited consolidated results of our Group for the four months ended 31 October 2022 and a forecast of the consolidated results of our Group for the remaining two months ending 31 December 2022. The forecast has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by our Group as set out in Note 2 of the Accountants' Report, the text of which is set out in Appendix I to this document.

There can be no assurance that such estimates will ultimately be realized, or if not realized, that the failure to realize such results will not have a material and adverse impact on our financial condition or results of operations.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, save for the estimated non-recurring [REDACTED] expenses, there has been no material adverse change in the financial or trading position or prospects of our Group since 30 June 2022 (being the date to which the latest audited financial statements of our Group were made up) and up to the date of this document, and there is no event since 30 June 2022 and up to the date of this document which would materially affect the information shown in the accountant's report set out in Appendix I to this document.

FUTURE PLANS

Please refer to the section headed "Business — Our business strategies" in this document for detailed description of our future plans.

REASONS FOR THE [REDACTED]

Our Shares have been listed on GEM since 17 January 2018. Our Company is an investment holding company. We principally engage in the wholesale of refined oil, fuel oil and other petrochemical products in the PRC. The oil products that we trade can be broadly categorised into (i) fuel oil; (ii) refined oil; and (iii) other petrochemical products. Our oil products are primarily used as fuel in marine vessels, transportation vehicles and machinery equipment, for retail sale at gas stations and as raw materials in refining process for oil refineries. We also sell blended fuel oil according to our customers' specifications in order to meet their different needs and application requirements. There has been no material change in the Company's business model, regulatory environment and industry landscape since the GEM Listing and up to the Latest Practicable Date.

Our Board believes that the [REDACTED] will enhance the corporate profile and public recognition of our Company. This will in turn enhance the business prospects of our Group and add to its competitive strength in attracting, retaining and augmenting our Group's qualified staff and client base. Our Board also expects that the Main Board trading platform will lead to a larger investor base of the Company and greater trading liquidity of the Shares. All of these factors will ultimately contribute to increasing shareholder value. Accordingly, our Board is of the view that the [REDACTED] is beneficial to the future growth and development of our Group and is in the overall interests of our Company and our Shareholders.

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the [Sole] Sponsor pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

[Letterhead of PricewaterhouseCoopers] ***[DRAFT]***

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-46, which comprises the consolidated statements of financial position as at 31 December 2019, 2020 and 2021 and 30 June 2022, the company statements of financial position as at 31 December 2019, 2020 and 2021 and 30 June 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 2019, 2020 and 2021 and the six months ended 30 June 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-46 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [date] (the "Document") in connection with the proposed [REDACTED] from GEM to the Main Board of The Stock Exchange of Hong Kong Limited.

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.

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 set 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 2019, 2020 and 2021 and 30 June 2022 and the consolidated financial position of the Group as at 31 December 2019, 2020 and 2021 and 30 June 2022 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the six months ended 30 June 2021 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

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]
Certified Public Accountants
Hong Kong

[Date]

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			Six months ended 30 June	
		2019	2020	2021	2021	2022
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Revenue	*6*	2,141,533	1,100,262	2,043,377	1,082,298	400,126
Cost of sales	*7*	(2,045,726)	(1,030,811)	(1,952,644)	(1,022,821)	(382,396)
Gross profit		**95,807**	**69,451**	**90,733**	**59,477**	**17,730**
Other (losses)/gains — net	*8*	(825)	1,418	6	1	(220)
Distribution expenses	*7*	(25,175)	(20,570)	(21,791)	(11,819)	(7,431)
Administrative expenses	*7*	(12,371)	(20,699)	(12,354)	(5,645)	(5,952)
Net reversal of impairment losses/(impairment losses) on financial assets	*20*	3,221	(295)	—	—	—
Operating profit		**60,657**	**29,305**	**56,594**	**42,014**	**4,127**
Finance income	*10*	376	291	291	252	635
Finance costs	*10*	(260)	(864)	(240)	(115)	(107)
Finance income/(costs) — net	*10*	116	(573)	51	137	528
Profit before income tax		**60,773**	**28,732**	**56,645**	**42,151**	**4,655**
Income tax expense	*11*	(20,906)	(13,527)	(19,559)	(14,457)	(2,166)
Profit for the year/period		**39,867**	**15,205**	**37,086**	**27,694**	**2,489**
Other comprehensive income		—	—	—	—	—
Total comprehensive income for the year/period		**39,867**	**15,205**	**37,086**	**27,694**	**2,489**
Earnings per share						
— Basic and diluted (RMB)	*12*	7.4 cents	1.6 cents	4.0 cents	3.0 cents	0.3 cents

(b) Consolidated Statements of Financial Position

		As at 31 December			As at 30 June
		2019	2020	2021	2022
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Non-current assets					
Property, plant and equipment	*14*	18,117	17,521	17,137	16,620
Right-of-use assets	*15*	4,943	4,681	4,259	4,048
Deferred income tax assets	*16*	684	708	733	770
Prepayments	*19*	4,644	4,644	4,194	4,194
		28,388	27,554	26,323	25,632
Current assets					
Inventories	*18*	85,742	80,850	42,131	103,936
Prepayments	*19*	107,684	85,689	15,210	131,006
Trade and other receivables	*20*	68,934	147,071	504,936	89,071
Cash and cash equivalents	*21*	42,580	63,695	7,805	106,637
		304,940	377,305	570,082	430,650
Total assets		333,328	404,859	596,405	456,282
EQUITY					
Share capital	*22*	5,301	7,980	7,980	7,980
Other reserves	*23*	210,532	273,381	282,462	285,916
Retained earnings		63,133	68,192	96,197	95,232
Total equity		278,966	349,553	386,639	389,128
LIABILITIES					
Non-current liabilities					
Lease liabilities	*15*	4,409	4,407	4,054	3,772
Deferred income tax liabilities	*16*	10,033	12,373	16,187	16,404
		14,442	16,780	20,241	20,176
Current liabilities					
Trade and other payables	*24*	11,221	29,590	179,700	15,154
Contract liabilities	*25*	16,456	2,210	3,527	28,193
Lease liabilities	*15*	612	336	353	362
Current income tax liabilities		11,631	6,390	5,945	3,269
		39,920	38,526	189,525	46,978
Total liabilities		54,362	55,306	209,766	67,154
Total equity and liabilities		333,328	404,859	596,405	456,282

(c) Statements of Financial Position of the Company

		As at 31 December			As at 30 June
		2019	**2020**	**2021**	**2022**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Non-current assets					
Investment in a subsidiary	*17*	72,556	72,210	72,210	72,210
Amounts due from subsidiaries	*17*	103,748	152,951	151,951	151,951
		176,304	225,161	224,161	224,161
Current assets					
Prepayments		746	859	449	372
Cash and cash equivalents		119	1,120	678	2,057
		865	1,979	1,127	2,429
Total assets		177,169	227,140	225,288	226,590
EQUITY					
Share capital	*22*	5,301	7,980	7,980	7,980
Other reserves		189,174	241,531	241,531	241,531
Accumulated losses		(22,901)	(36,889)	(41,762)	(43,984)
Total equity		171,574	212,622	207,749	205,527
LIABILITIES					
Current liabilities					
Other payables		1,568	3,928	4,101	4,272
Amounts due to subsidiaries	*17*	4,027	10,590	13,438	16,791
		5,595	14,518	17,539	21,063
Total liabilities		5,595	14,518	17,539	21,063
Total equity and liabilities		177,169	227,140	225,288	226,590

(d) Consolidated Statements of Changes in Equity

		Other reserves						
	Share capital *RMB'000* *Note 22*	**Recapitalisation reserves** *RMB'000*	**Share premium** *RMB'000*	**Capital reserves** *RMB'000*	**Statutory reserves** *RMB'000* *Note 23(a)(i)*	**Safety reserves** *RMB'000* *Note 23(a)(ii)*	**Retained earnings** *RMB'000*	**Total** *RMB'000*
Balance at 1 January 2019	3,456	56,125	62,308	300	10,564	15,683	34,508	182,944
Profit for the year	—	—	—	—	—	—	39,867	39,867
Other comprehensive income	—	—	—	—	—	—	—	—
Total comprehensive income	—	—	—	—	—	—	39,867	39,867
[REDACTED] *(Note 22(a))*	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Appropriation to safety reserves	—	—	—	—	—	6,848	(6,848)	—
Appropriation to statutory reserves	—	—	—	—	4,394	—	(4,394)	—
Balance at 31 December 2019	5,301	56,125	116,618	300	14,958	22,531	63,133	278,966
Balance at 1 January 2020	5,301	56,125	116,618	300	14,958	22,531	63,133	278,966
Profit for the year	—	—	—	—	—	—	15,205	15,205
Other comprehensive income	—	—	—	—	—	—	—	—
Total comprehensive income	—	—	—	—	—	—	15,205	15,205
[REDACTED] *(Note 22(b))*	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
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 period	—	—	—	—	—	—	2,489	2,489
Other comprehensive income	—	—	—	—	—	—	—	—
Total comprehensive income	—	—	—	—	—	—	2,489	2,489
Appropriation to safety reserves	—	—	—	—	—	3,454	(3,454)	—
Balance at 30 June 2022	7,980	56,125	169,321	300	21,738	38,432	95,232	389,128
Unaudited:								
Balance at 1 January 2021	7,980	56,125	169,321	300	17,500	30,135	68,192	349,553
Profit for the period	—	—	—	—	—	—	27,694	27,694
Other comprehensive income	—	—	—	—	—	—	—	—
Total comprehensive income	—	—	—	—	—	—	27,694	27,694
Appropriation to safety reserves	—	—	—	—	—	2,341	(2,341)	—
Balance at 30 June 2021	7,980	56,125	169,321	300	17,500	32,476	93,545	377,247

(e) Consolidated Statements of Cash Flows

		Year ended 31 December			Six months ended 30 June	
		2019	**2020**	**2021**	**2021**	**2022**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Cash flows from operating activities						
Cash (used in)/generated from operations	26	(17,772)	(15,951)	(39,092)	12,615	103,289
Income tax paid		(12,223)	(16,452)	(16,215)	(8,711)	(4,662)
Net cash (used in)/generated from operating activities		(29,995)	(32,403)	(55,307)	3,904	98,627
Cash flows from investing activities						
Purchase of property, plant and equipment		(9,812)	(573)	(298)	(123)	(50)
Interest income on cash deposit		274	291	291	225	561
Net cash (used in)/generated from investing activities		(9,538)	(282)	(7)	102	511
Cash flows from financing activities						
[REDACTED] from [REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Payments of professional fees in respect of [REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Principal elements of lease payments		(583)	(718)	(336)	(265)	(273)
Interest paid		(260)	(245)	(224)	(115)	(107)
Net cash generated from/(used in) financing activities		55,312	54,419	(560)	(380)	(380)
Net increase/(decrease) in cash and cash equivalents		15,779	21,734	(55,874)	3,626	98,758
Cash and cash equivalents at beginning of the year/period		26,699	42,580	63,695	63,695	7,805
Exchange differences on cash and cash equivalents		102	(619)	(16)	27	74
Cash and cash equivalents at end of the year/period		42,580	63,695	7,805	67,348	106,637

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 Law (Cap.22) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY 1-1111, 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 ''[REDACTED] 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 and amendments to standards 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
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendment to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023

		Effective for accounting periods beginning on or after
HKFRS 17	Insurance contracts	1 January 2023
Amendments to HKFRS 17	Amendments to HKFRS 17	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKFRS 4	Extension of the Temporary Exemption from Applying HKFRS 9	1 January 2023
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.

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 (losses)/gains — net".

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

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- 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 (losses)/gains — net" in the profit or loss.

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

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

2.6 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 in hand and deposits held at call with banks with maturing date of less than 3 months.

2.12 Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares 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 classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables 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

Dividend distribution to the shareholders of the group companies is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the shareholders of the group companies.

