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

(Incorporated in the Cayman Islands with limited liability)
Stock code: 9689

ANNUAL REPORT
2023

CONTENTS

Corporate Information

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. Ng Ka Chai

AUTHORISED REPRESENTATIVES

Ms. Xu Yayi
Mr. Ng Ka Chai

PRINCIPAL BANKERS

China CITIC Bank International Limited
Bank of Dongguan Co., Ltd.

REGISTERED OFFICE

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

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1102, 11/F
29 Austin Road
Tsim Sha Tsui
Kowloon
Hong Kong

Corporate Information (Continued)

LEGAL ADVISER AS TO HONG KONG LAW

ZM Lawyers
20/F
Central 88
88–98 Des Voeux Road Central
Central, Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

COMPLIANCE ADVISER

Honestum International Limited
Unit 703, 7/F
Nam Wo Hong Building
148 Wing Lok Street
Sheung Wan
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F
Fast East Finance Centre
16 Harcourt Road
Hong Kong

COMPANY WEBSITE

www.jtfoil.com

Chairman's Statement

Dear shareholders:

On behalf of the board (the "**Board**") of directors (the "**Directors**") of JTF International Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**"), I am pleased to present to you the annual report of the Group for the year ended 31 December 2023. The Company's shares have been successfully transferred from GEM of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") to the Main Board of the Stock Exchange on 17 May 2023, which marked a significant milestone for the Group.

Along with the auspicious snow and festive red plum blossoms in spring, I wish you all good luck in the Year of the Loong. In the past 2023, we have traveled a long way with great vigor. On behalf of the Group, I would like to present our work in 2023 as follows:

1. Review of our work in 2023

   In 2023, the global political landscape continued to change. The Israeli-Palestinian conflict in the Middle East became the focus of the international community following the Russia-Ukraine conflict. The security of the Red Sea route affected global trade and transportation. The risk of trade protectionism increased, with trade frictions and tariff wars affecting the global economy. Global energy prices generally declined, and major producing countries maintained stable production. OPEC+ members responded to changes in supply and demand in the global energy market through production cuts.

   In 2023, domestic supply of refined oil was sufficient and stable, and oil consumption grew rapidly. Affected by new energy vehicles, competition in the domestic refined oil market was fierce, and the industry remained sluggish. In the face of difficulties and challenges, the operation team of the Group made timely adjustments and optimizations to the sales product mix in accordance with market changes in 2023, and actively expanded sales channels of naphtha and industrial raw materials, which optimized the Company's operating income structure. In 2023, the Company's turnover was approximately RMB1.24 billion, and the total volume was approximately 364,000 tons, with 37.0% of naphtha, 27.8% of other chemical products, 23.6% of gasoline, 11.3% of fuel oil and 0.3% of diesel oil. The Group's gross profit in 2023 was approximately RMB58 million, with a gross profit margin of 4.7%, representing a decrease of approximately RMB15 million over that in 2022. Our taxation paid for the year was about RMB27 million.

Chairman's Statement (Continued)

2. Outlook for the Group in 2024

In 2024, domestic economic development will show a positive trend in consumption-driven, industrial structure adjustment and upgrading, development of green, low-carbon and environmentally friendly industries, and development of the Internet and digital economy. With the continuous innovation and application of new technologies and materials, as well as the relaxation of the domestic real estate policies, governments at all levels will promote various efforts to seek economic development, striving to drive the domestic economy to achieve stronger growth in 2024. Under the favorable policies in various aspects, the domestic demand for refined oil and other chemical products will increase in 2024, but the competition in the refined oil industry will remain fierce. Looking forward to 2024, under the leadership of the Managing director, the operation team of the Group will continue to adhere to the business strategy of "seeking progress while maintaining stability, enhancing marketing and broadening products" and work together to forge ahead undaunted by difficulties in order to achieve further success for the Group's results of operations.

Xu Ziming
Chairman & Executive Director

Hong Kong, 15 March 2024

Management Discussion and Analysis

BUSINESS REVIEW

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

Since December 2022, the PRC government has been removing various COVID-19 restrictions and despite a wave of COVID-19 infections which temporarily affected productivity from late 2022 to January 2023, in February 2023, the COVID-19 Pandemic has been successfully brought under control.

During the year ended 31 December 2023, despite the increase in total volume, the Group recorded a turnover of approximately RMB1,239,515,000, which is a decrease by approximately RMB295,009,000 or by 19.2% by comparing with 2022. Furthermore, the Group recorded a gross profit of approximately RMB57,896,000, which is a decrease by approximately RMB15,015,000 or by 20.6% by comparing with 2022. The decrease in revenue and gross profit compared with same period in 2022 was due to the fluctuation of oil price and the conservative sentiments in the market as the recovery of the economy after COVID-19 Pandemic was not as strong as generally expected. These factors caused the customers and suppliers in general to act more prudently in negotiation. As a result, the gross profit margin for through-port trades (i.e. excluding service income) decrease from approximately 4.0% for the year ended 31 December 2022 to approximately 1.0% for the year ended 31 December 2023.

RESULTS OF OPERATIONS

Revenue

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

For the year ended 31 December 2023, the Group's total revenue amounted to approximately RMB1,239,515,000, representing a decrease of approximately 19.2% over the year ended 31 December 2022. The decrease was mainly attributable to the reasons stated in the subsection headed "Business Review" above.

Management Discussion and Analysis (Continued)

The following table sets forth the breakdown of the Group's revenue by products in total revenue, volume and average price for the two years ended 31 December 2023 and 2022:

	2023			2022		
	Total revenue RMB'000	**Total volume Tonnes**	**Average price (Note) RMB**	Total revenue RMB'000	Total volume Tonnes	Average price (Note) RMB
1. Sales of goods						
Refined oil	**894,128**	**130,591**	**6,847**	590,853	75,726	7,803
Other petrochemical products	**284,413**	**42,770**	**6,650**	929,469	137,703	6,750
Fuel oil	**14,798**	**2,191**	**6,754**	1,609	273	5,894
Subtotal — sales of goods	**1,193,339**	**175,552**		1,521,931	213,702	
2. Service income						
Refined oil	**15,988**	**91,248**	**175**	5,569	24,228	230
Other petrochemical products	**26,648**	**58,483**	**456**	5,220	22,289	234
Fuel oil	**3,540**	**38,817**	**91**	1,804	9,949	181
Subtotal — service income	**46,176**	**188,548**		12,593	56,466	
Total	**1,239,515**	**364,100**		1,534,524	270,168	

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

Management Discussion and Analysis (Continued)

Cost of sales

Our Group's cost of sales mainly includes the cost of refined oil, other petrochemical products and fuel oil, which is measured on a moving weighted average basis. Our cost of sales for the years ended 31 December 2023 and 2022 were approximately RMB1,181,619,000 and RMB1,461,613,000, respectively. The purchase cost for our trading products is subject to the purchase prices offered by our suppliers, which are influenced by, among other things, the relative oil prices quoted in the market. The decrease of our cost of sales for the year ended 31 December 2023 was in line with our decrease in revenue for such year.

The following table sets forth the components of our cost of sales by product type for the two years ended 31 December 2023 and 2022:

	2023	2022
	RMB'000	RMB'000
Refined oil	**886,722**	569,152
Other petrochemical products	**279,849**	890,911
Fuel oil	**15,048**	1,550
Total	**1,181,619**	1,461,613

Gross profit and gross profit margin

The following table sets forth a breakdown of our gross profit and gross profit margin by product type for the two years ended 31 December 2023 and 2022:

		2023		2022	
		Gross profit	**Gross profit margin**	Gross profit	Gross profit margin
		RMB'000		RMB'000	
1.	Sales of goods				
	Refined oil	**7,406**	**0.8%**	21,701	3.7%
	Other petrochemical products	**4,564**	**1.6%**	38,558	4.1%
	Fuel oil	**(250)**	**(1.7%)**	59	3.6%
	Subtotal — sales of goods	**11,720**	**1.0%**	60,318	4.0%
2.	Service income	**46,176**	**N/A**	12,593	N/A
Total		**57,896**	**4.7%**	72,911	4.8%

The Group's gross profit margin (excluding service income) decreased from approximately 4.0% for the year ended 31 December 2022 to approximately 1.0% for the year ended 31 December 2023. The decrease was mainly due to the reasons as stated in the sub-section headed "Business Review" above and provision for write-down of inventories of approximately RMB5,129,000 for the year ended 31 December 2023.

Management Discussion and Analysis (Continued)

Other (losses)/gains — net

Other (losses)/gains — net change from gains of approximately RMB3,095,000 for the year ended 31 December 2022 to losses of approximately RMB13,243,000 for the year ended 31 December 2023 mainly due to the litigation loss of approximately RMB13,267,000 in 2023. For further details please refer to note 9(a) of the consolidated financial statements.

Distribution expenses

Distribution expenses increased by approximately RMB1,931,000 or 13.5% to approximately RMB16,200,000 for the year ended 31 December 2023 from approximately RMB14,269,000 for the year ended 31 December 2022. The increase in distribution expenses was primarily due to the increase in operating short term lease expenses for oil storage facilities.

Administrative expenses

Administrative expenses increased by approximately RMB9,993,000 or 73.4% to approximately RMB23,615,000 for the year ended 31 December 2023 from approximately RMB13,622,000 for the year ended 31 December 2022. This was mainly attributable to the increase in professional fees and other expenses associated with the application of transfer of listing from GEM to the Main Board of the Stock Exchange recognised in current year.

Finance income — net

Finance income — net decreased from approximately RMB980,000 for the year ended 31 December 2022 to approximately RMB896,000 for the year ended 31 December 2023 which was mainly due to the decrease in interest income from bank deposits compared with the previous year.

Profit before income tax

The Group's profit before income tax decreased by approximately RMB43,361,000 from approximately RMB49,095,000 for the year ended 31 December 2022 to approximately RMB5,734,000 for the year ended 31 December 2023 primarily due to the (i) recognition of litigation loss in current year; (ii) decrease in gross profit; and (iii) increase in distribution and administrative expenses for the reasons above.