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 2019, 2020 and 2021 and 30 June 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 2019, 2020 and 2021 and the six months ended 30 June 2022 ranged from 0.13% to 1.65%, 0.30% to 1.65%, 0.30% to 1.10% and 0.30% to 1.20%, 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 2019, 2020 and 2021 and 30 June 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 2019, 2020 and 2021 and 30 June 2022, the top five debtors of the Group contributed to approximately 98%, 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 2019, 2020 and 2021 and 30 June 2021 and 2022 were 1.90%, 1.04%, 0.29%, 4.01% and 2.67%. 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 *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Over 5 years *RMB'000*	Total contractual cash flows *RMB'000*	Carrying amount liabilities *RMB'000*
31 December 2019						
Trade and other payables (excluding accrual for staff costs, allowances and other tax payables)	9,261	—	—	—	9,261	9,261
Lease liabilities	844	763	1,080	4,380	7,067	5,021
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
30 June 2022						
Trade and other payables (excluding accrual for staff costs, allowances and other tax payables)	8,709	—	—	—	8,709	8,709
Lease liabilities	560	560	1,080	3,480	5,680	4,134

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 2019, 2020 and 2021 and 30 June 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			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at amortised cost:				
Trade and other receivables	68,934	147,071	504,936	89,071
Cash and cash equivalents	42,580	63,695	7,805	106,637
	111,514	210,766	512,741	195,708
Financial liabilities				
Financial liabilities at amortised cost:				
Trade and other payables (excluding accrued payroll and other taxes payables)	9,261	26,788	176,450	8,709
Lease liabilities	5,021	4,743	4,407	4,134
	14,282	31,531	180,857	12,843

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the actual results. The estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as below.

(a) Impairment of receivables

The Group records impairment of receivables based on an assessment made by management on the expected credit losses of trade and other receivables. Impairment assessment requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact both the carrying value of trade and other receivables and the impairment charge in the period in which such estimate has been changed.

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

The Group's trading activities of petrochemical products are subject to the risk of volatility of crude oil price. The crude oil price is affected by a wide range of global and domestic factors that are beyond the control of the Group, 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 2019, 2020 and 2021 and 30 June 2022, the Group's non-current assets were mainly located in the PRC.

6 REVENUE

	Year ended 31 December			**Six months ended 30 June**	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Sales of goods:					
— Refined oil	1,790,014	728,805	1,334,091	623,057	365,995
— Fuel oil	258,651	164,441	91,535	91,401	—
— Other petrochemical products	86,770	179,266	613,385	363,474	33,083
	2,135,435	1,072,512	2,039,011	1,077,932	399,078
Service income	6,098	27,750	4,366	4,366	1,048
	2,141,533	1,100,262	2,043,377	1,082,298	400,126
Timing of revenue recognition					
— At point in time	2,141,533	1,100,262	2,043,377	1,082,298	400,126

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

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Customer A**	N/A*	N/A*	452,785	224,928	215,092
Customer B**	630,895	157,269	312,154	NA*	79,475
Customer C	N/A*	165,855	N/A*	NA*	NA*
Customer D**	N/A*	109,261	N/A*	151,155	NA*
Customer E**	249,255	108,090	N/A*	NA*	NA*
Customer F**	265,266	N/A*	N/A*	NA*	NA*
Customer G	257,853	N/A*	N/A*	NA*	NA*

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

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

(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			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Changes in inventories	(19,989)	4,892	38,719	(30,074)	(61,805)
Fuel oil, refined oil and other petrochemical products purchased	2,033,613	1,014,441	1,896,541	1,040,509	443,225
Transportation expenses	37,332	12,840	21,483	14,251	1,416
Handling charges	1,060	4,516	5,006	2,529	2,438
Expenses relating to short term leases *(Note 15)*	13,218	8,943	6,127	4,141	2,117
Staff costs (including directors' emoluments) *(Note 9)*	8,344	6,544	5,960	2,902	2,913
Taxes and surcharges	2,284	2,079	2,686	1,422	1,016
Auditor's remuneration	1,333	896	900	—	—
Depreciation *(Note 14 and 15)*	1,439	1,860	1,554	773	778
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other expenses	4,638	4,156	4,331	2,353	2,931
Total cost of sales, distribution expenses and administrative expenses	2,083,272	1,072,080	1,986,789	1,040,285	395,779

8 OTHER (LOSSES)/GAINS — NET

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Liquidated damages compensation *(Note (a))*	—	1,418	—	—	—
Subsidy income	—	—	6	1	36
Others	(825)	—	—	—	(256)
	(825)	1,418	6	1	(220)

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

9 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries, wages, bonuses, welfare and other benefits	7,496	6,085	5,115	2,465	2,505
Contributions to employee social security plans	848	459	845	437	408
	8,344	6,544	5,960	2,902	2,913

(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 2019, 2020 and 2021 and the six months ended 30 June 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 2019			
Executive directors:			
Mr. Xu	962	28	990
Ms. Huang (i)	962	28	990
Mr. Choi	1,260	13	1,273
Independent non-executive directors			
Mr. Chan William	95	—	95
Mr. Tsui Hing Shan	95	—	95
Mr. Kan Siu Chung	95	—	95
	3,469	69	3,538

	Salaries, wages, bonuses, welfare and other benefits *RMB'000*	Contributions to employee social security plans *RMB'000*	Total *RMB'000*
For the year ended 31 December 2020			
Executive directors:			
Mr. Xu	409	16	425
Ms. Huang (i)	409	14	423
Mr. Choi	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 six months ended 30 June 2022			
Executive directors:			
Mr. Xu	160	21	181
Ms. Huang (i)	160	5	165
Mr. Choi	299	5	304
Independent non-executive directors			
Mr. Chan William	45	—	45
Mr. Tsui Hing Shan	45	—	45
Mr. Kan Siu Chung	45	—	45
	754	31	785

	Salaries, wages, bonuses, welfare and other benefits	Contributions to employee social security plans	Total
	RMB'000	*RMB'000*	*RMB'000*
Unaudited:			
For the six months ended 30 June 2021			
Executive directors:			
Mr. Xu	60	16	76
Ms. Huang (i)	60	3	63
Mr. Choi	200	—	200
Independent non-executive directors			
Mr. Chan William	45	—	45
Mr. Tsui Hing Shan	45	—	45
Mr. Kan Siu Chung	45	—	45
	455	19	474

Note:

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

Except for disclosed above, during the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 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 2019, 2020 and 2021 and the six months ended 30 June 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/period or at any time during each of the year/period.

— during the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022, Mr. Xu, Ms. Huang and Mr. Choi waived emoluments of nil, HKD640,000, HKD480,000, HKD480,000 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 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022 included 3, 3, 1, 1 and 3 director/directors, respectively, whose emoluments are reflected in the analysis presented above. The emoluments of the remaining individuals during the year/period are as follows:

	Year ended 31 December			Six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Salaries, wages, bonuses, welfare and other benefits	709	883	1,383	692	450
Contributions to employee social security plans	73	47	202	103	42
	782	930	1,585	795	492

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

	Year ended 31 December			Six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
				(Unaudited)	
Number of individuals falls in the emolument bands from nil to HK$1,000,000	2	2	4	4	2

During the year ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 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			Six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
				(Unaudited)	
Number of individuals falls in the emolument bands from nil to HK$1,000,000	2	1	1	1	1

10 FINANCE INCOME/(COSTS) — NET

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest income on bank deposits	274	291	291	225	561
Interest expenses on lease liabilities	(260)	(245)	(224)	(115)	(107)
Net foreign exchange gains/(losses) on cash and cash equivalents	102	(619)	(16)	27	74
Finance income/(costs) — net	116	(573)	51	137	528

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 2019, 2020 and 2021 and the six months ended 30 June 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 RMB2,458,000, RMB2,009,000, RMB1,451,000, RMB684,000 and RMB693,000 for the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 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 2019, 2020 and 2021 and the six months ended 30 June 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 2019, 2020 and 2021 and the six months ended 30 June 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 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022.

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Current income tax:					
— PRC enterprise income tax	15,983	11,211	15,770	11,338	1,986
Deferred income tax:					
— PRC enterprise income tax	969	(24)	(25)	(36)	(37)
— PRC withholding income tax	3,954	2,340	3,814	3,155	217
	4,923	2,316	3,789	3,119	180
	20,906	13,527	19,559	14,457	2,166

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			Six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Profit before income tax	60,773	28,732	56,645	42,151	4,655
Tax calculated at tax rates applicable to profit in the respective tax jurisdictions	16,528	10,851	15,504	11,186	1,779
Tax effect of:					
— Tax loss for which no deferred tax assets was recognised	406	331	239	113	114
— Expenses not deductible for tax purposes	18	5	2	3	56
— PRC withholding income tax of a group company	3,954	2,340	3,814	3,155	217
	20,906	13,527	19,559	14,457	2,166

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 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022.

	Year ended 31 December			Six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
				(Unaudited)	
Profit for the year/period (RMB'000)	39,867	15,205	37,086	27,694	2,489
Weighted average number of ordinary shares in issue	537,369,863	922,622,951	930,000,000	930,000,000	930,000,000
Basic earnings per share (RMB)	7.4 cents	1.6 cents	4.0 cents	3.0 cents	0.3 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 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022.

14 PROPERTY, PLANT AND EQUIPMENT

	Storage facilities and leasehold improvements *RMB'000*	Office equipment, motor vehicles and others *RMB'000*	Assets under construction *RMB'000* *Note (b)*	Total *RMB'000*
At 1 January 2019				
Cost	14,261	768	10,071	25,100
Accumulated depreciation	(7,791)	(358)	—	(8,149)
Accumulated impairment	(689)	—	—	(689)
Net book amount	5,781	410	10,071	16,262
Year ended 31 December 2019				
Opening net book amount	5,781	410	10,071	16,262
Additions	—	212	2,391	2,603
Transfers	10,382	780	(11,162)	—
Depreciation charges	(465)	(283)	—	(748)
Closing net book amount	15,698	1,119	1,300	18,117
At 31 December 2019				
Cost	24,643	1,760	1,300	27,703
Accumulated depreciation	(8,256)	(641)	—	(8,897)
Accumulated impairment	(689)	—	—	(689)
Net book amount	15,698	1,119	1,300	18,117
Year ended 31 December 2020				
Opening net book amount	15,698	1,119	1,300	18,117
Additions	10	187	376	573
Disposal	—	(31)	—	(31)
Transfers	376	—	(376)	—
Depreciation charges	(824)	(314)	—	(1,138)
Closing net book amount	15,260	961	1,300	17,521
At 31 December 2020				
Cost	25,029	1,900	1,300	28,229
Accumulated depreciation	(9,080)	(939)	—	(10,019)
Accumulated impairment	(689)	—	—	(689)
Net book amount	15,260	961	1,300	17,521
Year ended 31 December 2021				
Opening net book amount	15,260	961	1,300	17,521
Additions	173	125	450	748
Depreciation charges	(846)	(286)	—	(1,132)
Closing net book amount	14,587	800	1,750	17,137
At 31 December 2021				
Cost	25,202	2,025	1,750	28,977
Accumulated depreciation	(9,926)	(1,225)	—	(11,151)
Accumulated impairment	(689)	—	—	(689)
Net book amount	14,587	800	1,750	17,137

	Storage facilities and leasehold improvements	Office equipment, motor vehicles and others	Assets under construction	Total
	RMB'000	*RMB'000*	*RMB'000* *Note (b)*	*RMB'000*
Six months ended 30 June 2022				
Opening net book amount	14,587	800	1,750	17,137
Additions	—	50	—	50
Depreciation charges	(426)	(141)	—	(567)
Closing net book amount	14,161	709	1,750	16,620
At 30 June 2022				
Cost	25,202	2,075	1,750	29,027
Accumulated depreciation	(10,352)	(1,366)	—	(11,718)
Accumulated impairment	(689)	—	—	(689)
Net book amount	14,161	709	1,750	16,620
Unaudited:				
Six months ended 30 June 2021				
Opening net book amount	15,260	961	1,300	17,521
Additions	—	123	450	573
Depreciation charges	(421)	(141)	—	(562)
Closing net book amount	14,839	943	1,750	17,532
At 30 June 2021				
Cost	25,029	2,023	1,750	28,802
Accumulated depreciation	(9,501)	(1,080)	—	(10,581)
Accumulated impairment	(689)	—	—	(689)
Net book amount	14,839	943	1,750	17,532

(a) Depreciation of the property, plant and equipment has been charged to profit or loss as follows:

	Year ended 31 December			Six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Distribution expenses	207	549	553	276	281
Administrative expenses	541	589	579	286	286
	748	1,138	1,132	562	567

(b) As at 31 December 2019, 2020 and 2021 and 30 June 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			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Right-of-use assets				
Land, buildings and offices	4,943	4,681	4,259	4,048
Lease liabilities				
Current	612	336	353	362
Non-current	4,409	4,407	4,054	3,772
	5,021	4,743	4,407	4,134

There were no additions to the right-of-use assets during the years ended 31 December 2019 and 2021 and the six months ended 30 June 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			Six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Depreciation charge of right-of-use assets	691	722	422	211	211
Interest expenses (included in finance costs)	260	245	224	115	107
Expenses relating to short-term leases (included in distribution expenses and administrative expenses)	13,218	8,943	6,127	4,141	2,117

The total cash payment for leases during the year ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022 was RMB14,061,000, RMB8,817,000, RMB4,879,000, RMB5,261,000 and RMB3,956,000 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 3 months 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 LIABILITIES — NET

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

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred income tax assets:				
— to be recovered after more than 12 months	684	708	733	770
Deferred income tax liabilities:				
— to be recovered after more than 12 months	(10,033)	(12,373)	(16,187)	(16,404)
Deferred income tax liabilities — net	(9,349)	(11,665)	(15,454)	(15,634)

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

	Year ended 31 December			Six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
At beginning of the year/period	(4,426)	(9,349)	(11,665)	(11,665)	(15,454)
Tax charged to profit or loss	(4,923)	(2,316)	(3,789)	(3,119)	(180)
At end of the year/period	(9,349)	(11,665)	(15,454)	(14,784)	(15,634)

(b) The movements in deferred income tax assets and liabilities during the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 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 2019	1,092	449	141	(6,079)	(29)	(4,426)
Tax (charged)/credited to profit or loss	(805)	15	12	(3,954)	(191)	(4,923)
At 31 December 2019	287	464	153	(10,033)	(220)	(9,349)
At 1 January 2020	287	464	153	(10,033)	(220)	(9,349)
Tax credited/(charged) to profit or loss	74	23	—	(2,340)	(73)	(2,316)
At 31 December 2020	361	487	153	(12,373)	(293)	(11,665)

	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 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	—	9	—	(217)	28	(180)
At 30 June 2022	361	517	153	(16,404)	(261)	(15,634)
Unaudited:						
At 1 January 2021	361	487	153	(12,373)	(293)	(11,665)
Tax credited/(charged) to profit or loss	—	11	—	(3,155)	25	(3,119)
At 30 June 2021	361	498	153	(15,528)	(268)	(14,784)

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

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current portions:				
— Unlisted investment, at costs (a)	72,556	72,210	72,210	72,210
— Amounts due from subsidiaries (b)	103,748	152,951	151,951	151,951
	176,304	225,161	224,161	224,161
Current portions:				
— Amounts due to subsidiaries (c)	(4,027)	(10,590)	(13,438)	(16,791)

(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			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Refined oil	62,142	72,945	14,397	76,011
Fuel oil	23,600	7,905	1,551	1,551
Other petrochemical products	—	—	26,183	26,374
	85,742	80,850	42,131	103,936

During the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022, the cost of inventories recognised as expenses and included in "cost of sales" in profit and loss amounted to RMB2,044,384,000, RMB1,029,732,000, and RMB1,951,223,000 and RMB1,022,133,000 and RMB382,005,000 respectively. There was no write-down of inventory during the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022.

19 PREPAYMENTS

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments for inventories	106,938	84,756	14,753	130,587
Others	5,390	5,577	4,651	4,613
Total prepayments	112,328	90,333	19,404	135,200
Less: non-current portion of prepayments	(4,644)	(4,644)	(4,194)	(4,194)
Current portion of prepayments	107,684	85,689	15,210	131,006

20 TRADE AND OTHER RECEIVABLES

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	60,536	138,974	499,491	54,040
Less: provision for impairment of trade receivables	(1,148)	(1,443)	(1,443)	(1,443)
Trade receivables — net	59,388	137,531	498,048	52,597
VAT recoverable	6,566	7,443	3,725	12,877
Purchase refund and liquidated damages receivables *(note (f))*	—	—	—	16,050
Deposits and others	2,980	2,097	3,163	7,547
Trade and other receivables	68,934	147,071	504,936	89,071

(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			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 30 days	58,888	137,358	69,346	41,319
31 days to 90 days	191	137	388,922	161
Over 90 days	309	36	39,780	11,117
	59,388	137,531	498,048	52,597

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 2019, 2020 and 2021 and 30 June 2022, trade receivables of RMB1,148,000, RMB1,443,000, RMB1,443,000 and RMB1,443,000 were impaired and provisions were made as follows:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
At 1 January	4,369	1,148	1,443	1,443	1,443
Provision for impairment of trade receivables	202	295	—	—	—
Reversal	(3,423)	—	—	—	—
At end of the year/period	1,148	1,443	1,443	1,443	1,443

(b) Trade and other receivables were denominated in:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
— RMB	68,628	147,024	504,892	89,027
— HK$	306	47	44	44
	68,934	147,071	504,936	89,071

(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 30 June 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. Management is of the view that these receivables are recoverable. Please refer to Note 27 for details.

(d) As at 31 December 2019, 2020 and 2021 and 30 June 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.

(e) As at 31 December 2019, 2020 and 2021 and 30 June 2022, the carrying amounts of each class of trade and other receivables approximated to their fair value due to their short maturities.

(f) Purchase refund and liquidated damages receivables of RMB16,050,000 at 30 June 2022 were due from a supplier who breached the contract for failing to provide VAT invoices, of which RMB15,750,000 was the refund and RMB300,000 was liquidated damages compensation.

21 CASH AND CASH EQUIVALENTS

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at banks and cash on hands denominated in:				
— RMB	42,443	61,997	6,234	104,380
— HK$	137	1,698	1,571	2,257
	42,580	63,695	7,805	106,637

(a) As at 31 December 2021, the cash amounted 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 the PRC 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 2019, 2020 and 2021		1,000,000,000	0.01	10,000,000
Increase	*(a)*	1,000,000,000	0.01	10,000,000
Balance as at 30 June 2022		2,000,000,000	0.01	20,000,000
Issued and fully paid:				
Year ended 31 December 2019				
Balance as at 1 January 2019		420,000,000	4,200,000	3,456,009
[REDACTED]	*(b)*	[REDACTED]	[REDACTED]	[REDACTED]
Balance as at 31 December 2019		630,000,000	6,300,000	5,301,009
Year ended 31 December 2020				
Balance as at 1 January 2020		630,000,000	6,300,000	5,301,009
[REDACTED]	*(c)*	[REDACTED]	[REDACTED]	[REDACTED]
Balance as at 31 December 2020, 2021 and 30 June 2022		[REDACTED]	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$[REDACTED] divided into [REDACTED] of HK$0.01 each to HK$[REDACTED] divided into [REDACTED] of HK$0.01 each. There was no change in the issued shares during the six months ended 30 June 2022.

(b) On 11 June 2019, the Company completed a [REDACTED] on the basis of [REDACTED] for every [REDACTED] held on the record date. [REDACTED] ordinary shares with par value of HK$0.01 each were issued at the subscription price of HK$0.31 per [REDACTED], with [REDACTED] (equivalent to RMB[REDACTED]), of which HK$[REDACTED] (equivalent to RMB[REDACTED]) and HK$[REDACTED] (equivalent to RMB[REDACTED]) were credited to share capital and share premium, respectively.

(c) On 10 January 2020, [REDACTED] and [REDACTED] new shares of the Company were issued and allotted to Thrive Shine and Thrive Era at HK$0.211 per share, respectively. The [REDACTED] were HK$[REDACTED] (equivalent to RMB[REDACTED]), of which HK$[REDACTED] (equivalent to RMB[REDACTED]) and HK$[REDACTED] (equivalent to RMB[REDACTED]) were credited to [REDACTED] and share premium, respectively.

23 OTHER RESERVES

(a) Other reserves — the Group

	Recapitalisation reserves *RMB'000*	Share premium *RMB'000*	Capital reserves *RMB'000*	Statutory reserves *RMB'000* *Note (i)*	Safety reserves *RMB'000* *Note (ii)*	Total *RMB'000*
At 1 January 2019	56,125	62,308	300	10,564	15,683	144,980
[REDACTED] *(Note 22(a))*	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Appropriation to safety reserves	—	—	—	—	6,848	6,848
Appropriation to statutory reserves	—	—	—	4,394	—	4,394
At 31 December 2019	56,125	116,618	300	14,958	22,531	210,532
At 1 January 2020	56,125	116,618	300	14,958	22,531	210,532
[REDACTED] *(Note 22(b))*	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
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	—	—	—	—	3,454	3,454
At 30 June 2022	56,125	169,321	300	21,738	38,432	285,916
Unaudited:						
At 1 January 2021	56,125	169,321	300	17,500	30,135	273,381
Appropriation to safety reserves	—	—	—	—	2,341	2,341
At 30 June 2021	56,125	169,321	300	17,500	32,476	275,722

(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, the Group's PRC subsidiary is required to set aside an amount to safety reserve at progressive rates from 0.2% to 4% of the sales of hazardous chemical since 14 February 2012. The reserve can be utilised for the spending in improvements and maintenances of work safety on the Group's daily operations, which are considered expenses in nature and charged to the profit and loss as incurred.

(b) Other reserves — the Company

	Other reserves *RMB'000*	Accumulated losses *RMB'000*
At 1 January 2019	134,864	(18,394)
Loss for the year	—	(4,507)
[REDACTED] *(Note 22(a))*	[REDACTED]	[REDACTED]
[REDACTED] *(Note 22(a))*	[REDACTED]	[REDACTED]
As at 31 December 2019	189,174	(22,901)
At 1 January 2020	189,174	(22,901)
Loss for the year	—	(13,988)
[REDACTED] *(Note 22(b))*	[REDACTED]	[REDACTED]
[REDACTED] *(Note 22(b))*	[REDACTED]	[REDACTED]
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 period	—	(2,222)
As at 30 June 2022	241,531	(43,984)
Unaudited:		
At 1 January 2021	241,531	(36,889)
Loss for the period	—	(2,361)
As at 30 June 2021	241,531	(39,250)

24 TRADE AND OTHER PAYABLES

	As at 31 December			As at 30 June
	2019 *RMB'000*	2020 *RMB'000*	2021 *RMB'000*	2022 *RMB'000*
Trade payables *(Note (a))*	1,435	16,243	157,030	35
Accruals for staff costs and allowances	1,765	2,538	2,903	2,594
Accruals for construction projects	251	251	251	251
Accruals for handling charges	326	1,216	2,540	415
Accruals for short term lease expenses	—	1,089	1,808	349
Accruals for [REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other payables	7,249	5,753	12,093	5,187
Other tax payables	195	264	347	3,851
Trade and other payables	11,221	29,590	179,700	15,154

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

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 30 days	1,435	16,243	32,044	35
31–180 days	—	—	124,986	—
	1,435	16,243	157,030	35

(b) Trade and other payables were denominated in:

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
— RMB	9,656	26,072	175,850	13,310
— HK$	1,565	3,518	3,850	1,844
	11,221	29,590	179,700	15,154

(c) As at 31 December 2019, 2020 and 2021 and 30 June 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 2019, 2020 and 2021 and the six months ended 30 June 2022 were as below:

	Year ended 31 December			Six months ended 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue recognised that was included in the contract liabilities at the beginning of the year/period	6,604	16,456	2,210	3,527

As at 1 January 2019, the Group recognised contract liabilities of RMB6,604,000.

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			Six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit before income tax	60,773	28,732	56,645	42,151	4,655
Adjustments for:					
— Depreciation *(Notes 14 and 15)*	1,439	1,860	1,554	773	778
— Changes of provision for impairment of trade receivables	(3,221)	295	—	—	—
— Finance (income)/costs — net	(116)	573	(51)	(137)	(528)
— Other losses	—	11	—	—	—
	58,875	31,471	58,148	42,787	4,905
Changes in working capital:					
— Inventories	(19,989)	4,892	38,719	(30,074)	(61,805)
— Trade and other receivables	6,293	(78,432)	(357,865)	101,417	415,865
— Prepayments	(68,380)	21,995	70,479	(150,084)	(115,796)
— Trade and other payables	(4,423)	18,369	150,110	35,093	(164,546)
— Contract liabilities	9,852	(14,246)	1,317	13,476	24,666
Cash (used in)/generated from operations	(17,772)	(15,951)	(39,092)	12,615	103,289

(b) Reconciliation of liabilities arising from financing activities

	Lease liabilities *RMB'000*
Balance as at 1 January 2019	5,604
Cash flows	(843)
Interest expenses on lease liabilities	260
Balance as at 31 December 2019	5,021
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	(380)
Interest expenses on lease liabilities	107
Balance as at 30 June 2022	4,134
Unaudited:	
Balance as at 1 January 2021	4,743
Cash flows	(380)
Interest expenses on lease liabilities	115
Balance as at 30 June 2021	4,478

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 and a Compulsory Enforcement Certificate (強制執行證書) was issued, granting the creditor of the Loan the power to compulsorily enforce the Loan. 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 the Court of Zengcheng District for execution of the Compulsory Enforcement Certificate. As the Court of Zengcheng District 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 of Zengcheng District 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 of Zengcheng District made an order to freeze several bank accounts of JTF (PRC) (the "Bank Accounts"). In November 2021, JTF (PRC) made application to the Court of Zengcheng District for the unfrozen of the Bank Accounts with a replacement of certain real estate ("Certain Real Estate") owned by the Controlling Shareholders and their relatives. In December 2021, the Court of Zengcheng District made a ruling by which the Bank Accounts would be unfrozen, a portion of JTF (PRC)'s bank balances amounting to RMB7,095,000 would be placed under custody of the Court of Zengcheng District and Certain Real Estate would be temporarily seized by the Court of Zengcheng District. 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.