Income tax expense

Income tax expense decreased by approximately RMB10,107,000 to approximately RMB7,243,000 for the year ended 31 December 2023 from approximately RMB17,350,000 for the year ended 31 December 2022 mainly due to the decrease in taxable profit from the Group's operations in the PRC.

(Loss)/profit for the year

The Group's (loss)/profit for the year turnaround from a profit of approximately RMB31,745,000 for the year ended 31 December 2022 to a loss of approximately RMB1,509,000 for the year ended 31 December 2023 primarily due to the (i) recognition of litigation loss in current year; (ii) decrease in gross profit; and (iii) increase in distribution and administrative expenses for the reasons above.

Management Discussion and Analysis (Continued)

Non-HKFRS Measure

To supplement our consolidated annual results which are presented in accordance with HKFRS, the Group also uses adjusted net profit as an additional financial measure, which is unaudited in nature and is not required by, or presented in accordance with, HKFRS. The Group believes that this non-HKFRS measure facilitates comparisons of operating performance from period to period by eliminating potential impacts of items that the management does not consider to be indicative of its operating performance, such as items which were one-off and non-operating in nature.

The Group believes that this measure provides useful information to investors and others in understanding and evaluating its results of operations in the same manner as it helps the Group's management. However, the Group's presentation of adjusted net profit may not be comparable to similarly titled measures presented by other companies. The use of this non-HKFRS measure has its limitations as an analytical tool, and should not be considered in isolation from, or as a substitute for analysis of, the Group's results of operations or financial condition as reported under HKFRS.

The following table reconciles the Group's adjusted net profit for the years presented to the most directly comparable financial measure calculated and presented in accordance with HKFRS, which is the (loss)/profit for the year:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Reconciliation of (loss)/profit for the year to adjusted net profit		
(Loss)/profit for the year	**(1,509)**	31,745
Add:		
Litigation loss, net of tax	**11,002**	–
Professional fees and other expenses associated with the application of transfer of listing from GEM to the Main Board	**10,840**	3,284
Adjusted net profit	**20,333**	35,029

Management Discussion and Analysis (Continued)

LIQUIDITY AND FINANCIAL RESOURCES

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

	For the year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Net cash generated from operating activities	**82,541**	98,086
Net cash generated from investing activities	**929**	962
Net cash used in financing activities	**(360)**	(560)
Net increase in cash and cash equivalents	**83,110**	98,488

For the year ended 31 December 2023, the Group had net cash generated from operating activities of approximately RMB82,541,000, which was mainly attributable to the decrease in working capital (excluding cash and cash equivalents), partially offset by the payment of income tax.

For the year ended 31 December 2023, the Group had net cash generated from investing activities of approximately RMB929,000, which consisted mainly of interest income from bank deposits.

For the year ended 31 December 2023, the Group had net cash used in financing activities of approximately RMB360,000, which was mainly attributable to the lease payments.

As at 31 December 2023 and 31 December 2022, the Group had cash and cash equivalents of approximately RMB189,706,000 and RMB106,445,000, respectively.

Net current assets

As at 31 December 2023, the Group's net current assets amounted to approximately RMB431,072,000, representing an increase of approximately RMB14,448,000 as compared to approximately RMB416,624,000 as at 31 December 2022. The increase was primarily due to changes in working capital, which year end balance represented a snapshot of our working capital position as at 31 December 2023.

Borrowings and gearing ratio

The Group did not have any borrowings as at 31 December 2023 (31 December 2022: Nil).

No gearing ratio is presented as the Group had net cash surplus as at 31 December 2023 (31 December 2022: net cash surplus).

Management Discussion and Analysis (Continued)

Capital commitment

The Group did not incur any capital expenditure for the year ended 31 December 2023.

As at 31 December 2023, the Group had capital commitments amounted to approximately RMB8,483,000 (31 December 2022: RMB8,483,000).

Significant investment, material acquisition and disposal of subsidiaries and associated companies

The Group did not hold any significant investment nor make any material acquisition or disposal of subsidiaries and associated companies for the year ended 31 December 2023.

Capital structure

As at 31 December 2023, the capital structure of the Company comprised of its issued share capital and reserves.

Pledged assets

The Group did not have any assets pledged for security as at 31 December 2023 (31 December 2022: Nil).

Contingent liabilities

The Group did not have any material contingent liabilities as at 31 December 2023.

Except for as disclosed in Note 26 of the Group's consolidated financial statements for the year ended 31 December 2022 contained in the Group's Annual Report 2022 dated 28 February 2023, the Group did not have any other material contingent liabilities as at 31 December 2022.

FOREIGN EXCHANGE RISK

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

At 31 December 2023, the Group's major non-RMB denominated assets and liabilities included trade and other receivables, cash and cash equivalents and trade and other payables, which were denominated in Hong Kong dollars. Fluctuation of the exchange rate of RMB against Hong Kong dollars could affect the Group's results of operations.

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

The carrying amounts of the Group's foreign currency denominated financial assets and liabilities at 31 December 2023 are presented in Notes 19, 20 and 23 of the consolidated financial statements.

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

Management Discussion and Analysis (Continued)

SEGMENT INFORMATION

Segment information for the Group is disclosed in Note 5 of the consolidated financial statements.

COMPLIANCE WITH LAWS AND REGULATIONS

To the best of the Directors' knowledge, information and belief, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has material impact on the business and operation of the Group.

HUMAN RESOURCE

As at 31 December 2023, the Group had 23 full time employees who were directly employed by our Group in the PRC. For the year ended 31 December 2023, our total staff costs (including the directors' remuneration) were approximately RMB4,958,000 (2022: RMB5,825,000).

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

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

FUTURE PLANS AND PROSPECT

In 2023, The Energy Bureau of Guangdong Province (廣東省能源局) issued the Implementation Plan for Promoting High-Quality Energy Development for Guangdong Province (廣東省推進能源高質量發展實施方案). According to which, energy security and safety would be the primary task of the strategic direction in the PRC's energy development. Therefore, despite the importance of developing new energy and environmental protection, it must be complemented by diversifying of energy sources and maintaining sufficient energy reserves. During the course, resources allocation would be decisively market oriented. It is expected that, with our Group's experience in the refined oil market and network of established customers including the three largest state-owned oil companies in the PRC, the Group is expected to play a more important role in the local supply chain.

The Group did not have specific plans for material investments or capital assets in the coming year as at 31 December 2023.

Management Discussion and Analysis (Continued)

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

The Company's shares were listed on GEM of the Stock Exchange on 17 January 2018 and its listing was successfully transferred to the Main Board of the Stock Exchange on 17 May 2023. The Company intends that the net proceeds of the Company's placing and public offering of a total of 105,000,000 shares from the GEM Listing (the "**Share Offer**") (after deducting related underwriting fees and listing expenses) of approximately RMB20,803,000 be applied according to the percentage allocation described under the section headed "Future Plans and Use of Proceeds" of the prospectus of the Company dated 29 December 2017 (the "**Prospectus**"). An analysis of the progress of the implementation plans up to 31 December 2023 is set out below:

Business strategies as stated in the Prospectus	Implementation plan	Implementation progress as at 31 December 2023
(1) Upgrading of the wharf berth capability at Zengcheng Oil Depot	Conducting project planning and filing registration documents with relevant government authorities, including construction approval, environmental impact assessment, safety pre-evaluation and construction planning permit. Conducting project design, including construction survey and construction drawing design.	The Group is negotiating with relevant government authorities in relation to the specific requirements in relation to the upgrading of wharf berth capability. In 2018, the Group engaged a contractor to perform works on refurbishment of certain wharf infrastructures. However, the Group incurred additional time to identify a suitable contractor for the works relating to upgrading of berth capacity. Currently, a lead contractor has been engaged. Survey and design works are in progress, and were mostly completed in December 2019. Due to the outbreak COVID-19 Pandemic since 2020, the schedule of works and government approval processes were delayed. Tentatively the Group expects all construction works will be completed in the second half of 2024.
(2) Refurbishment and enhancement of oil tanks, pipelines and other oil depot facilities at Zengcheng Oil Depot	Conducting project planning and filing registration documents with relevant government authorities, including construction approval, environmental impact assessment, safety pre-evaluation and construction planning permit. Modification/installation works for tanks storage and other oil depot facilities.	Refurbishment works for storage tanks, pipelines, oil depot facilities and equipment have been completed.

Management Discussion and Analysis (Continued)

Use of the net proceeds of the Share Offer up to 31 December 2023 was as follows:

		Net proceeds to be applied in the percentage allocation stated in the Prospectus RMB'000	Amount of net proceeds used as at 31 December 2023 RMB'000	Unutilised net proceeds as at 31 December 2023 RMB'000
(1)	Upgrading of the wharf berth capability at Zengcheng Oil Depot	11,038	7,564	3,474
(2)	Refurbishment of oil tanks, pipelines and other oil depot facilities at Zengcheng Oil Depot	9,765	9,765	–
Total		20,803	17,329	3,474

The remaining unutilised net proceeds of the Share Offer as at 31 December 2023 were placed in bank accounts with licensed banks maintained by the Group in Hong Kong and in the PRC and are currently intended to be applied in the manner consistent with the proposed allocations as set out in the Prospectus. The remaining unutilised net proceeds are expected to be utilised by 31 December 2024.

The directors will regularly evaluate the Group's business objectives and may change or modify our plans in view of the changing market condition to attain sustainable business growth of the Group.

EVENT AFTER THE YEAR END DATE

Save as disclosed elsewhere in this report, there were no other material subsequent events took place after 31 December 2023 and up to the date of this report.