As at 31 December 2021, JTF (PRC)'s cash and cash equivalents of approximately RMB5,988,000 were frozen and JTF (PRC)'s cash and cash equivalents of approximately RMB2,318,000 were placed under the custody of the Court of Zengcheng District, as detailed in Notes 21(a) and 20(c) respectively.

As at 30 June 2022, JTF (PRC)'s cash and cash equivalents of approxiately RMB7,095,000 were placed under the custody of the Court of Zengcheng District, as detailed in Note 20(c).

In February 2022, the Court of Zengcheng District transferred the case to People's Court of Nansha District of Guangzhou City (廣州市南沙區人民法院) (the "Court of Nansha District").

Subsequently, JTF (PRC) raised an objection to the jurisdiction under the Court of Nansha District applying to transfer the case to the Intermediate People's Court of Guangzhou City (廣州市中級人民法院) (the "Intermediate Court of Guangzhou") for trial. As of the date of this report, the Intermediate Court of Guangzhou has not yet made a final ruling on the objection.

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			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	8,483	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			**Six months ended 30 June**	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest expenses on lease liabilities — The Controlling Shareholders	209	201	193	98	93

(c) Balances with related parties

	As at 31 December			**As at 30 June**
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Lease liabilities — The Controlling Shareholders	4,173	4,014	3,847	3,761

The balances with related parties were non-trade in nature.

(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			**Six months ended 30 June**	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries, wages, bonuses, welfare and other benefits	989	1,063	1,083	542	540
Contributions to employee social security plans	123	65	126	64	66
	1,112	1,128	1,209	606	606

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 2019, 2020 and 2021, 30 June 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 the PRC	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 2019, 2020 and 2021 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 elsewhere in this report, there were no other material subsequent events took place after 30 June 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 30 June 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 30 June 2022.

The following extract is the financial information of our Group for the nine months ended 30 September 2022, which has been prepared in accordance with the HKFRSs. Accordingly, our Directors consider there is no material variation between the accounting principles, practices and methods used in preparing the financial information for the nine months ended 30 September 2022 and our audited financial information during the Track Record Period.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the three months ended 30 September		For the nine months ended 30 September	
		2022	**2021**	**2022**	**2021**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	*3*	535,851	394,028	935,977	1,476,326
Cost of sales		(504,968)	(381,954)	(887,364)	(1,404,775)
Gross profit		30,883	12,074	48,613	71,551
Other (losses)/gains — net		—	—	(220)	1
Distribution expenses		(4,149)	(5,482)	(11,580)	(16,311)
Administrative and other expenses		(3,898)	(1,874)	(9,850)	(8,122)
Operating profit		22,836	4,718	26,963	47,119
Finance income/(costs) — net		333	(16)	861	122
Profit before income tax		23,169	4,702	27,824	47,241
Income tax expense	*4*	(8,128)	(1,916)	(10,294)	(16,456)
Profit for the period attributable to owners of the Company		15,041	2,786	17,530	30,785

		For the three months ended 30 September		For the nine months ended 30 September	
		2022	**2021**	**2022**	**2021**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Other comprehensive income		—	—	—	—
Total comprehensive income for the period attributable to owners of the Company		15,041	2,786	17,530	30,785
Earnings per share	*5*				
—Basic and diluted (RMB)		1.6 cents	0.3 cents	1.9 cents	3.3 cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2022

		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* *Note (a)*	*RMB'000* *Note (b)*	*RMB'000*	*RMB'000*
Unaudited:								
Balance at 1 January 2022	7,980	56,125	169,321	300	21,738	34,978	96,197	386,639
Profit for the period	—	—	—	—	—	—	17,530	17,530
Other comprehensive income	—	—	—	—	—	—	—	—
Total comprehensive income	—	—	—	—	—	—	17,530	17,530
Appropriation to safety reserves	—	—	—	—	—	4,962	(4,962)	—
Balance at 30 September 2022	7,980	56,125	169,321	300	21,738	39,940	108,765	404,169
Unaudited:								
Balance at 1 January 2021	7,980	56,125	169,321	300	17,500	30,135	68,192	349,553
Profit for the period	—	—	—	—	—	—	30,785	30,785
Other comprehensive income	—	—	—	—	—	—	—	—
Total comprehensive income	—	—	—	—	—	—	30,785	30,785
Appropriation to safety reserves	—	—	—	—	—	3,414	(3,414)	—
Balance at 30 September 2021	7,980	56,125	169,321	300	17,500	33,549	95,563	380,338

Notes:

(a) Statutory reserves

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

(b) Safety reserves

Pursuant to certain regulations issued by the Ministry of Finance and the State Administration of Work Safety of the PRC, the Group's PRC subsidiary is required to set aside an amount to safety reserve at progressive rates from 0.2% to 4% of the total revenue from the sales of hazardous chemical from 14 February 2012. The reserve can be utilised for spending on improvements and maintenances of work safety in respect of the Group's daily operations, which are considered expenses in nature and charged to the profit and loss as incurred.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 23 October 2014 as an exempted company with limited liability under the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. 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 PRC.

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

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

The unaudited condensed consolidated financial statements for the nine months ended 30 September 2022 are presented in Renminbi ("**RMB**"), unless otherwise stated, and have been approved for issue by the Company's board of directors on 8 November 2022.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements of the Group for the nine months ended 30 September 2022 have been prepared in accordance with the disclosure requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange. The unaudited condensed consolidated financial statements have been prepared under the historical cost convention.

The accounting policies adopted in preparing the unaudited consolidated results for the nine months ended 30 September 2022 are consistent with those adopted in the financial statements of the Group for the year ended 31 December 2021, except that the Hong Kong Institute of Certified Public Accountants has issued a number of new standards and amendments to Hong Kong Financial Reporting Standards which are effective for the current accounting period of the Group. None of those developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. REVENUE

The Group principally engages in the blending and sale of fuel oil, sale of refined oil and other petrochemicals in the PRC.

The major operating entity of the Group is domiciled in Mainland China, and the Group's revenue for the nine months ended 30 September 2022 and 2021 respectively was derived in Mainland China.

Analysis of revenue is as follows:

	For the three months ended 30 September		For the nine months ended 30 September	
	2022	**2021**	**2022**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Sales of goods:				
— Refined oil	109,413	246,032	475,408	869,089
— Fuel oil	—	—	—	91,401
— Other petrochemical products	418,195	147,996	451,278	511,470
	527,608	394,028	926,686	1,471,960
Service income	8,243	—	9,291	4,366
	535,851	394,028	935,977	1,476,326
Timing of revenue recognition				
— At point in time	535,851	394,028	935,977	1,476,326

4. 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 nine months ended 30 September 2022 (nine months ended 30 September 2021: same). The profit of the group company in Hong Kong is mainly derived from dividend income from its subsidiary, which is not subject to Hong Kong profits tax.

The income tax provision of the Group in respect of its operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profit for the period.

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 entity was 25% for the nine months ended 30 September 2022 (nine months ended 30 September 2021: 25%).

According to the EIT Law and the Implementation Rules, starting from 1 January 2008, a withholding income tax of 10% is levied on the immediate holding company outside the PRC when its PRC subsidiary declares dividends out of profits earned after 1 January 2008. A lower 5% withholding income tax rate may be applied when the immediate holding company of the PRC subsidiary is established in Hong Kong and fulfils requirements under the tax treaty arrangements between the relevant authorities of Mainland China and Hong Kong. The applicable withholding income tax rates of the group company in Hong Kong was 10% for the nine months ended 30 September 2022 (nine months ended 30 September 2021: 10%).

5. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the period by the weighted average number of ordinary shares in issue during the periods ended 30 September 2022 and 2021.

	For the three months ended 30 September		For the nine months ended 30 September	
	2022	**2021**	**2022**	**2021**
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit for the period *(RMB'000)*	15,041	2,786	17,530	30,785
Weighted average number of ordinary shares in issue	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Basic earnings per share *(RMB)*	1.6 cents	0.3 cents	1.9 cents	3.3 cents

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

6. DIVIDENDS

The board does not recommend the payment of an interim dividend for the nine months ended 30 September 2022.

REVIEW OF OUR FINANCIAL INFORMATION OF OUR GROUP FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022

Our financial information for the nine months ended 30 September 2022 has been reviewed by our reporting accountant in accordance with *Hong Kong Standard on Review Engagement 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants.

The information set out in this Appendix does not form part of the Accountant's report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set out in Appendix I to this document and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with section headed "Financial Information" in this document and the Accountant's report set out in Appendix I to this document.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the [REDACTED] on the net tangible assets of the Group attributable to the equity holders of the Company as of 30 June 2022 as if the [REDACTED] had taken place on 30 June 2022.

The unaudited pro forma statement of adjusted net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the net tangible assets of the Group had the [REDACTED] been completed as at 30 June 2022 or at any future dates following the [REDACTED].

	Audited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 30 June 2022	**Estimated [REDACTED] expenses**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 30 June 2022**	**Unaudited pro forma adjusted consolidated net tangible assets per Share**	
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on [REDACTED] ordinary shares	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

(1) The audited consolidated net tangible assets attributable to the owners of the Company as at 30 June 2022 is extracted from the accountant's report set out in Appendix I to this document.

(2) The estimated [REDACTED] expenses include the professional fees and other related expenses (excluding [REDACTED] expenses of approximately RMB[REDACTED] which have been accounted for in the consolidated statements of comprehensive income of the Group prior to 30 June 2022) paid/payable by the Company in relation to the [REDACTED], and takes no account of any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by the Company pursuant to the general mandates given to the Directors for issue and allotment of Shares as described in the section headed "Share Capital" in this document.

(3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraph and on the basis that [REDACTED] Shares were in issue, assuming that the [REDACTED] have been completed on 30 June 2022.

(4) For the purpose of this unaudited pro forma adjusted net tangible assets, the balances stated in Renminbi are converted into Hong Kong dollars at a rate of RMB1.0000 to HK$1.1765. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

(5) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 30 June 2022.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

[Letterhead of PricewaterhouseCoopers] ***[DRAFT]***

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

[REDACTED]

[REDACTED]

[PricewaterhouseCoopers]
Certified Public Accountants
Hong Kong, [●]

The forecast consolidated profit attributable to owners of our Company for the year ending 31 December 2022 is set out in "Financial Information — Profit forecast for the year ending 31 December 2022" in this document.

A. BASES AND ASSUMPTIONS

Our Directors have prepared the forecast consolidated profit attributable to owners of our Company for the year ending 31 December 2022 based on our audited consolidated results for the six months ended 30 June 2022, our unaudited consolidated results for the four months ended 31 October 2022 and a forecast of our consolidated results for the remaining two months ending 31 December 2022. The forecast has been prepared on the basis of the accounting policies consistent in all material respects with those currently adopted by our Group as summarised in the Accountants' Report as set out in Appendix I to this document.

Our Directors have adopted the following principal assumptions in the preparation of the profit forecast:

- there will be no material changes in the existing government policies, legislation, rules or regulations, basis or rates of taxation, interest rates, exchange rates, inflation rates, or other fiscal, market or economic conditions in the markets our Group operates or otherwise related to our Group's business;

- our Group will not be materially or adversely affected by any of the risk factors set out in the section headed "Risk factors" of this document;

- there will be no changes in the existing accounting policies, critical accounting estimates and judgment from those adopted in the preparation of our Group's results for each of the three years ended 31 December 2021 and the six months ended 30 June 2022 which are included in this document;

- our Group's operations and business will not be materially affected or interrupted by any force majeure events or unforeseeable factors or any unforeseeable reasons that are beyond the control of our Directors, including but not limited to the outbreak of COVID-19 in the PRC, the occurrence of natural disasters, supply failure, labour dispute, significant lawsuit and arbitration;

- there will be no material changes in our Group's mode of business dealings with our customers and suppliers, in the credit policies offered to our customers and granted by our suppliers, and our Group will be able to secure new sales contracts/arrangement with our major customers under normal business criteria;

- the selling price of our Group's oil products would be similar to the actual selling price from latest available information and there will be no material change over the forecast period;

- our Directors and key senior management personnel continue to be involved in the operations of our Group; and

- total [REDACTED] expenses of approximately RMB[REDACTED] million are estimated to be incurred during the year ending 31 December 2022.

B. LETTER FROM OUR REPORTING ACCOUNTANT ON PROFIT FORECAST

The following is the text of a letter received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, in connection with the profit forecast, for the purpose of incorporation in this document.

[Letterhead of PricewaterhouseCoopers] ***[DRAFT]***

The Board of Directors
JTF International Holdings Limited
Honestum International Limited

[Date]

Dear Sirs,

JTF International Holdings Limited (the "**Company**")

PROFIT FORECAST FOR YEAR ENDING 31 DECEMBER 2022

We refer to the forecast of the consolidated profit attributable to owners of the Company for the year ending 31 December 2022 (the "**Profit Forecast**") set forth in the section headed "Financial Information" in the document of the Company dated *[date]* (the "**document**").

DIRECTORS' RESPONSIBILITIES

The Profit Forecast has been prepared by the directors of the Company based on the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2022, the unaudited consolidated results based on the management accounts of the Group for the four months ended 31 October 2022 and a forecast of the consolidated results of the Group for the remaining two months ending 31 December 2022.

The Company's directors are solely responsible for the Profit Forecast.

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

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

Our firm applies Hong Kong Standard on Quality Control ("**HKSQC**") 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* issued by the HKICPA, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

REPORTING ACCOUNTANT'S RESPONSIBILITIES

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Forecast based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500, *Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness,* and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*, issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Profit Forecast in accordance with the bases and assumptions adopted by the directors and as to whether the Profit Forecast is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

OPINION

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Forecast has been properly compiled in accordance with the bases and assumptions adopted by the directors as set out in Appendix III of the document and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountant's report dated ***[date]***, the text of which is set out in Appendix I of the document.

Yours faithfully,

[PricewaterhouseCoopers]
Certified Public Accountants
Hong Kong

C. LETTER FROM THE SOLE SPONSOR ON PROFIT FORECAST

The following is the text of a letter, prepared for inclusion in this document, received by our Directors from the Sole Sponsor, in connection with the forecast consolidated profit attributable to owners of our Company for the year ending 31 December 2022.

Honestum International Limited
Unit 604, 6/F
Nam Wo Hong Building
148 Wing Lok Street
Sheung Wan
Hong Kong

[Date]

The Board of Directors
JTF International Holdings Limited

Dear Sirs,

We refer to the forecast of the consolidated profit of JTF International Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") attributable to owners of the Company for the year ending 31 December 2022 (the "**Profit Forecast**"), as set out in the section headed "Financial Information" of the document issued by the Company dated [REDACTED].

The Profit Forecast, for which you, as the directors of the Company are solely responsible, has been prepared by you based on the audited consolidated results of the Group for the six months ended 30 June 2022, the unaudited consolidated results of the Group for the four months ended 31 October 2022 and a forecast of the consolidated results of the Group for the remaining two months ending 31 December 2022.

We have discussed with you the bases and assumptions upon which the Profit Forecast has been made, we have also considered the letter dated *[Date]* addressed to you and us from PricewaterhouseCoopers regarding the accounting policies and calculations upon which the Profit Forecast has been made.

On the basis of the information comprising the Profit Forecast and on the basis of the accounting policies and calculations adopted by you and reviewed by PricewaterhouseCoopers, we are of the opinion that the Profit Forecast, for which you as directors of the Company are solely responsible, has been made after due and careful enquiry.

Yours faithfully
For and on behalf of
Honestum International Limited
Christine Chung
Managing Director

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 23 October 2014 under the Companies Act, Cap 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Act"). The Company's constitutional documents consist of its Second Amended and Restated Memorandum of Association (the "Memorandum") and its Second Amended and Restated Articles of Association (the "Articles").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, *inter alia*, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Act and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 11 April 2022 with immediate effect. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Act and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director so appointed shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Act and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Act to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the members in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) the giving of any security or indemnity either:

(aaa) to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or

(bbb) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(bb) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(cc) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:

(aaa) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or

(bbb) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to the Directors, his close associate(s) and employee(s) of the Company or any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

All shareholders have the right to speak and vote at a general meeting except where a shareholder is required, by the rules of the Stock Exchange, to abstain from voting to approve the matter under consideration.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company every financial year and such general meeting must be held within six (6) months after the end of the Company's financial year unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared, the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Act and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Act provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Act expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Act.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 11 November 2014.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Act prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of the Company have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by Section 40 of the Companies Act. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, 25% or more of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands (''ES Law'') that came into force on 1 January 2019, a ''relevant entity'' is required to satisfy the economic substance test set out in the ES Law. A ''relevant entity'' includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Law.

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the paragraph headed ''Documents Available for Inspection'' in Appendix VI to this document. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT THE COMPANY

1. Incorporation

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 23 October 2014. Our Company has established a principal place of business in Hong Kong at Unit 1102, 11/F, 29 Austin Road, Tsim Sha Tsui, Kowloon, Hong Kong and in the PRC at No. 35, Yanjiang Road, Shazhuang Tujiang Village, Shitan Town, Zengcheng District, Guangzhou City, Guangdong Province, PRC.

As our Company was incorporated in the Cayman Islands, we are subject to the Companies Act and to our constitution documents which comprises our Memorandum of Association and Articles of Association. A summary of certain provisions of our constitution documents and relevant aspects of the Companies Act is set out in Appendix IV to this document.

2. Changes in share capital of our Company and its subsidiaries

(a) On 5 December 2016, JTF (PRC) increased its registered capital from RMB35 million to RMB45 million by converting funds from its reserve to registered capital. On 6 February 2017, its registered capital was further increased to RMB80 million, which was contributed in cash by JTF (HK) as verified by an independent firm of accountants in the PRC.

(b) On 6 March 2017, JTF (HK) issued 996 shares to the Company at the total price of RMB65,307,962.46, which was satisfied by setting off the loans of RMB41,543,185.43, RMB10,773,044.92 and RMB12,991,732.11 due to Mr. Xu, Ms. Huang and Mr. Choi respectively. On 19 December 2017, our Company acquired four shares of JTF (HK) from Gold Pledge. On 20 December 2017, JTF (HK) issued 10 shares to our Company at the total price of RMB6,902,393.19, which was satisfied by setting off loans totalling the same amount due to Mr. Choi. JTF (HK) principally engages in investment holding.

(c) On 6 March 2017, (i) our Company allotted and issued 464 Shares and 155 Shares to Thrive Shine and Thrive Era respectively (as directed by Mr. Xu, Ms. Huang and Mr. Choi) as consideration for satisfaction of the subscription price of 996 shares of JTF (HK) in the total sum of RMB65,307,962.46 by Mr. Xu, Ms. Huang and Mr. Choi for our Company by setting off loans advanced by them to JTF (HK) totalling the same amount; (ii) our Company allotted and issued 280 Shares to Trophy Plus at the total cash consideration of RMB30,856,015.87; (iii) and our Directors applied a sum of HK$1 being part of the amount credited to the share premium account of our Company arising from the issue by our Company of the Shares to Thrive Shine and Thrive Era above to pay up in full at par the 100 Shares issued nil paid.

(d) On 19 December 2017, our Company issued 0.5 Share to Thrive Shine (as directed by Gold Pledge) to satisfy the consideration of HK$409,000 for the acquisition of 4 shares of JTF (HK) from Gold Pledge.

(e) On 20 December 2017, our Company issued 0.5 Share to Thrive Shine (as directed by Mr. Choi) as consideration for Mr. Choi's satisfying the subscription price of 10 shares of JTF (HK) in the total sum of RMB6,902,393.19 for our Company by setting off loans advanced by him to JTF(HK) totalling the same amount.

(f) Upon the share premium account of our Company being credited as a result of the issue of our Shares pursuant to the GEM Share Offer, a total of 314,999,000 Shares credited as fully paid at par were allotted and issued to the holders of Shares on the register of members of our Company at the close of business on 20 December 2017 in proportion to their respective shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalisation of the sum of HK$3,149,990 standing to the credit of the share premium account of our Company. As a result, immediately following the completion of the GEM Share Offer and the capitalisation issue ("**Capitalisation Issue**") for the purpose of the GEM Listing, a total of 420,000,000 Shares were allotted and issued, all fully paid or credited as fully paid. Other than options which may fall to be granted under the Share Option Scheme, the exercise of the general mandate granted by our Shareholders at the annual general meeting of our Company held on 11 April 2022, our Directors have no present intention to issue any part of the authorised but unissued capital of our Company, and without the prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

(g) On 12 June 2019, our Company issued an aggregate of [REDACTED] new ordinary shares of HK$0.310 each in the share capital of our Company pursuant to a [REDACTED] of up to [REDACTED] new ordinary shares in the share capital of our Company at an issue price of HK$0.310 per [REDACTED] on the basis of one [REDACTED] for every two Shares held on 16 May 2019 on a non-underwritten basis.

(h) On 10 January 2020, total of [REDACTED] [REDACTED] shares have been issued and allotted by the Company to the [REDACTED] at the [REDACTED] Price of HK$0.211 per [REDACTED] share pursuant to the terms and conditions of the [REDACTED] agreement entered into among the Company, Thrive Shine and Thrive Era dated 26 November 2019 in relation to the subscriptions.

(i) On 11 April 2022, pursuant to an ordinary resolution of our Shareholders, the authorised share capital of our 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.

(j) Save as disclosed above, there has been no alteration in the share capital of our Company since its incorporation.

3. Resolutions of our Board in respect of the [REDACTED]

Pursuant to the resolutions passed by our Directors on [REDACTED], *inter alia:*

(a) subject to the Listing Committee granting approval for the [REDACTED], our Shares shall be [REDACTED] to be [REDACTED] on the Main Board; and

(b) subject to the [REDACTED] Committee granting approval for the [REDACTED], the Share Option Scheme shall remain valid and effective, subject to changes in relation to the [REDACTED] including but not limited to all references to the GEM Listing Rules therein shall mean the Main Board Listing Rules and the specific reference to any rule of the GEM Listing Rules shall be deemed to refer to the corresponding rule in the Main Board Listing Rules with the equivalent content.

4. Repurchase of our own securities

This paragraph includes information required by the Stock Exchange to be included in this document concerning the repurchase by our Company of its own securities.

(a) Provisions of the Main Board Listing Rules

The Main Board Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions.

(i) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Note: The general mandates granted by our Shareholders at the annual general meeting of our Company on 11 April 2022 to our Directors to allot and issue new Shares and repurchase Shares will continue to be valid and remain in effect until the earliest of:

(a) the conclusion of the next annual general meeting of our Company;

(b) the revocation or variation of the authority given under the resolution by any ordinary resolution of the Shareholders in general meeting; or

(c) the expiration of the period within which the next annual general meeting of our Company is required by any applicable laws or the Articles of Association to be held.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles of Association and the laws of the Cayman Islands. Our Company may not repurchase our own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Any repurchases by our Company may be made out of profits, the share premium of our Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Act, out of capital and, in the case of any premium payable on the repurchase, out of either or both of the profits of our Company or our Company's share premium account before or at the time our Shares are repurchased or, if authorised by the Articles and subject to the Companies Act, out of capital.

(iii) Core connected parties

The Main Board Listing Rules prohibit our Company from knowingly repurchasing the Shares on the Stock Exchange from a "core connected person", which includes a Director, chief executive or substantial shareholder of our Company or any of the subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell Shares to our Company.

(b) Exercise of the repurchase mandate

Our Directors have been granted a general unconditional mandate (the "**Repurchase Mandate**") to exercise all powers of our Company to repurchase our Shares pursuant to the ordinary resolutions passed at the annual general meeting of our Company held on 11 April 2022.

Exercise in full of the Repurchase Mandate, on the basis of [REDACTED] Shares in issue on the date when the said ordinary resolutions were passed, could accordingly result in up to [REDACTED] Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

As at the Latest Practicable Date, the Repurchase Mandate had not been utilised and will lapse at the conclusion of the next annual general meeting of our Company.