FINAL DIVIDEND

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2023.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Xu Ziming (徐子明) ("Mr. Xu"), aged 59, is an executive Director, the Chairman of our Board and a controlling shareholder of the Company. Mr. Xu is also a director of each of Zengcheng City Jin Taifeng Fuel Oil Company Limited* (增城市金泰豐燃油有限公司) and Dongguan Xinhe Trading Company Limited* (东莞鑫河貿易有限公司). Mr. Xu has about 20 years of experience in the wholesale and trading of oil industry in the PRC. Mr. Xu had worked as an accounting supervisor at a branch of the Dongguan Rural Commercial Bank (東莞農村商業銀行) in the PRC from 1983 to 1988 prior to running his own business in various industries between 1989 and 1993. From 1998 to 2004, Mr. Xu engaged in his personal oil product brokerage business in Dongguan, the PRC, primarily identifying sources of oil supply and matching buyer and seller for commission/agency fee income. He and Ms. Huang Shizhen took over Zengcheng City Jin Taifeng Fuel Oil Company Limited* (增城市金泰豐燃油有限公司), now a subsidiary of the Group, in December 2004. Mr. Xu is primarily responsible for the Group's overall business and growth strategies, and supervision of key management issues. Mr. Xu was elected as the vice president of the Third Administrative Committee of Dongguan Qingxi Chamber of Commerce* (東莞市清溪商會第三屆理事會) in December 2009 by the Dongguan Qingxi Chamber of Commerce* (東莞市清溪商會). Mr. Xu is the spouse of Ms. Huang Sizhen.

Ms. Huang Sizhen (黃四珍) ("Ms. Huang"), aged 59, is an executive Director, the managing director of the Company and a controlling shareholder of the Company. Ms. Huang is also a director of each of Zengcheng City Jin Taifeng Fuel Oil Company Limited* (增城市金泰豐燃油有限公司) and Zhuhai Jin Taifeng Energy Company Limited* (珠海金泰豐能源有限公司). Ms. Huang has about 20 years of experience in the wholesale and trading of oil industry in the PRC. She worked in the cashier department at a branch of the Dongguan Rural Commercial Bank (東莞農村商業銀行) in the PRC from 1983 to 1989 prior to running her own business in various industries with Mr. Xu between 1989 and 1993. From 1998 to 2004, Ms. Huang assisted Mr. Xu in running his personal oil product brokerage business in Dongguan, the PRC, primarily identifying sources of oil supply and matching buyer and seller for commission/agency fee income. She and Mr. Xu took over Zengcheng City Jin Taifeng Fuel Oil Company Limited* (增城市金泰豐燃油有限公司), now a subsidiary of the Group, in December 2004. Ms. Huang is primarily responsible for overseeing overall operation and business development of the Group. Ms. Huang is the spouse of Mr. Xu.

Mr. Choi Sio Peng (徐小平) ("Mr. Choi"), aged 42, is an executive Director of the Company. Mr. Choi is also a director of each of Zengcheng City Jin Taifeng Fuel Oil Company Limited* (增城市金泰豐燃油有限公司) and JTF (Hong Kong) Limited. Mr. Choi obtained a bachelor degree in laws from China University of Political Science and Law (中國政法大學) in July 2004 and a master degree in civil and commercial laws from Tsinghua University (清華大學) in July 2006. He joined the Group in 2007 and has over 10 years of experience in the wholesale and trading of oil industry in the PRC. He is the nephew of Mr. Xu and Ms. Huang, as well as the cousin of Ms. Xu Yayi.

Ms. Xu Yayi (徐雅怡) ("Ms. Xu"), aged 35, is an executive Director of the Company. Ms. Xu is also a director of each of JTF (Hong Kong) Limited, Xinhai Investment Holdings Limited and Xinhai Holdings Limited. Ms. Xu obtained a bachelor degree in Business and Management from Oxford Brookes University in the United Kingdom in 2012. She has over 10 years of experience in capital investment, property development and management. She has been a member of the Chinese People's Political Consultative Conference of Dongguan City (東莞市政協委員) since 2017. She is the daughter of Mr. Xu and Ms. Huang, as well as the cousin of Mr. Choi.

Biographical Details of Directors and Senior Management (Continued)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan William (陳沛衡) ("Mr. Chan"), aged 45, 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. With effect from 10 June 2022, Mr. Chan has been appointed as an independent non-executive director of Janco Holdings Limited, a company listed on GEM of Stock Exchange (stock code: 8035).

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

Mr. Tsui Hing Shan (徐興珊) ("Mr. Tsui"), aged 45, was appointed as our independent non-executive Director on 20 December 2017. Mr. Tsui is the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee.

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

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

Mr. Kan Siu Chung (靳紹聰) ("Mr. Kan"), aged 42, was appointed as our independent non-executive Director on 13 September 2017. Mr. Kan is the chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee. He is also the chairman of the compliance committee of the Company.

Mr. Kan is currently the chief operating officer of Peopro Tech Co., Ltd.* (廣州彼博網絡科技有限公司), responsible for various fields including finance, administration and technique, which he also served in the same capacity during 2011 to 2015. Mr. Kan was the chief operating officer of Joyzz Tech Co., Ltd.* (廣州悦正網絡科技有限公司) during 2015 to 2020, overseeing the financial, administrative and technical matters of the company. Prior to these, he was employed by Beijing Ling Yi Technology Corporation* (北京市凌怡科技公司), a subsidiary of PetroChina Company Limited (中國石油天然氣股份有公司), a company listed on the Main Board of the Stock Exchange (Stock Code: 857), from 2007 to 2009. During his employment there he was assigned to a project responsible for the implementation of the enterprise resource planning system.

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

Biographical Details of Directors and Senior Management (Continued)

SENIOR MANAGEMENT

Mr. Liu Fa Long (劉發龍) ("Mr. Liu"), aged 44, was appointed on 1 January 2005 as finance manager of our Group responsible for our accounting and financial management. He has over 15 years of experience in finance and accounting matters through his time with us.

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

Mr. Deng Fan Zhi (鄧范芝) ("Mr. Deng"), aged 42, was appointed on 1 July 2015 as procurement manager of our Group responsible for our day-to-day procurement. Prior to joining our Group in July 2015, Mr. Deng was employed by Fo Shan Shi San Shui Hai Sheng Dao Lu Cai Liao Co., Ltd* (佛山市三水海盛達道路材料有限公司), an entity mainly engaged in refinery, trading and transportation of the oil products, as a general manager and was responsible for overseeing the overall production and operation management of that company from March 2012 to April 2015. Before that, Mr. Deng served Fo Shan Shi Rui Feng Shi Hua Ran Liao Co., Ltd* (佛山市瑞豐石化燃料有限公司), an entity specialising in the production, refinery and trade of oil products, as a deputy general manager and was mainly responsible for overseeing the overall production management of that company from October 2003 to March 2012.

* *For identification purpose only*

Corporate Governance Report

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

During the year ended 31 December 2023, the Company had complied with the requirements set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") when the Company is listed on GEM, and Appendix C1 of the Rules Governing the Listing of Securities of the Stock Exchange (the "**Listing Rules**") after the transfer of listing.

COMPLIANCE WITH THE MODEL CODE BY DIRECTORS

During the year ended 31 December 2023, the Company has adopted rules 5.48 to 5.67 of the GEM Listing Rules and Appendix C3 of the Listing Rules as the code of conduct regarding Directors' securities transactions (the "**Model Code**"). Having made specific enquiries with all Directors, all of them have confirmed that they had complied with the Model Code during the year ended 31 December 2023.

BOARD OF DIRECTORS

Function of the Board

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

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

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

Board Composition

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

Corporate Governance Report (Continued)

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the chairman and chief executive of the Company are separated, with a clear division of responsibilities.

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board has met the requirements of rules 5.05 and 5.05A of the GEM Listing Rules and rules 3.10 and 3.10A of the Listing Rules of having a minimum of three independent non-executive Directors (representing at least one-third of the Board) with two of them possessing appropriate professional qualifications and accounting and related financial management expertise.

The Company has received confirmations of independence from Mr. Chan William, Mr. Tsui Hing Shan and Mr. Kan Siu Chung, being all the independent non-executive Directors, in accordance with rule 5.09 of the GEM Listing Rules and rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all independent non-executive Directors are independent.

TERM OF APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

All independent non-executive Directors are appointed for a term of three years.

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

BOARD COMMITTEES

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

Audit Committee

The Board established the Audit Committee on 20 December 2017 in compliance with rule 5.28 of the GEM Listing Rules and rule 3.21 of the Listing Rules and adopted the terms of reference set out in the CG Code. Details of the terms of reference of the Audit Committee are set out on the Company's website and the website of the Stock Exchange. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Chan William (chairman), Mr. Tsui Hing Shan and Mr. Kan Siu Chung. None of them is a member of the former or existing auditors of the Company.

Corporate Governance Report (Continued)

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

During the year ended 31 December 2023, the Audit Committee had held three meetings. A summary of the work performed by the Audit Committee is listed below:

— reviewed the Group's annual financial statements for the year ended 31 December 2022, quarterly financial statements for the three months ended 31 March 2023 and interim financial statements for the six months ended 30 June 2023, the related result announcements, documents and other matters or issues raised by the external auditor of the Company;

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

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

— discussed and confirmed with the management the effectiveness of the Group's financial reporting process, risk management and internal control systems covering all material controls, including financial, operational and compliance controls. In particular, the review has considered the adequacy of resources, qualifications and experience of staff of the Company's accounting, internal audit and financial reporting functions, and their training programmes and budget. The result has been reported to the Board.

Remuneration Committee

The Board established the Remuneration Committee on 20 December 2017 in compliance with rules 5.34 to 5.36 of the GEM Listing Rules and rules 3.25 to 3.27 of the Listing Rules and adopted the terms of reference set out in the CG Code. Details of the terms of reference of the Remuneration Committee are set out on the Company's website and the website of the Stock Exchange. The Remuneration Committee currently comprises three independent non-executive Directors, namely Mr. Tsui Hing Shan (chairman), Mr. Chan William and Mr. Kan Siu Chung.

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

During the year ended 31 December 2023, the Remuneration Committee had held two meetings to reviews the remuneration package of the Directors and the senior management of the Group.

Corporate Governance Report (Continued)

Details of the Directors' emoluments are disclosed in Note 8 to the consolidated financial statements. Details of the remuneration by band of the members of the senior management of the Group for the year ended 31 December 2023 are set out below:

Remuneration band	Number of individuals
Nil to HK$1,000,000	2

Nomination Committee

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

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

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

During the year ended 31 December 2023, the Nomination Committee had held two meetings to review the Board's composition, structure and size. The Board currently comprises of seven Directors, two of which is female. Our diversity philosophy is to avoid a single gender Board. Four of our Directors are in the age group of 40-49, two in the age group of 50-59 and one in the age group of 30-39. The background of our Directors including oil industry, accounting, law, and IT. In view of these, the Nomination Committee was of the opinion that the Board consisted of members with diversified gender, age, cultural and education background, professional/business experience, skills and knowledge. Ms. Xu Yayi has been appointed as an executive Director during the year.

CORPORATE GOVERNANCE FUNCTIONS

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

The Board has reviewed the Company's compliance with the CG Code for the year ended 31 December 2023 and other legal and regulatory requirements.

Corporate Governance Report (Continued)

BOARD MEETINGS AND GENERAL MEETING

Pursuant to code provision C.5.1 of the CG Code, the Board meets regularly and Board meetings would be held at least four times a year. Additional meetings would be arranged if and when required. Board members are provided with all agenda and adequate information for their review within reasonable time before the meetings. After each meeting, draft minutes are circulated to all Directors for comments before confirmation. Minutes of Board meetings and meetings of board committees are kept by the company secretary and are available for inspection by the Directors at all times. Each Director is entitled to seek independent professional advice in appropriate circumstances at the expense of the Company. Directors may participate either in person or through electronic means of communications. Directors are free to contribute and share their views at meetings and major decisions will only be taken after deliberation at Board meetings. Directors who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed will not be counted in the quorum of meeting and will abstain from voting on the relevant resolutions.

In addition to regular Board meetings, the chairman of the Board had met with the independent non-executive Directors without the presence of other executive Directors during the year ended 31 December 2023.

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

During the year ended 31 December 2023, the Company had held one annual general meeting ("**2023 AGM**").

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

	Attended/Eligible to attend				
Name of Directors	**Board meetings**	**Audit Committee meetings**	**Nomination Committee meetings**	**Remuneration Committee meetings**	**2023 AGM**
Executive Directors:					
Mr. Xu Ziming	7/7	N/A	N/A	N/A	1/1
Ms. Huang Sizhen	7/7	N/A	N/A	N/A	1/1
Mr. Choi Sio Peng	7/7	N/A	N/A	N/A	1/1
Ms. Xu Yayi (appointed on 18 October 2023)	1/1	N/A	N/A	N/A	N/A
Independent non-executive Directors:					
Mr. Chan William	7/7	3/3	2/2	2/2	1/1
Mr. Tsui Hing Shan	7/7	3/3	2/2	2/2	1/1
Mr. Kan Siu Chung	7/7	3/3	2/2	2/2	1/1

Corporate Governance Report (Continued)

TRAINING AND CONTINUING DEVELOPMENT FOR DIRECTORS

For the year ended 31 December 2023, all Directors had participated in continuous professional development with respect to directors' duties, relevant programmes and seminars or had perused reading materials and updated information in relation to business and industrial development. The Directors had provided the relevant training records to the Company.

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

During the year ended 31 December 2023, the trainings attended by each of the Directors are summarised as follows:

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

COMPANY SECRETARY

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

The Company engaged an external professional company secretarial services provider, Link Corporate Services Limited ("**Link**"), to provide compliance and full range of company secretarial services to the Company in order to assist the Company to cope with the changing regulatory environment and to suit different commercial needs. Mr. Ng Ka Chai ("**Mr. Ng**"), the representative of Link, was appointed as the named Company Secretary of the Company.

Mr. Choi Sio Peng, the executive Director, is the primary point of contact at the Company for the Company Secretary.

Mr. Ng has complied with all requirements relating to qualifications, experiences and training under the GEM Listing Rules and the Listing Rules.

Corporate Governance Report (Continued)

ACCOUNTABILITY AND AUDIT

Responsibilities in respect of the Financial Statements

The Directors acknowledge that it is their responsibility to prepare the accounts of the Company. The management provides information and explanation to the Board to enable it to make informed decisions in this connection.

The statement of the independent auditor of the Company about their reporting responsibilities and opinion on the Consolidated Financial Statements for the year ended 31 December 2023 is set out in the section headed "Independent Auditor's Report" of this annual report.

Risk Management and Internal Control

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

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

Main features of the risk management systems of the Group

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

Corporate Governance Report (Continued)

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

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

For the year ended 31 December 2023, the management assessed that there were no significant changes in the Group's business, and the existing risk assessment framework, methods and procedures are still applicable to the Group.

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

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

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

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

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

Corporate Governance Report (Continued)

Main features of the internal control system of the Group

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

Although the Group does not maintain an internal audit function, the Board has overall responsibility for the risk management and internal control systems and for reviewing their effectiveness. The Board has engaged an external consultant to conduct an internal control review and assessment for the year ended 31 December 2023. The internal control assessment procedures conducted by the external consultant include a comprehensive system for reviewing and reporting information and findings to the Board and the management, and to assess whether the material controls are sufficient and adequate for the Group.

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

The Board reviews the Group's risk management and internal control system on an annual basis. For the year ended 31 December 2023, the Board has reviewed and considered the risk management and internal control systems are effective and adequate. No significant areas of concern that might affect the financial, operational, compliance controls, and risk management functions of the Group were identified. The scope of such review covers the adequacy of resources, qualification and experience of staff of the Group's accounting and financial reporting functions and their attitude against internal control of the Group. The Board will continue to work with the management to discuss and follow-up on the status of remediation of the internal control weaknesses and to monitor the risks of the Group in the coming years.

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

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

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

— The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.

— All employees are required to strictly adhere to the employment terms regarding the management of confidential information.

Corporate Governance Report (Continued)

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

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

Going Concern Assessment

As at 31 December 2023 and up to the date of this report, the Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements of the Company on a going-concern basis.

INSURANCE ON DIRECTORS' AND OFFICERS' LIABILITIES

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

REMUNERATION TO THE COMPANY'S AUDITOR

For the year ended 31 December 2023, the total remuneration paid or payable to the Company's auditor, PricewaterhouseCoopers, for audit and audit related services amounted to RMB1,350,000.

In addition, PricewaterhouseCoopers was appointed by the Company as the reporting accountant for the transfer of listing from GEM to Main Board of the Stock Exchange. Service fee in relation to this recognised for the year ended 31 December 2023 was RMB700,000.

SHAREHOLDERS' RIGHTS

The Company communicates to its shareholders through announcements and interim and annual reports published on its website at www.jtfoil.com. Shareholders may put enquiries to the Board through its website at www.jtfoil.com or in writing sent to the principal office of the Company at Unit 1102, 11/F, 29 Austin Road, Tsim Sha Tsui, Kowloon, Hong Kong. The Directors, company secretary or other appropriate members of senior management of the Company respond to enquiries from shareholders promptly. All shareholders are also encouraged to attend general meetings of the Company to discuss matters relating to the Group. At general meetings of the Company, the Directors answer questions from the shareholders.

Corporate Governance Report (Continued)

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

INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and understanding of the shareholders and potential investors on the Group's business, performance and strategies. The Company also recognises the importance of timely and non-selective disclosure of information, which will enable shareholders and investors to make the informed investment decisions.

The annual general meeting provides opportunity for shareholders to communicate directly with the Directors. The chairman of the Board, the chairmen of the Board Committees will attend the annual general meeting to answer shareholders' questions. The external auditor of the Company will also attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report and auditor independence.

To promote effective communication, the Company maintains a website at www.jtfoil.com, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. The Board has reviewed the above measures regularly to ensure its effectiveness.

DIVIDEND POLICY

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

On behalf of the Board

Xu Ziming
Chairman

Hong Kong, 15 March 2024

Environmental, Social and Governance Report

For the year ended 31 December 2023

INTRODUCTION

JTF International Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") is pleased to present this Environmental, Social and Governance ("**ESG**") Report, highlighting the ESG performance, with disclosure reference to the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") and its upcoming amendments, as set out in Appendix C2. The information stated in this report covers the period from 1 January 2023 to 31 December 2023 (the "**Reporting Period**") which aligns with the financial year as the 2023 annual report of the Group.

MESSAGE FROM THE BOARD

The responsibility for the oversight of the Group sustainability and environmental, social, and governance (ESG) issues lies firmly with the Board of directors. We are ultimately accountable for the long-term success of the Group, and it is important as part of modern corporate governance to embed sustainability and ESG into decision-making and long-term growth strategies. We specifically address and monitors ESG-related matters at least once a year.

The execution of the ESG strategy involves the collective effort of the entire company, primarily through a top-down approach. The security department is responsible for executing and implementing ESG-related policies, while the operation department, with assistance from the administration department, manages the data collection process related to ESG aspects. The Board prioritises material ESG topics and establishes goals and targets specifically related to the nature of the business. The prioritisation of material ESG topics is enlightened by an annual materiality assessment. Both the Board and the management of the Group monitor trends and developments in ESG-related topics that are relevant to the business.

2023 was a year of ongoing recovery from the impacts of the COVID-19 pandemic. In February 2023, the PRC government declared that the COVID-19 Pandemic had been successfully controlled, allowing gradual normalisation. As the general business and market environment resumes to normal, our business also gradually improves. The pandemic reinforced the view of the Board that environmental and social considerations strongly influenced long-term success. Employees are crucial in this regard. In the working environment, the Group devised a set of health guidelines and safety measures to protect our most valuable assets — our employees. With the multi-disciplinary and flexible strategies, the disruption to our business operations had reduced to a minimum level.

The key theme of 2023 is corporation. Climate change threatens global prosperity. Recognising its severe environmental effects, the Board is developing a green, low-carbon strategy aligned with China's carbon neutrality goals. The Group has been working closely with different stakeholders such as our suppliers, to encourage them to become more environmentally friendly. The Group gives priority to suppliers with a low carbon footprint and also selects eco-friendly products. The Group aims to not only influence the employees to conserve the environment, but also stakeholders to reduce their carbon footprints.