(c) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(d) Funding of repurchases

In repurchasing the Shares, our Company may only apply funds legally available for such purpose in accordance with our Memorandum of Association and Articles of Association, the Main Board Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this document and taking into account the current working capital position of our Group, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

(e) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the Main Board Listing Rules) currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Main Board Listing Rules, our Memorandum and Articles and the applicable laws of the Cayman Islands.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Main Board Listing Rules).

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase in Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

No core connected person (as defined in the Main Board Listing Rules) of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, in the event that the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business of our Group) have been entered into by members of our Group within the two years immediately preceding the date of this document and are or may be material in relation to the business of our Company taken as a whole:

(a) the Deed of Indemnity; and

(b) the Deed of Non-Competition.

2. Intellectual property rights of our Group

The Group has registered the following trade marks in the PRC:

Trade mark	Registered owner	Trade mark no.	Class	Date of registration	Expiry date
JTF	JTF (PRC)	15770311	4 *(Note 1)*	14 January 2016	13 January 2026
	JTF (PRC)	15770309	4 *(Note 2)*	21 November 2016	20 November 2026

The Group has registered the following trade marks in Hong Kong:

Trade mark	Registered owner	Trade mark no.	Class	Date of registration	Expiry date
金泰豐	JTF (HK)	304024773	35, 40 *(Note 3)*	18 January 2017	17 January 2027
JTF	JTF (HK)	304024782	35, 40 *(Note 3)*	18 January 2017	17 January 2027
	JTF (HK)	304024791	16, 35, 40 *(Note 3)*	18 January 2017	17 January 2027

Notes:

1. Class 4: Petroleum (raw oil or refined oil); industrial oils; lubricants, fuel; fuel oil; firelighters; industrial wax; candles; dust absorbing compositions; electricity.

2. Class 4: Electricity

3. Class 16: Folders for papers; stationery; bags of paper or plastics, for packaging; packaging materials; cards; catalogues; printed matter; decalcomanias; advertising leaflets; books; writing instruments; writing paper; posters; teaching materials except apparatus; toilet paper; advertisements printed matter; magazines; drawing paper.

   Class 35: Import and export agencies service; outsourcing (business assistance); marketing; online retaining, wholesaling and distributorship; purchasing agent services; procurement services for others purchasing goods and services for other business; advertising; office machines and equipment rental; distributorship of fuel and petrochemical products; retailing of fuel and petrochemical products; wholesaling of fuel and petrochemical products.

   Class 40: Production of energy; fuel processing; processing of oil.

The Group is the registered proprietor of the following domain name in the PRC:

Registered owner	Domain name	Date of registration	Expiry date
JTF (PRC)	jtfoil.com	21 November 2012	21 November 2025

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) Disclosure of interests of Directors

So far as our Directors are aware, and assuming that the total number of Shares in issue remains unchanged from the Latest Practicable Date to the date of this document and without taking into account of any Shares which may be or have been allotted and issued pursuant to the Share Option Scheme, immediately upon the [REDACTED], the interests and short positions of our Directors and chief executive of our Company in the Shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under such provisions), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Main Board Listing Rules (the "**Model Code**"), will be as follows:

(i) Long position in the Shares

Name of Director(s)	Nature of interest	Number and class of securities *(Note 1)*	Percentage of shareholding
Mr. Xu *(Note 2)*	Interest in a controlled corporation	[REDACTED] ordinary Shares (L)	[REDACTED]%
Ms. Huang *(Note 2)*	Interest of spouse	[REDACTED] ordinary Shares (L)	[REDACTED]%
Mr. Choi *(Note 3)*	Interest in a controlled corporation	[REDACTED] ordinary Shares (L)	[REDACTED]%

(ii) Long position in the ordinary shares of associated corporation

Name of Director(s)	Name of associated corporation	Nature of interest	No. of Shares held	Percentage of interest
Mr. Xu *(Note 2)*	Thrive Shine *(Note 4)*	Beneficial Owner	[REDACTED]	[REDACTED]
Ms. Huang *(Note 2)*	Thrive Shine *(Note 4)*	Beneficial Owner	[REDACTED]	[REDACTED]
Mr. Choi *(Note 3)*	Thrive Era *(Note 4)*	Beneficial Owner	[REDACTED]	[REDACTED]

Notes:

1. The letter (L) denotes the person's long interest in our Shares.

2. These Shares are held by Thrive Shine, a company owned by Mr. Xu and Ms. Huang as to 80% and 20% respectively. Mr. Xu and Ms. Huang are spouses. Pursuant to the SFO, Mr. Xu is deemed to be interested in the Shares in which Thrive Shine has an interest, and Ms. Huang is deemed to be interested in the Shares in which Mr. Xu has an interest.

3. These Shares are held by Thrive Era, a company wholly owned by Mr. Choi. Pursuant to the SFO, Mr. Choi is deemed to be interested in the Shares in which Thrive Era has an interest.

4. As at the date of this document, Thrive Shine and Thrive Era respectively hold [REDACTED] Shares and [REDACTED] Shares (L), representing [REDACTED]% and [REDACTED]% of the issued share capital of our Company, respectively.

(b) Particulars of service contracts

Each of our executive Directors has on [REDACTED] entered into a service agreement with our Company for a period of three years starting from the date of [REDACTED]. The terms and conditions of each of such service agreements are similar in all material aspects and are briefly described as follows:

(i) Each service agreement is for an initial fixed term of three years commencing from the date of [REDACTED] and shall continue thereafter until it is terminated by either party by giving not less than three months' notice in writing at any time after such initial fixed term to the other, provided that our Company may terminate the agreement by giving to our executive Director not less than three months' prior notice in writing at any time after the date of the agreement. The appointment shall terminate automatically in the event of our executive Director ceasing to be a director for whatever reason.

(ii) Under the arrangements currently proposed, conditional upon the [REDACTED], the annual remuneration (excluding payment pursuant to any discretionary benefits or bonus, granting of share options or other fringe benefits) payable by our Group to each of Mr. Xu, Ms. Huang and Mr. Choi will be approximately RMB1.0

million, RMB1.0 million and RMB1.0 million respectively, save for Mr. Xu, Ms. Huang and Mr. Choi have agreed to waive 75% of their emoluments for the year ending 31 December 2022.

(iii) Each of our executive Directors may be entitled to, if so recommended by our remuneration committee and approved by our Board at its absolute discretion, a discretionary bonus, the amount of which is determined with reference to the operating results of our Group and the performance of our executive Director.

Each of our independent non-executive Directors has on [REDACTED] entered into a letter of engagement with our Company under which each of them is appointed for a period of three years starting from the date when our Shares commence trading on the Main Board. The annual director's fee payable to each of our independent non-executive Directors under their respective letter of engagement shall be HK$108,000. Save for the annual director's fees mentioned above, none of our independent non-executive Directors is expected to receive any other remuneration for holding his office as an independent non-executive Director.

(c) Directors' remuneration

Our Company's policies concerning remuneration of executive Directors are:

(i) the amount of remuneration payable to our executive Directors will be determined on a case by case basis depending on the experience, responsibility, workload and the time devoted to our Group by the relevant Director;

(ii) non-cash benefits may be provided to our executive Directors under their remuneration package; and

(iii) our executive Directors may be granted, at the discretion of our Board, share options of our Company, as part of the remuneration package.

An aggregate sum of approximately RMB3.5 million, RMB1.9 million, RMB1.3 million and RMB0.8 million was paid to our Directors as remuneration and benefits in kind in their capacity as Directors by our Group for the three years ended 31 December 2021 and the six months ended 30 June 2022, respectively. Further information in respect of our Directors' remuneration is set out in note 9 to the Accountant's Report set out in Appendix I to this document. An aggregate sum of approximately RMB1.0 million will be paid to our Directors as remuneration and benefits in kind by our Group for the year ending 31 December 2022 under the arrangements in force at the date of this document excluding management bonus. Pursuant to the SFO, Mr. Xu is deemed to be interested in the Shares in which Thrive Shine has an interest, and Ms. Huang is deemed to be interested in the Shares in which Mr. Xu has an interest.

2. Substantial Shareholders

So far as our Directors are aware, and assuming that the total number of Shares in issue remains unchanged from the Latest Practicable Date to the date of this document and without taking into account of any Shares which may be or have been allotted and issued pursuant to the Share Option Scheme, immediately upon the [REDACTED], the following persons will have an interest or a short position in the Shares or the underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

Name	Nature of interest	Number of Shares *(Note 1)*	Percentage of shareholding
Thrive Shine	Beneficial owner	[REDACTED] (L)	[REDACTED]%
Mr. Xu	Interest in a controlled corporation *(Note 2)*	[REDACTED] (L)	[REDACTED]%
Ms. Huang	Interest of spouse *(Note 3)*	[REDACTED] (L)	[REDACTED]%
Thrive Era	Beneficial owner	[REDACTED] (L)	[REDACTED]%
Mr. Choi	Interest in a controlled corporation *(Note 4)*	[REDACTED] (L)	[REDACTED]%

Notes:

1. The letter (L) denotes the person's long interest in our Shares.

2. Mr. Xu beneficially owns the 80% of the issued share capital of Thrive Shine and is deemed, or taken to be, interested in all our Shares held by Thrive Shine for purposes of the SFO.

3. Ms. Huang beneficially owns the 20% of the issued share capital of Thrive Shine and is the spouse of Mr. Xu and is deemed, or taken to be, interested in all our Shares held by herself and Mr. Xu for purposes of the SFO.

4. Mr. Choi beneficially owns the entire issued share capital of Thrive Era and is deemed, or taken to be, interested in all our Shares held by Thrive Era for purposes of the SFO.

3. Related party transactions

Our Group entered into the related party transactions during the Track Record Period as mentioned in note 28 of the Accountant's Report set out in Appendix I to this document.

4. Disclaimers

Save as disclosed in this document:

(a) so far as our Directors are aware, none of our Directors or chief executive has any interest or short position in the shares, underlying shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) immediately upon the [REDACTED] and the options which may be granted under the Share Option Scheme are not exercised, which will have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she will be taken or deemed to have under the SFO) once our Shares are [REDACTED], or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein once our Shares are [REDACTED], or which will be required, pursuant to the Model Code relating to securities transactions by our Directors to be notified to our Company and the Stock Exchange, once our Shares are [REDACTED];

(b) so far as our Directors are aware, none of our Directors and experts referred to under the paragraph headed "E. Other information — 7. Qualifications of experts" in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this document been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(c) none of our Directors and experts referred to under the paragraph headed "E. Other information — 7. Qualifications of experts" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;

(d) none of our Directors has any existing or proposed service agreements with any member of our Group, excluding agreements which are determinable by the employer within one year without payment of compensation other than statutory compensation;

(e) taking no account of any options which may be granted under the Share Option Scheme, our Directors are not aware of any person, not being a Director of our Company, who will, immediately upon the [REDACTED], be interested in or has short positions in the Shares or underlying shares of our Company which have to be notified to our Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO once the Shares are [REDACTED] on the Main Board, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;

(f) none of the experts referred to under the paragraph headed "E. Other information — 7. Qualifications of experts" in this Appendix has any shareholding in any member of our Group or the right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

(g) none of our Directors, their associates or any shareholder of our Company (which to the knowledge of our Directors owns more than 5% of our Company's issued share capital) has any interest in our five largest suppliers and five largest customers.

D. SHARE OPTION SCHEME

1. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme approved at the annual general meeting held on 27 May 2019 ("**Share Option Scheme**") (as amended and modified by the resolutions of our Board on [REDACTED], which shall remain valid and effective following the [REDACTED] and will be implemented in full compliance with Chapter 17 of the Main Board Listing Rules.

For the purpose of this section, unless the content otherwise requires:

"Allotment Date"	means the date on which the Shares are allotted and issued to a Grantee pursuant to the exercise of the rights attaching to an Option granted and exercised under the Share Option Scheme;
"Board"	means our board of Directors or a duly authorised committee thereof;
"Eligible Participant"	means, among others, any director, employee (whether full-time or part-time), consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or a company in which our Group holds an interest or a subsidiary of such company;
"Exercise Period"	means in respect of any particular Option, the period to be determined and notified by our Board to each Grantee which our Board may in its absolute discretion determine, save that such period shall not be more than ten years from the commence date;
"Grantee"	means any Eligible Participant who accepts the offer in accordance with the terms of the Share Option Scheme, and where the context permits, any person who is entitled to any such Option in consequence of the death of the original Grantee (being an individual) or the legal representative of such person;
"Option(s)"	means right(s) to subscribe for the Shares granted pursuant to the Share Option Scheme;
"Shareholders"	means the holder(s) of the Share(s) from time to time;

"Subsidiary"	means a subsidiary or subsidiaries (within the meaning of the Companies Ordinance or the Companies Act) for the time being and from time to time of our Company; and
"Trading Day"	means a day on which trading of Shares take place on the Stock Exchange.