Throughout the year, the board continued to maintain strong internal monitoring to ensure proper ESG management and compliance through comprehensive training. No pollution incidents occurred, Underscoring the Board's commitment to responsible and long-term-oriented operations. Looking forward, the Group will remain attentive to global and PRC environmental protection policies and regulatory to enhance the Group's sustainability performance. As the Group transition into a low carbon economy, the core principle of green operation will be reinforced in our business lines to pursue a sustainable development for a brighter future with all of our stakeholders.

Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2023

REPORTING PRINCIPLES

The ESG Report is prepared according to the "Comply or Explain" provisions and the four Reporting Principles as required by the ESG Reporting Guide:

1. Materiality: Based on our continuous communication with stakeholders, the Group has formulated models to analyse environmental and social aspects. Based on our internal materiality analysis, ESG topics that may influence the perspectives of the stakeholders are disclosed.

2. Quantitative: ESG data are presented numerically and our ESG performance can be compared against our peers, industry standards and our previous year's performance. The details of calculation basis are further disclosed in relevant sections of the Report.

3. Balance: All information disclosed in the Report shall be unbiased. There will not be any misleading presentation format, selections and omission that may inappropriately influence the decision of a stakeholder.

4. Consistency: In order to ensure comparability, all ESG Key Performance Indicators ("**KPI**") calculation and assumption are consistent with the previous year. Any changes in our methodologies are disclosed clearly to inform the stakeholders.

REPORTING BOUNDARY

The Group is principally engaged in the wholesale of oil and other petroleum products in the PRC. The oil products that we operate in can be broadly categorised into (i) refined oil; (ii) fuel oil; and (iii) other petrochemical products. The report's social aspects covered the whole Group while the environmental aspects are mainly focused on the wholesale of oil and other petroleum products in the PRC, which is the area that represents the majority of the Group's revenue generated, and thus the major business activities that made social, environmental and economic impacts.

The Group's ESG practices has been set up along with the daily operations and supported by our data collection system. The scope of disclosure is expanded in view of the increasing social awareness of ESG. However, ESG data from our vendors or service providers is not included as such data is difficult and impractical to verify with available resources.

Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2023

COMMENT AND SUGGESTION

Our group values the comments from different stakeholders, if you have any opinions regarding this ESG report or the sustainability development of the Group, please contact the ESG reporting team via the following channels.

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STAKEHOLDERS ENGAGEMENT

The Group believes that the interests of all stakeholders must be considered in order to strengthen relationships with our shareholders, employees, customers, suppliers, government authorities and society as a whole. Our approach to stakeholder engagement is designed to ensure that our stakeholders' perspectives and expectations are fully understood to help define our current and future sustainability strategies.

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

Major Stakeholders		Major Communication Channels	Major Concerns
Internal	Shareholders and investors	• Circulars, press release and corporate announcements • Financial reports • General meetings, and other shareholder meetings • Company website	• Public information disclosure and transparency • Sustainable return on investment • Strong corporate governance and risk management • Information disclosure and transparency
	Employees	• Seminars and conferences • Performance review • Business meetings and briefings	• Attractive remuneration package and benefits • Health and safety of working environment • Training opportunities and career development

Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2023

Major Stakeholders		Major Communication Channels	Major Concerns
External	Suppliers	• Periodic review and examination • Procurement meetings • Site visit • Phone calls, conferences, and e-mails	• Suppliers grading system • Laws and regulation compliance • Long-term cooperation • Credibility and business ethics
	Customers	• Company website • Meetings and correspondences • Customer hotlines	• Improvement of service and product quality • Customer satisfaction • Privacy protection
	Public community	• Charitable activities • Community volunteering events • Company website	• Corporate social responsibilities • Environmental Impact • Community investment and charitable activities
	Government and supervisory institutions	• Major conferences and policy consultation • Information disclosures • Inspections and site visits	• Compliance with laws and regulations • Strong corporate governance • Facilitating the development of the local community • Tax payment in accordance with laws

MATERIALITY ASSESSMENT

During the Reporting Period, the Group conducted a comprehensive materiality assessment to strengthen stakeholders' comprehension of the Group's ESG performance and sustainable development strategy. By referring to international, national, and industry standards, as well as benchmarking within the industry, the Group identified 28 key topics that are indicative of our business's sustainable development. To gauge the level of importance attached to each issue, the Group extensively engaged with both internal and external stakeholders through online questionnaires. The materiality assessment process follows the following steps to ensure comprehensive coverage of significant ESG issues and stakeholder input:

1. Designing the methodology: The materiality analysis methodology aligns with the implementation of the ESG initiative and adheres to the materiality principles stated in the Reporting Principles section and Listing Rules mentioned earlier.

2. Identifying material ESG issues: The Group considers a range of sources, including previous year's significant ESG issues, stakeholders feedback, policies and procedures, industry and international trend reports, regulatory updates, and external standards to identify key ESG issues.

3. Validating and engaging stakeholders: Internal and external stakeholders are actively involved in the assessment process. ESG issues are rated on a scale of no significance to high significance based on stakeholder input. Additionally, stakeholders are encouraged to provide feedback on engagement practices and raise any additional ESG issues.

4. Prioritizing significant ESG issues: Through statistical analysis of the collected data, the materiality assessment prioritizes ESG issues based on their overall importance. The results are presented in a chart format for clarity and understanding.

Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2023

The table below illustrates the significant ESG issues identified by the Group:

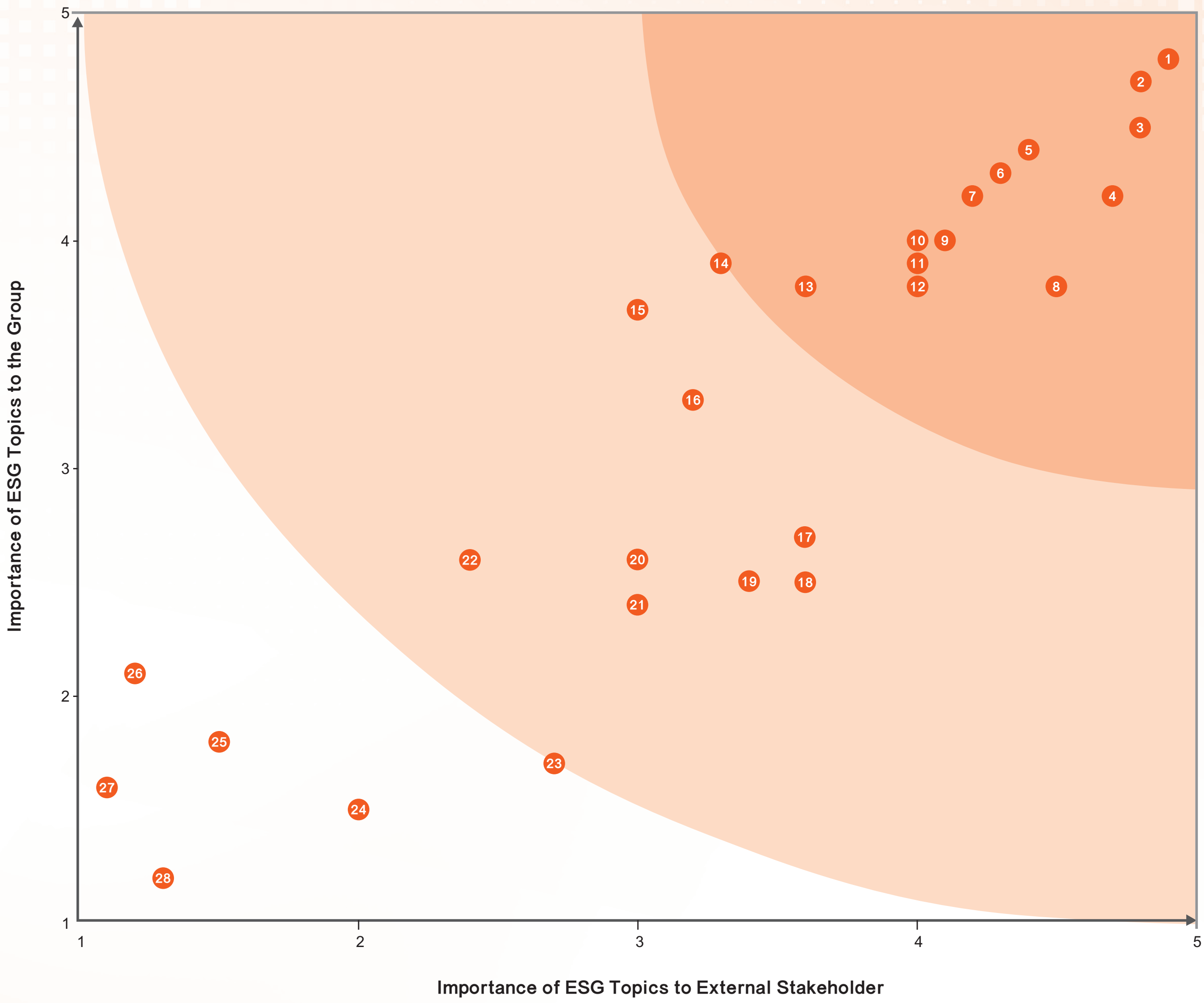
Item	ESG Topic	Item	ESG Topic
1	Product health and safety	15	Observing and protecting intellectual property rights
2	Occupational health and safety	16	Product and service labelling
3	Energy use (e.g. electricity, gas, fuel)	17	Mitigation measures to protect environment and natural resources
4	Environmentally preferable products and services	18	Customer satisfaction
5	Employee remuneration, benefits and rights (e.g. working hours, rest periods, working conditions)	19	Selection and monitoring of suppliers
6	Anti-corruption training provided to directors and staff	20	Preventing child and forced labour
7	Number of concluded legal cases regarding corrupt practices, e.g. bribery, extortion, fraud and money laundering	21	Hazardous waste production
8	Air emissions	22	Climate change
9	Anti-corruption policies and whistle-blowing procedure	23	Cultivation of local employment
10	Greenhouse gas emissions	24	Non-hazardous waste production
11	Customer information and privacy	25	Water use
12	Employee development and training	26	Use of materials (e.g. paper, packaging, raw materials)
13	Environmental risks (e.g. pollution) and social risks (e.g. monopoly) of the suppliers	27	Marketing communications (e.g. advertisement)
14	Diversity and equal opportunity of employees	28	Community support (e.g. donation, volunteering)

Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2023

The assessment results are summarized in the following graph:

Materiality Assessment Matrix



Based on the aforementioned analysis, the Group has identified "Product health and safety", "Occupational health and safety", and "Energy use (e.g. electricity, gas, fuel)" as the top three priority areas for attention during the Reporting Period.

Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2023

A. ENVIRONMENTAL ASPECT

The Group's business activities involve the wholesale of oil and other petroleum products in the PRC. Energy efficiency serves as a key metric for monitoring the Group's greenhouse gas ("**GHG**") emissions. To continually enhance energy performance and reduce the Group's carbon footprint, it is crucial for the Group to closely monitor energy usage. The Group actively seeks out energy-saving opportunities, particularly by selecting environmentally friendly equipment and facilities.

The Group strictly complies with but not limited to the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), Zhuhai Environmental Protection Regulations (《珠海市環境保護條例》), and Guangdong Province Environmental Protection Regulations (《廣東省環境保護條例》). Expanding beyond energy-saving measures in business operations, the Group has extended these principles to create a green working environment and foster a green mindset among employees. When procuring office equipment, the Group prioritizes models with higher energy efficiency, sourced from suppliers with relatively low carbon footprints. Regular reminders are provided to employees to adopt energy-efficient practices in their respective workspaces.

In 2023, the Group did not incur any material fines or non-monetary sanctions for violations of environmental laws and regulations. To the best of our knowledge, there were no material breaches of relevant statutes that would have significantly impacted the Group concerning emissions to air and greenhouse gases, discharges to water and land, as well as generation of hazardous and non-hazardous waste. The Group was compliant with applicable environmental requirements throughout the Reporting Period. During the Reporting Period, the Group has complied with all relevant environmental regulations and requirements, and no violations have been recorded in the environmental aspects.

A1. Emissions

A1.1 Air Emissions

The air emissions produced by the Group are mainly attributed to the usage of vehicles owned by the Group for business purpose, the kitchen for providing meals for employees and customer also emitted from the gaseous fuel consumption but in a limited amount and the kitchen stopped the operation in September of 2023. The logistics for the Group's major operation have been outsourced to several third parties' service providers. As the corresponding data is not available, the relevant data has been excluded in calculating the air emissions. The Group strictly complies with the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》) and related laws and regulations.

Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2023

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

The types of emissions[1]	Units	2022	2023	Percentage change
Emissions data from vehicles[2]				
Nitrogen Oxides ("**NO_x**")	kg	1.27	**1.31**	3.15%
Sulphur Oxides ("**SO_x**")	kg	0.02	**0.02**	–
Particulate Matter ("**PM**")	kg	0.09	**0.10**	11.11%
Total air emissions	kg	1.38	**1.43**	3.62%
Total air emissions intensity (per floor area)	kg/m^2	Less than 0.01	**Less than 0.01**	–
Total air emissions intensity (per employee)	kg/employee	0.04	**0.06**	44.17%

Notes:

1. The methodology adopted for reporting on emissions set out above was based on "How to Prepare an ESG Report? — Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange.

2. The emission factors used to calculate the NO_x, SO_x and PM are sourced from: the Hong Kong Environmental Protection Department's EMFAC-HK Vehicle Emission Calculation model and the United States Environmental Protection Agency's Vehicle Emission Modelling Software — MOBILE 6.1; and the assumptions of 80% relative humidity, a temperature of 25 degrees Celsius, an average speed of 30km/h, and include running exhaust emissions only.

The total air emission from vehicles had shown a slightly increasing with a 3.62% increased comparing to 2022. The emissions intensity, which considers the total air emissions per floor area, provides a more accurate reflection of the actual performance.

Considering the Group's business nature and its ongoing efforts towards environmental protection, there are limited rooms for further improvement in air emissions. The Group will continue to closely monitor air emissions and aims to maintain the current emission levels, taking into account the scale of its business operations.

Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2023

A1.2 Greenhouse Gas Emissions

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

The total emissions of carbon dioxide ("$\mathbf{CO_2}$") equivalent generated from the Group are shown in the table below:

GHG emissions[1]	Units[2]	2022	2023	Percentage change
Total GHG emissions from Scope 1[3]	tCO_2e	3.30	**2.93**	(11.21%)
Total GHG emissions from Scope 2[4]	tCO_2e	91.79	**63.94**	(30.34%)
Total GHG emissions from Scope 3[5]	tCO_2e	0.77	**0.74**	(3.90%)
Total GHG emissions	tCO_2e	95.86	**67.61**	(29.47%)
Total GHG emissions intensity (per floor area)	tCO_2e/m^2	Less than 0.01	**Less than 0.01**	–
Total GHG emissions intensity (per employee)	tCO_2e/employee	2.90	**2.94**	1.38%

Notes:

1. The methodology adopted for reporting on emissions set out above was based on "How to Prepare an ESG Report? — Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange.

2. tCO_2e refers to tonnes of carbon dioxide equivalent.

3. Direct emissions of the Group were from fuel combustion in vehicle.

4. Indirect emissions of the Group were from purchased electricity.

5. Other indirect emissions of the Group included electricity used for fresh water and sewage processing by government department.

During the Reporting Period, the total GHG emissions were 67.61 tonnes, representing a total decrease of 28.25 tonnes, or approximately 29.47%, compared to the total GHG emission in 2022. The percentage difference is primarily associated with the decrease in the usage of electricity due to decrease of number of employee while there are no significant changes in the GHG emissions intensity per floor area and per employee.

The Group will continue to record and monitor the GHG emissions and other relevant environmental data from time to time. Similar to the air emissions, the rooms of improvement in the GHG emissions are limited. The Group will continue to closely monitor the greenhouse gas emissions and aims to maintain the current emission levels, taking into account the scale of its business operations.

Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2023

A1.3 Waste Management

During the operation of the business, the Group produces hazardous and non-hazardous waste. The Group believes the essential part of minimizing impacts on the environment is proper waste management. This process goes both way — in terms of reducing waste production and handling various types of waste appropriately. To achieve this objective, we have set up a standardized procedure for effective waste management, ensuring compliance with relevant laws and regulations, such as the Law of the People's Republic of China on Prevention and Control of Environment Pollution Caused by Solid Wastes (《中華人民共和國固體廢物環境防治法》).

The non-hazardous waste primarily consists of office paper and other office waste. However, the quantity of this waste is minimal and considered immaterial. As a result, no data collection has been conducted for non-hazardous waste.

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

- Use printers that can print on both sides of the paper;
- Non-essential items should be in an electronic format instead of a printed version; and
- Any documents that are no longer in use should be shredded and recycled.

Hazardous waste, such as minimal oil residue, is generated during our operations. According to the Technical specifications for Pollution Control for Collection and Recycle of Used Mineral Oil of the PRC (《中華人民共和國廢礦物油回收利用污染控制技術規範》), the proper disposal and collection of oil residue must be carried out by licensed collectors. The Group ensures compliance with the relevant regulatory requirements by annually reviewing the qualifications of the licensed collector responsible for collecting our oil residue. Due to the limited quantity of hazardous waste and its proper handling, the potential environmental impact is relatively minimal.

Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2023

In order to provide a comprehensive overview of the Group's environmental performance, the amount of hazardous waste is now included in this Reporting Period, even though the environmental impact resulting from proper handling of the oil residue is limited. The following are the total amounts of hazardous waste produced during the Reporting Period:

Hazardous waste[1]	**Units**	**2022**[2]	**2023**	**Percentage change**
Oil residue	Tonnes	N/A	**1**	N/A
Total hazardous waste	Tonnes	N/A	**1**	N/A
Total hazardous waste intensity (per million revenue)	Tonnes/ RMB million revenue	N/A	**Less than 0.01**	N/A

Notes:

1. The hazardous waste is mainly from the oil residue, the amount of the oil reside is collected from the licenced collector.

2. The amount of hazardous waste was not collected in 2022, thus, there is no data available.

3. Intensity was calculated by dividing the Group's revenue in 2023, amounting to RMB 1,239 million.

As previously mentioned, the environmental impact of the hazardous waste is unavoidable during our operation and proper handling procedures are in place. The Group remains committed to ensuring there is proper waste management practices and will continue to monitor the quantity of hazardous waste generated.

A2. Use of Resources

The use of resources plays a major role in environmental protection, the Group encourages employees to foster resource conservation and recycling practices in the daily work, and also strictly complies with the Energy Conservation Law of the People's Republic of China (《中華人民共和國節約能源法》). The Group closely monitors the status of resources usage to ensure the full use of resources and avoid waste. The Group mainly use electricity and non-renewable fuel as the source of energy, and also use water in the daily operation.

The Group primarily sells oil through three methods: transportation via ship, transfer through pipelines, and direct fulfilment of client's car fuel tankers. Hence, there is no packaging materials are used in the business operations.

Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2023

A2.1 Energy Consumption

Electricity is the major indirect energy consumption for the Group which is consumed during daily business operations in our offices through the use of indoor lighting, air-conditioning, office equipment and equipment related to repair and maintenance, etc. Moreover, limited non-renewable fuel consumed was sourced from the usage of vehicles and the kitchen owned by the Group for business and operation purposes.

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

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

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

Energy consumption[1]	**Units**	**2022**	**2023**	**Percentage change**
Non-renewable fuel consumed[2]	MWh	12.02	**10.66**	(11.31%)
Electricity consumption	MWh	150.46	**104.79**	(30.35%)
Total energy consumption	MWh	162.48	**115.45**	(28.95%)
Total energy consumption intensity (per floor area)	MWh/m^2	0.01	**0.01**	–
Total energy consumption intensity (per employee)	MWh/employee	4.92	**5.02**	2.03%

Notes:

1. The methodology adopted for reporting on consumptions set out above was based on "How to Prepare an ESG Report? — Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange.