(a) Purpose of the Share Option Scheme

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions that Eligible Participants have made or may make to our Group.

(b) Who may join

On and subject to the terms of the Share Option Scheme and the Main Board Listing Rules, our Board shall be entitled to make an offer to any Eligible Participant as our Board may in its absolute discretion select. An offer shall be deemed to have been accepted when our Company receives the letter containing the offer duly signed by the Grantee together with a remittance of HK$1.00 (or such other nominal sum in any currency as our Board may determine) as consideration for the grant. The offer shall remain open for acceptance by the Eligible Participant for a period of not less than five business days from the date of the offer.

(c) Grant of Option

Our Board shall not offer grant of an Option after inside information has come to our Company's knowledge or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced pursuant to the relevant requirements of the Main Board Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (a) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the Main Board Listing Rules) for the approval of our Company's results for any year, half-year, quarter-year period or any other interim period (whether or not required under the Main Board Listing Rules); (b) the deadline for our Company to publish an announcement of our results for any year, half-year, or quarter-year period under the Main Board Listing Rules or any other interim period (whether or not required under the Main Board Listing Rules), and ending on the date of the results announcement; or (c) during the period or times in which our Directors are prohibited from dealing in the Shares pursuant to the Main Board Listing Rules and its appendices or any corresponding code or securities dealing restrictions adopted by our Company. The period during which no Option may be granted will cover any period of delay in the publication of a results announcement.

The total number of Shares issued and to be issued upon exercise of the Options granted to each Eligible Participant (including both exercised and outstanding Options) in any 12-month period must not exceed 1% of the shares of our Company (or the Subsidiary) in issue. Where any grant of further Options to an Eligible Participant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over above this limit, such further grant shall be subject to the requirements (a) approval of our Shareholders at general meeting, with such Eligible Participant and his/her associates abstaining from voting; (b) a circular in relation to the proposal for such further grant having been sent by our Company to our Shareholders with such information from time to time as required by the Main Board Listing Rules; and (c) the number and terms of the Options to be granted to such proposed Grantee shall be fixed before our Shareholders' approval mentioned in (a) above.

(d) Price of Shares

The Exercise Price for any Share under the Share Option Scheme shall be a price determined by our Board and notified to each Grantee and shall be at least the higher of (i) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the date of grant of the relevant Option, which must be a Trading Day; (ii) an amount equivalent to the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the five Trading Days immediately preceding the date of grant of the relevant Option; and (iii) the nominal value of a Share on the date of grant.

(e) Maximum number of Shares

(i) Subject to the sub-paragraphs (ii), (iii) and (iv) below, the maximum number of Shares which may be issued upon the exercise of all Options granted under the Share Option Scheme and any other schemes of our Group must not in aggregate exceed 10% of our Shares in issue as at the adoption date (i.e. 28 May 2019) (the "**Scheme Adoption Date**") (the "**Scheme Mandate Limit**") unless approved by our Shareholders pursuant to the sub-paragraph (iii) below. Options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit. On the basis of 420,000,000 Shares in issue on the GEM Listing Date, the Scheme Mandate Limit shall be equivalent to 42,000,000 Shares, representing 10% of our Shares in issue as at the Scheme Adoption Date.

(ii) Subject to the sub-paragraphs (iii) and (iv) below, the Scheme Mandate Limit may be renewed by our Shareholders in general meeting from time to time provided always that the Scheme Mandate Limit so renewed must not exceed 10% of the Shares in issue as at the date of approval of such renewal by our Shareholders in general meeting. Upon such renewal, all Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those exercised, outstanding, cancelled, lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) prior to the approval of such renewal shall not be counted for the purpose of calculating the Scheme Mandate Limit as renewed. A circular must be sent to our Shareholders containing such relevant information from time to time as required by the Main Board Listing Rules.

(iii) Subject to the sub-paragraph (iv) below, our Board may seek separate Shareholders' approval in general meeting to grant Options beyond the Scheme Mandate Limit provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Participants specifically identified by our Company before such approval is sought and our Company must issue a circular to our Shareholders containing such relevant information from time to time as required by the Main Board Listing Rules.

(iv) The maximum number of Shares which may be issued upon the exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and any other share option schemes involving the issue or grant of Options or similar rights over our Shares or other securities by our Company must not, in aggregate, exceed 30% of the Shares in issue from time to time. Notwithstanding anything contrary to the terms of the Share Option Scheme, no Options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in the said 30% limit being exceeded.

(f) Time of exercise of Option

An Option may be exercised by the Grantee in accordance with the terms of the Share Option Scheme at any time during the period within which the Option must be exercised shall be determined by our Board to each Grantee which our Board may in its absolute discretion determine, save that such period shall not be more than ten years from the date of the grant of Option. Our Board may at its discretion when offering the grant of an Option, impose any conditions, restrictions or limitations in relation thereto additional to those expressly set forth in the Share Option Scheme as it may think fit.

(g) Rights are personal to grantee

An Option shall be personal to the Grantee and shall not be assignable or transferable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any Option.

(h) Rights on death

Subject to the applicable laws and the terms of the Share Option Scheme, in the event of death of the Grantee (being an individual) before exercising the Option in full, his/her personal representatives may exercise the Option up to the Grantee's entitlement (to the extent exercisable as at the date of his/her death and not exercised) within the period of 12 months following the date of his/her death or such longer period as our Board may determine.

(i) Changes in capital structure

In the event of any alteration in the capital structure of our Company while an Option remains exercisable, and such event arises from a capitalisation of profits or reserves, rights issue, consolidation, reclassification, subdivision or reduction of the share capital of our Company, such corresponding alterations (if any) shall be made in the number or nominal amount of our Shares subject to the Options so far as unexercised, and/or the Exercise Price, and/or the method of exercise of the Options, and/or the maximum number of Shares referred to in the Share Option Scheme.

Any adjustments required under this paragraph must give a Grantee the same proportion of the equity capital as that to which that Grantee was previously entitled and shall be made on the basis that the aggregate Exercise Price payable by a Grantee on the full exercise of any Option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event, but no such adjustments may be made to the extent that our Shares would be issued at less than their nominal value and, unless with the prior approval of our Shareholders in general meeting, no such adjustments may be made to the advantage of the Grantee. For the avoidance of doubt, the issue of securities as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In respect of any such adjustments, other than any made on a capitalisation issue, the independent financial adviser appointed by our Company or the auditors of our Company must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the Main Board Listing Rules and any further guidance/interpretation of the Main Board Listing Rules issued by the Stock Exchange from time to time.

(j) Rights on take-over

If a general offer (whether by way of takeover offer as defined in the Takeovers Code or scheme of arrangement or otherwise in like manner) is made to all our Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in concert with the offeror) and such offer becomes or is declared unconditional, the Grantee shall be entitled to exercise his/her Option (to the extent exercisable as at the date on which the general offer becomes or is declared unconditional and not exercised) in full or in part at any time within 14 days after the date on which such offer becomes or is declared unconditional. For the purposes of this paragraph, "acting in concert" shall have the meaning ascribed to it under the Takeovers Code as amended from time to time.

(k) Rights on a compromise or arrangement

(i) In the event of a notice given by our Company to our Shareholders to convene a Shareholders' meeting for the purpose of considering and approving a resolution to voluntarily wind up our Company, our Company shall forthwith give notice thereof to the Grantee and the Grantee may, by notice in writing to our Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the relevant Option (such notice to be received by our Company not later than two business days (excluding any period(s) of closure of our Company's Share registers) prior to the proposed meeting) exercise the Option (to the extent exercisable as at the date of the notice to the Grantee and not exercised) either in full or in part and our Company shall, as soon as possible and in any event no later than the business day (excluding any period(s) of closure of our

Company's Share registers) immediately prior to the date of the proposed Shareholders' meeting, allot and issue such number of Shares to the Grantee which falls to be issued on such exercise.

(ii) In the event of a compromise or arrangement between our Company and our members or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of our Company (other than any relocation schemes as contemplated in the Main Board Listing Rules), our Company shall give notice thereof to all Grantee on the same date as it gives notice of the meeting to our members or creditors to consider such a scheme of arrangement, and thereupon the Grantee may, by notice in writing to our Company accompanied by the remittance for the total Exercise Price payable in respect of the exercise of the relevant Option (such notice to be received by our Company not later than two business days (excluding any period(s) of closure of our Company's Share registers) prior to the proposed meeting) exercise the Option (to the extent exercisable as at the date of the notice to the Grantee and not exercised) either in full or in part and our Company shall, as soon as possible and in any event no later than the business day (excluding any period(s) of closure of our Company's Share registers) immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the Grantee which falls to be issued on such exercise credited as fully paid and registered the Grantee as holder thereof.

(l) Lapse of Option

An Option (to the extent that such Option has not already been exercised) shall lapse and not be exercisable at the earliest of:

(i) the expiry of the Exercise Period;

(ii) the expiry of any of the periods referred to in the Share Option Scheme;

(iii) subject to paragraph (k)(i), the date of commencement of the winding-up of our Company;

(iv) the date when the proposed compromise or arrangement becomes effective in respect of the situation contemplated in paragraph (k)(ii);

(v) in the event that the Grantee was an employee or director of any member of our Group on the date of grant of Option to him/her, the date on which such member of our Group terminates the Grantee's employment or removes the Grantee from his/her office on the ground that the Grantee has been guilty of misconduct, has committed an act of bankruptcy or has become insolvent or has made any arrangements or composition with his/her creditors generally, or has been convicted of any criminal offence involving his/her integrity or honesty. A resolution of our Board or the board of directors of the relevant member of our Group to the effect that such employment or office has or has not been terminated or removed on one or more grounds specified in this subparagraph shall be conclusive;

(vi) the happening of any of the following events, unless otherwise waived by our Board:

(1) any liquidator, provisional liquidator, receiver or any person carrying out any similar function has been appointed anywhere in the world in respect of the whole or any part of the asset or undertaking of the Grantee (being a corporation);

(2) the Grantee (being a corporation) has ceased or suspended payment of its debts, become unable to pay its debts (within a meaning of section 178 of Companies (Winding Up and Miscellaneous Provisions) Ordinance or any similar provisions under the Companies Act) or otherwise become insolvent;

(3) there is unsatisfied judgment, order or award outstanding against the Grantee or our Company has reason to believe that the Grantee is unable to pay or has no reasonable prospect of being able to pay his/her/its debts;

(4) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of type mentioned in sub-paragraphs (1), (2) and (3) above;

(5) a bankruptcy order has been made against the Grantee or any director of the Grantee (being a corporation) in any jurisdiction; or

(6) a petition for bankruptcy has been presented against the Grantee or any director of the Grantee (being a corporation) in any jurisdiction;

(vii) the date on which a situation as contemplated under paragraph (g) arises;

(viii) the date on which the Grantee commits any breach of any terms or conditions attached to the grant of the Option, unless otherwise resolved to the contrary by our Board;

(ix) or the date on which our Board resolves that the Grantee has failed or otherwise is or has been unable to meet the continuing eligibility criteria as may be prescribed pursuant to the terms of the Share Option Scheme.

(m) Ranking of Shares

The Shares to be allotted and issued upon the exercise of an Option shall be subject to all the provisions of our Memorandum and Articles of Association in force as at the Allotment Date and shall rank *pari passu* in all respects with the existing fully paid Shares in issue on the Allotment Date and accordingly shall entitle the holder to participate in all dividends or other distributions paid or made on or after the Allotment Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the Allotment Date. Any Share allotted upon the exercise of an Option shall not carry voting rights until the name of the Grantee has been duly entered into the register of members of our Company as the holder thereof.

(n) Cancellation of Options granted

Our Board may cancel any Options granted at any time if the Grantee so approved in writing provided that where an Option is cancelled and a new Option is proposed to be issued to the same Grantee, the issue of such new Option may only be made with available but unissued Shares in the authorised share capital of our Company, and available ungranted Options (excluding for this purpose all cancelled Options) within the Scheme Mandate Limit.

(o) Period of Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of ten years commencing on the GEM Listing Date, after which no further Options will be issued but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provision of the Share Option Scheme.

(p) Alteration to and termination of Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of our Board except those specific provisions relating to matters set out in Rule 17.03 of the Main Board Listing Rules (or any other relevant provisions of the Main Board Listing Rules from time to time applicable) which cannot be altered to the advantage of the Grantees or prospective Grantees except with the prior approval of our Shareholders in general meeting. No such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction in writing of such majority of the Grantee as would be required by our Shareholders under our Memorandum and Articles of Association for a variation of the rights attached to the Shares.

Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature must be approved by our Shareholders in general meeting, except where such alterations take effect automatically under the existing terms of the Share Option Scheme.

Our Company by ordinary resolution in general meeting or our Board may at any time terminate the operation of the Share Option Scheme and in such event, no further Options will be offered but the provisions of the Share Option Scheme shall remain in full force in all other respects. Options complying with the provisions of the Main Board Listing Rules which are granted and remain unexpired immediately prior to the termination of the operation of the Share Option Scheme shall continue to be exercisable in accordance with their terms of issue after the termination of the Scheme. Details of the Options granted, including Options exercised or outstanding, under the Share Option Scheme, and (if applicable) Options that become void or non-exercisable as a result of termination must be disclosed in the circular to our Shareholders seeking approval for the first new scheme to be established after such termination.

(q) Granting of Options to a director, chief executive or substantial shareholder of our Company or any of their respective associates

Without prejudice to the terms of the Share Option Scheme, any grant of Options to any director, chief executive or substantial shareholder of our Company or any of their respective associates must be approved by our independent non-executive Directors (but excluding, for all purposes, any independent non-executive Director who is the proposed Grantee).

Where any grant of Options to our substantial Shareholder or independent non-executive Director or any of their respective associates would result in the total number of the Shares issued and to be issued upon exercise of the Options granted and to be granted (including Options exercised, cancelled and outstanding) to such person in any 12-month period up to and including the date of such grant (i) representing in aggregate over 0.1% of the Shares in issue, and (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million, such further grant of Options must be approved by our Shareholders on a poll in a general meeting where the Grantee, his/her associates and all core connected persons of our Company must abstain from voting (except where such core connected person(s) intends to vote against the proposed grant of Option and his/her intention to do so has been stated in the circular to be sent to our Shareholders). Our Company will send a circular to our Shareholders containing the information required under the Main Board Listing Rules.

The circular must contain:

(i) details of the number and terms (including the Exercise Price) of the Options to be granted to each Eligible Participant, which must be fixed before our Shareholders' meeting and the date of Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the Exercise Price;

(ii) a recommendation from our independent non-executive Directors (excluding any independent non-executive Director who is a proposed Grantee) to our independent Shareholders as to voting; and

(iii) all the information as required by the Main Board Listing Rules from time to time.

For the avoidance of doubt, the requirements for the granting of Options to our Director or chief executive set out in this paragraph (q) do not apply where the Eligible Participant is only a proposed Director or proposed chief executive of our Company.

(r) Conditions of Share Option Scheme

The Share Option Scheme took effect upon the passing of our then Shareholders' resolution on 27 May 2019 to adopt the Share Option Scheme and is conditional upon the Stock Exchange granting approval for the [REDACTED] of and permission to deal in any Shares to be issued and allotted by our Company pursuant to the exercise of Options in accordance with the terms and conditions of the Share Option Scheme.

The aforesaid conditions have been fulfilled.

(s) Present status of the Share Option Scheme

As at the Latest Practicable Date, no options had been granted or agreed to be granted by our Company under the Share Option Scheme. A total number of 42,000,000 shares, representing 10% of the share capital of our Company in issue on the Scheme Adoption Date, may fall to be issued upon exercise of the share options that may be but not yet have been granted under the Share Option Scheme.

E. OTHER INFORMATION

1. Tax and other indemnities

Each of our Controlling Shareholders (collectively, the "**Indemnifiers**") has entered into the Deed of Indemnity on [REDACTED] (being a material contract referred to in "B. Further information about the business of our Group — 1. Summary of material contracts — (a) the Deed of Indemnity" to this Appendix) with and in favour of our Company (for itself and as trustee for each of its subsidiaries). The terms of the Deed of Indemnity (as amended) are to provide indemnities on a joint and several basis in respect of, among others:

(a) all or any depletion or reduction in the value of its assets, or increase in the liabilities in connection with any taxation and taxation claim or loss or deprivation of any relief from taxation in whatever part of the world together with all costs (including all legal costs), expenses, losses, damages, all interests, penalties or other liabilities which any of the members of our Group may properly and reasonably incur which might be payable by any member of our Group resulting from or by reference to any income, profits or gains earned, accrued or received on or up to the date of [REDACTED] or arising from the reorganisation of our Group on or before the date of [REDACTED] whether alone or in conjunction with any circumstances whenever occurring and whether or not such taxation or taxation claim is chargeable against or attributable to any other person, firm or company, save to the extent that:

(i) full provision or reserve has been made for such taxation in the audited accounts of our Group for the period from 1 January 2015 to 31 December 2021 and to the extent that such taxation is incurred or accrued since 1 January 2022 which arises in the ordinary course of the business of our Group;

(ii) such taxation or taxation claim falls on any member of our Group in respect of the accounting period commencing on or after 1 January 2022 unless such taxation or liability would not have arisen but for some act or omission of, or delay by, or transactions voluntarily effected by, the Indemnifiers, any member of our Group (whether alone or in conjunction with some other act, omission, delay or transaction, whenever occurring) otherwise than in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets, before the date of [REDACTED];

(iii) such taxation claim or liability for such taxation would not have arisen but for a voluntary act or transaction carried out or effected (other than pursuant to a legally binding commitment created on or before the date of [REDACTED]) by the relevant member of our Group after the date of [REDACTED] without the prior written consent or agreement of the Indemnifiers otherwise than in the ordinary course of business;

(iv) such taxation claim or liability for such taxation arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations, or the interpretation or practice thereof by the Inland Revenue Department of Hong Kong or any other relevant authority (whether in Hong Kong, or the Cayman Islands, or any other part of the world) coming into force after the GEM Listing Date or to the extent such taxation claim arises or is increased by an increase in rates of taxation after the GEM Listing Date with retrospective effect; or

(v) any provisions or reserve made for taxation in the audited accounts of our Group up to 31 December 2021 and which is finally established to be an overprovision or an excessive reserve in which case the Indemnifiers' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied pursuant to the paragraph (iv) above to reduce the Indemnifiers' liability (if any) in respect of taxation shall not be available in respect of any such liability arising thereafter; and

(b) any damages, liabilities, claims, losses including loss of profits or benefits incurred or suffered by any member of our Group directly or indirectly arising from or in connection with any possible or alleged violation or non-compliance with the applicable laws, rules or regulations of Hong Kong, the Cayman Islands, or of any part of the world, on all matters on or before the date of [REDACTED], including but not limited to the non-compliance incidents; or all actions, claims, demands, proceedings, costs and expenses, damages, losses and liabilities whatsoever which may be made, suffered or incurred by our Group in respect of or arising directly or indirectly from or on the basis of or in connection with any litigation, arbitration, claim and/or legal proceedings, whether of criminal, administrative, contractual, tortuous or otherwise nature instituted or threatened against our Group and/or any act, non-performance, omission or otherwise of our Group accrued or arising on or before the date of [REDACTED].

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of its subsidiaries.

2. Litigation

Neither our Company nor any of its subsidiaries is engaged in any litigation or claims of material importance and no litigation or claims of material importance is known to our Directors to be pending or threatened by or against our Company or any of its subsidiaries, that would have a material adverse effect on our results of operations or financial condition.

3. Sole Sponsor

Our Sole Sponsor has made an application for and on behalf of our Company to the Stock Exchange for the [REDACTED] on the Main Board of, and permission to deal in, our Shares in issue as mentioned in this document, including any options which may be granted under the Share Option Scheme. The Sole Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 3A.07 of the Main Board Listing Rules.

4. Compliance adviser

In accordance with the requirements of the GEM Listing Rules, we had appointed Kingsway Capital Limited as compliance adviser for the purpose of the GEM Listing to provide advisory services to our Company to ensure compliance with the GEM Listing Rules for a period commencing on the GEM Listing Date and ended on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of our financial results for the second full financial year commencing after the GEM Listing Date, i.e. 8 March 2021 the date on which we dispatched our annual report for the financial year ended 31 December 2020.

Our Company intends to continue to engage a compliance adviser to the date on which we dispatch our annual report for the first full financial year commencing after the [REDACTED].

5. Preliminary expenses

The estimated preliminary expenses of the Company are approximately US$5,460 and were paid by our Company.

6. Promoter

Our Company has no promoter for the purpose of the Main Board Listing Rules.

7. Qualifications of experts

The qualifications of the experts who have given reports, letter or opinions (as the case may be) in this document are as follows:

Name	Qualification
Honestum International Limited	A licensed corporation under the SFO and permitted to carry out Type 6 (advising on corporate finance) regulated activities as defined under the SFO
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountant Ordinance (Chapter 50 of the Laws of Hong Kong) and Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
King & Wood Mallesons	PRC legal advisers
Frost & Sullivan	Industry research consultant

8. Consents of experts

Each of the experts referred to above has given and has not withdrawn its written consent to the issue of this document with the inclusion of its reports, letters, opinions or summaries thereof (as the case may be) and the references to its name included in this document in the form and context in which it respectively appears.

9. Sole Sponsor's fees

Our Sole Sponsor will be paid by our Company a total fee of HK$[REDACTED] to act as sponsor to our Company in connection with the [REDACTED].

10. Share Registrars

The register of members of our Company is maintained in the Cayman Islands by [REDACTED] and a branch register of members of our Company is maintained in Hong Kong by [REDACTED]. Save where our Directors otherwise agree, all transfers and other documents of title to the Shares must be lodged for registration with, and registered by, our Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands.

11. No material adverse change

Our Directors confirm that, save for the estimated non-recurring [REDACTED] expenses, there has been no material adverse change in the financial or trading position or prospects of our Group since 30 June 2022 (being the date to which the latest audited financial statements of our Company were made up).

12. Miscellaneous

Save as disclosed in this document:

(a) within the two years immediately preceding the date of this document:

(i) no share or loan capital of our Company or any of its subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries;

(iii) no commission has been paid or payable (except to sub-underwriter) for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any Shares; and

(iv) no founder, management or deferred shares of our Company or any of its subsidiaries has been issued or agreed to be issued.

(b) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(c) all necessary arrangements have been made to enable the Shares to continue to be admitted into CCASS for clearing and settlement upon the [REDACTED].

(d) there has not been any interruption in the business of our Group which may have or has had a material adverse effect on the financial position of our Group in the 24 months preceding the date of this document.

(e) none of the Sole Sponsor and the experts named in "E. Other information — 7. Qualifications of experts" in this Appendix:

(i) is interested beneficially or non-beneficially in any shares in any member of our Group; or

(ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.

(f) save for our Company, no company within our Group is presently listed on any stock exchange or traded on any trading system.

(g) our Company has no outstanding convertible debt securities.

(h) there are no arrangements under which future dividends are waived or agreed to be waived.

13. Taxation of holders of Shares

(a) Hong Kong

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Island

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Holders of our Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or parties involved in the [REDACTED] accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Share.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.jtfoil.com during a period of 14 days from the date of this document:

1. the Memorandum and the Articles of Association;

2. the Accountant's Report of the Group for the three years ended 31 December 2021 from PricewaterhouseCoopers, the text of which is set out in Appendix I to this document;

3. the annual reports of our Company for the three years ended 31 December 2021;

4. the report from PricewaterhouseCoopers on the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this document;

5. the letters relating to the profit forecast, the texts of which are set out in Appendix III;

6. the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of the Cayman Islands company law, together with a copy of the Companies Law, referred to in Appendix IV to this document;

7. the PRC legal opinions issued by King & Wood Mallesons, our PRC legal adviser in respect of certain aspects of our Group and property interests in the PRC;

8. the material contracts as referred to in the paragraph headed "B. Further Information about the Business of our Group — 1. Summary of material contracts" in Appendix V to this document;

9. the written consents as referred to in the paragraph headed "E. Other Information — 7. Qualifications of experts" in Appendix V to this document;

10. the service agreements and letters of appointment as referred to in the paragraph headed "C. Further Information about our Directors and Substantial Shareholders — 1. Directors — (b) Particulars of service contracts" in Appendix V to this document;

11. the Companies Law;

12. the Frost & Sullivan Report;

13. the circular of our Company dated 10 March 2022 in relation to the general mandates to issue and repurchase Shares;

14. the circular of our Company dated 12 December 2019 regarding connected transaction in relation to subscriptions of new shares under specific mandate;

15. the document of our Company dated 17 May 2019 regarding rights issue on the basis of one rights share for every two shares held on the record date on a non-underwritten basis; and

16. the rules of the Share Option Scheme.