2. The conversion factors used to calculate the units to kWh are sourced from the Energy Statistics Manual issued by the International Energy Agency.

During the Reporting Period, the total energy consumption was 115.45 MWh with an intensity of 5.02 MWh per employee. This figure represents a decrease of 28.95%, compared to the total energy consumption in 2022, and an increase of 2.03%, compared to the total energy consumption intensity per employee. The increase in the intensity per employee was due to the decrease in the number of employees.

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

Considering the Group's business nature and its ongoing efforts towards environmental protection, there are limited rooms for further improvement in air emissions. The Group will continue to closely monitor air emissions and aims to maintain the current emission levels, taking into account the scale of its business operations.

Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2023

A2.2 Water Consumption

The Group endeavours to implement an effective water management through efficient water use. The 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.

The Group complies with the Law of the People's Republic of China on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), and other related laws and regulations. The majority of sewage is arising from rainwater and domestic sewage. Tributary septic tanks are used for cleaning process that improves wastewater quality before it is discharged to the environment. Bacteria, viruses, and parasites, which are harmful to public health, are also removed at this stage. In addition, a grease trap and partition are set at the end of the discharge pipe.

All rainwater is discharged through the grease trap and partition. In case of oil leakage or oil discharge, the partition can stop the pipe discharge into the environment and avoid oil spill.

Water consumption[1]	**Units**	**2022**	**2023**	**Percentage change**
Total water consumption	m^3	1,242.00	**1,200.00**	(3.38%)
Total water consumption intensity (per floor area)	m^3/m^2	0.08	**0.08**	–
Total water consumption intensity (per employee)	m^3/employee	37.64	**52.17**	38.61%

Note:

1. The methodology adopted for reporting on consumptions set out above was based on "How to Prepare an ESG Report? — Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange.

During the Reporting Period, the total water consumption was 1,200 cubic meters (m^3). This figure represents a decrease of 42 m^3, or 3.38%, compared to the total water consumption in 2022. The Group will continue to assess and record its water consumption and compare it with last year's data for maintaining water consumption reduction target in the future. In the Reporting Period, the Group did not identify any issues in sourcing water for business operations.

Considering the Group's business nature and its ongoing efforts towards environmental protection, there is limited scope for further improvement in air emissions. The Group will continue to closely monitor air emissions and aims to maintain the current emission levels, taking into account the scale of its business operations.

Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2023

A3. The Environment and Natural Resources

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

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

In anticipation of stricter national requirements and shift of client preferences, the Group will continue to research and adjust its product structure in the upcoming Reporting Period. This adjustment aims to not only meet the preferences of clients but also promote cleaner emissions and enhance environmental friendliness. By adapting the product structure, the Group aims to align with changing market demands and regulatory standards. This proactive approach will enable the Group to offer products that are in line with environmentally conscious practices and contribute to a cleaner and more sustainable future.

A4. Climate Change

In the 2023 United Nations Climate Change Conference (COP28), committed the parties to transition away from fossil fuels in energy systems, orderly and equitable manner, so as to achieve net-zero emissions by 2050. In the Group of Twenty (G20) summit 2023, under the theme 'One Earth, One Family, One Future', nations are agreed to pursue and encourage efforts to triple renewable energy capacity globally.

The impact and consequences of climate change are receiving increasing attention and awareness nowadays, not only on the international stage but also on a personal level. Citizens around the globe are focusing more on climate-related issues due to the influence of natural disasters caused by global warming. Eventually, we all suffer from these natural disasters. As suggested by the Task Force on Climate-Related Financial Disclosures (TCFD), there are two types of climate-related risks, including the transition risks and physical risks. The transition risks refer to risks related to the transition to a lower-carbon economy, and the physical risks refer to risks related to the physical impacts of climate change. Likewise, the Group has been closely monitoring the risks and seizing the opportunities presented by climate change. Investments will be allocated and prioritized to address the primary climate-related risks, enabling our Group to transition smoothly and thrive in a low-carbon economy.

Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2023

Physical Risk

Acute: Acute physical risk may arise from climate change, which are event-driven including but not limited to cyclones, natural disasters, and floods. These events may cause damage to our inventory such as our oil tanks and storage of other petrochemical products. This may affect our inability to meet our customer's demand affecting our business operations and ultimately affecting the Group's relationship with the customers. The Group has established contingency measures that encompasses a variety of weather-related events to reduce the resilient risk.

Chronic: Climate change may also increase chronic physical risks, which are longer-term shifts in climate patterns. These shifts may include sustained temperature rises or changes in precipitation patterns. Such factors would also impact the storage environment of oil tanks and petrochemical products. Considering the possibility of rising sea levels, the operational location of the business may be at risk of disappearing, as indicated by the forecast simulation sea-level increase map by Climate Central. To mitigate the potential impacts, the Group has implemented measures to ensure that changes in weather patterns have minimal effects on the storage environment. Furthermore, the Group continues to monitor the situation regarding chronic risks in order to respond instantly.

Transition Risk

The transition to a low carbon economy to combat climate-change may give rise to policy, legal, technology, market and reputational risk.

Policy and Legal Risk: While the business environment may be subject to regulatory changes, the Group's business operations are flexible and capable of adapting to any shifts in climate change policies. Since the Group operates in the wholesale business of oil and other petrochemical products, the potential for policy and legal risks is relatively low. However, in the long term, the calculation and consideration of greenhouse gases or carbon pricing may be viewed holistically across the value chain. While it is unlikely that such policies will directly impact the Group's operations, the Group will continue to monitor the potential for such developments in the future. During this Reporting Period, the Group was not aware of any third-party litigations related to climate change or non-compliance with climate-related laws.

Technology Risk: Although renewable energy has been developing and improving for years, the use of traditional energy sources remains predominant globally. It is foreseeable that renewable energy may not be able to completely replace the use of oil in the near future. To mitigate technological risks, the Group refurbished and enhanced its oil tanks, pipelines, and other oil depot facilities in 2020. These technological enhancements have remained effective during this Reporting Period. In the future, the Group may explore additional technological enhancements to streamline its business operations.

Market Risk: Although there have been shifts in the consumer preferences to renewable and sustainable energy, the market for refined oil wholesale and storage remains very large. With the Group's experience in the refined oil market and the diverse network of established customers including the three largest state-owned oil companies in the PRC, it is anticipated that the Group will play an even bigger role in the local supply chain and capture a larger proportion of the market share in the future. The Group may consider exploring in the wholesale of other relatively more environmentally friendly petrochemical products, and to continue to monitor market related risk.

Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2023

Reputational Risk: To align with the public's sentiment on climate change, the Group has incorporated environmental measures into its business operations. The Group will closely monitor the carbon footprint of the operations and explore additional ways to reduce the impact on the environment.

Climate change brings both risks and opportunities to the Group. One of the potential opportunities arising from climate change is the shift in reliance from vehicles to marine vessels due to rising sea levels. This shift can create favourable circumstances for the Group, given its experience in serving marine vessels. With the existing expertise and capabilities in serving marine vessels, the Group is well-positioned to seize the opportunities presented by this changing landscape. By leveraging its knowledge and understanding of marine operations, the Group can capitalize on the growing demand for marine transportation and related services. This strategic advantage allows the Group to adapt its business model and expand its market share in this evolving sector.

By recognizing and proactively responding to the opportunities arising from climate change, the Group can not only mitigate risks but also position itself as a leader in providing sustainable solutions for the transportation industry.

B. SOCIAL ASPECTS

The Group places equal importance on the social aspect as it does on the environmental aspect. The Group prioritizes the welfare and mental health of our employees, recognizing that their support is crucial for the long-term success of our business. Additionally, the Group strictly adheres to national standards to ensure product quality. For instance, our refined oil products generally conform to 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.

B1. Employment

The Group firmly believes that employees are its most valuable asset for sustainable development. With this in mind, the goal of the Group is to create a harmonious workplace and foster strong relationships with our employees. To achieve this goal, the Group focuses on four key areas: (i) Labour rights; (ii) Fairness and zero discrimination; (iii) Benefits and welfare; and (iv) Occupational health and safety. The Group strictly adheres to the applicable laws and standards of the jurisdiction in which it operates. It strives to fulfil its responsibilities to employees, respects their legitimate rights and interests, promotes their professional development, improves the working environment, and pays attention to the physical and mental health of employees. This commitment aims to achieve the mutual development of the Group and its employees.

The Group had established a "Recruitment Management Procedure" that outlines the recruitment methods, procedures, and requirements. The recruitment process involves conducting two rounds of interviews to ensure that candidates are well-suited to the Group. This procedure has been put in place to ensure that all candidates are treated equally and fairly throughout the recruitment process. By adhering to this procedure, the Group aims to create a transparent and unbiased selection process, where each candidate is given an equal opportunity to showcase their qualifications and capabilities. The "Recruitment Management Procedure" serves as a guiding document for recruitment activities within the Group, promoting consistency and fairness in the hiring process. It also helps the Group maintain a high standard of professionalism and ensure that the most suitable candidates are selected to join the organization.

Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2023

B1.1 Total Workforce

The Group had a total of 23 employees as of 31 December 2023, of which all are full-time employees. The total workforce categorised by (i) gender; (ii) age group; and (iii) geographical region are shown below:

Total number of workforce[1]	**Categories**	**2022**	**2023**	**Percentage change[2]**
Gender	Male	22	**17**	(22.73%)
	Female	10	**6**	(40.00%)
Age Group	Below 30	5	**4**	(20.00%)
	30–50	18	**15**	(16.67%)
	Above 50	9	**4**	(55.56%)
Geographical Region	Hong Kong	1	**2**	100%
	Guangzhou	26	**16**	(38.46%)
	Zhuhai	5	**5**	–

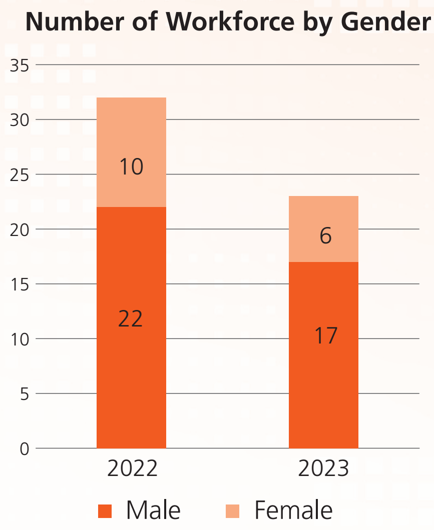
Notes:

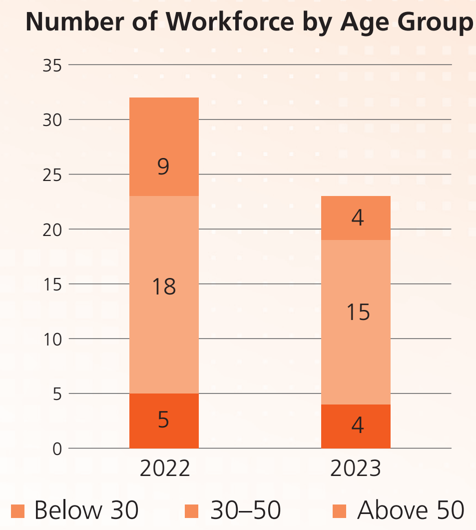
1. The methodology adopted for reporting on the number of workforce set out above was based on "How to Prepare an ESG Report — Appendix 3: Reporting Guidance on Social KPIs" issued by the Stock Exchange.

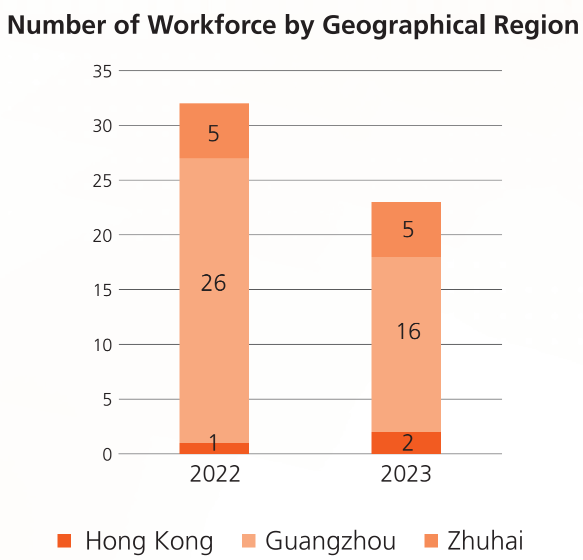
2. The calculation of percentage change based on a narrow base of numbers of total employees, therefore, the percentage change for the number of workforce had significant increase or decrease.

Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2023







Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2023

B1.2 *Employee Turnover*

Talent management is important to the Group, a wide range of incentives are provided, including competitive remuneration and benefits packages, which are based on individual performances and the qualifications of employees and benchmarked against our industry peers on an annual basis. All our employees are essentially treated with fair wages, fixed working hours, proper insurance coverage and statutory holidays. In addition, a various of leisure activities are organized which includes but not limited to annual dinner, Chinese New Year gathering and mid-autumn lantern carnival.

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

During the Reporting Period, the Group's overall employee turnover rate was approximately 32.73% (2022: 31.25%). The employee turnover rate by (i) gender, (ii) age group (iii) geographical region are presented in the table below:

Percentage of turnover rate[1]	Categories	2022[2]	2023[3]	Percentage change
Gender	Male	31.82%	**25.64%**	(19.41%)
	Female	30.00%	**50.00%**	66.67%
Age Group	Below 30	60.00%	**44.44%**	(25.93%)
	30–50	33.33%	**18.18%**	(45.45%)
	Above 50	11.11%	**61.54%**	453.85%
Geographical region	Hong Kong	–	**–**	–
	Guangzhou	38.46%	**56.25%**	46.25%
	Zhuhai	–	**–**	–

Notes:

1. The methodology adopted for reporting on the turnover rate set out above was based on "How to Prepare an ESG Report — Appendix 3: Reporting Guidance on Social KPIs" issued by the Stock Exchange.

2. In 2022, the total number of employees was 32 and the total number of turnovers was 10.

3. In 2023, the total number of employees was 23 and the total number of turnovers was 9. The number of employees fluctuated in 2023 comparing to 2022, to enhance the accuracy of reflecting the actual performance, the turnover rate percentage in 2023 was calculated by dividing the number of employee turnovers in 2023 by the average number of employees in the categories of 2022 and 2023.

Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2023

B2. Health and Safety

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

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

Temporary power supply safety management policy	Formulated to strengthen the controls and safety measures over the use of temporary power supply and to avoid electric shock, fire and explosion, and various electrical accidents.
Fire safety management policy	Formulated to ensure arrangements are made in respect of the maintenance of fire safety provision for the relevant premises and that fire safety regulations are strictly enforced to ensure compliance with the national laws and regulations including but not limited to the "Code for Design of Electrical Installations in Explosive Atmospheres" (《爆炸和火災危險環境電力裝置設計規範》).
Warehouse and oil tank zone safety management policy	Formulated to ensure all storage items are classified, piled, stored and continuously monitored and are in compliance with the national laws and regulations including but not limited to the "Code for Fire Protection Design of Buildings" (《建築設計防火規範》).
Hazardous chemical safety management policy	Formulated to regulate the safety management of use, transportation, distribution, storage and other processes of hazardous chemicals and to ensure compliance with the national laws and regulations including but not limited to the "Fire Protection Law of the People's Republic of China" (《中華人民共和國消防法》), "Regulations on the Safety Management of Hazardous Chemicals" (《危險化學品安全管理條例》), "Regulations on the Safe Use of Chemicals in the Workplace" (《工作場所安全使用化學品規定》), "Provisions on the Administration of Road Transport of Dangerous Goods" (《道路危險貨物運輸管理規定》), "Specifications for Storage and Preservation of Combustible and Explosive Goods" (《易燃易爆性商品儲存養護技術條件》) and "Rule for Storage of Chemical Dangers" (《常用化學危險品儲存通則》).

Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2023

In the past three Reporting Periods, the Group was not aware of any work-related fatalities, lost days due to work injury and any violations of Hong Kong and PRC health and safety laws and regulations.

The Group also take care of employees' mental health, which aimed to provide a fairness and zero-discrimination workplace. The Group is committed to providing a workplace free from any form of discrimination and harassment and provides opportunities to employees with different backgrounds and characteristics so as to build a diversified workforce. As demonstrated in our "Recruitment Management Policy" and "Promotion and Termination Management Policy", the Group emphases a transparent recruitment and employment mechanism. In all employment decisions, including recruitment, promotion and termination, the Group only takes the qualifications, experience and performance of candidates or employees relevant to the job function into account. Any form of discrimination against our potential or current employees on the grounds of nationality, age, gender, sexual orientation, gender identity, ethnicity, disability, pregnancy, political inclination is strongly prohibited. The Group also forbids unlawful harassment, harassment, and victimization of any type at workplace.

B3. Training and Development

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

The Group has implemented a "Training Management Control Procedure" that outlines training objectives of various type of training provided to different level of employees. The training programs include (i) occupational ethics training, moral training, and company culture training; (ii) orientation training for new entry employees; (iii) skills training for frontline employees; (iv) managing skills training for management; and (v) off-job training.

The trainings provided to the employees are aimed to enhance the skills and increase the engagement of employees. For example, new employees can understand the department's structure, job responsibilities, and necessary working skills in the orientation training. The process enables new employees to swiftly acclimate to their roles and effectively integrate within the Group's operations. For off-job training, it allows employees to enhance their knowledge and skills beyond their daily job responsibilities.

By implementing the "Training Management Procedure", the Group aims to meet employees' expectations and provide them with opportunities for growth and advancement. The belief is that through these training programs, employees can make valuable contributions to the Group's success and develop a promising career path within the Group.

Moreover, all directors of the Group had participated in continuous professional development related training programmes and seminars, to ensure that they understand business operations of the Group, directors' responsibilities and obligations under the Listing Rules and other regulatory requirements.

Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2023

The percentage of employees trained by gender and employment category are listed below:

Category[1]	Sub-Categories	Units	2022	2023	Percentage change
Gender	Male	%	68.75	**73.91**	7.51%
	Female		31.25	**26.09**	(16.52%)
Employment category	Senior management	%	18.75	**26.09**	39.13%
	Middle management		12.50	**17.39**	39.13%
	Frontline and other employees		68.75	**56.52**	(17.79%)
Overall percentage of employees trained		%	100	**100**	–

Note:

1. The methodology adopted for reporting on the percentage of employees trained set out above was based on "How to Prepare an ESG Report — Appendix 3: Reporting Guidance on Social KPIs" issued by the Stock Exchange.

The percentage of employees trained, and the average training hours completed per employee are listed below:

Category[1]	Sub-Categories	Units	2022	2023	Percentage change
Gender	Male	hours	10.00	**12.94**	29.40%
	Female		10.00	**16.67**	66.70%
Employment category	Senior management	hours	10.00	**10.00**	–
	Middle management		10.00	**10.00**	–
	Frontline and other employees		10.00	**16.92**	69.20%
Overall average training hours completed per employee		hours	10.00	**13.91**	39.10%

Note:

1. The methodology adopted for reporting on the overall average training hours set out above was based on "How to Prepare an ESG Report — Appendix 3: Reporting Guidance on Social KPIs" issued by the Stock Exchange.

Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2023

B4. Labour Standards

In line with the local employment laws including the Employment Ordinance of Hong Kong, Labour Law of the PRC (《中華人民共和國勞動法》), Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), Cap. 57 Employment Ordinance of Hong Kong (第57章《僱傭條例》) as well as other related labour laws and regulations, the Group prohibits the employment of child labour or any other form of forced and illegal labour.

The Group only recruits candidates who meet the legal age requirements. The Human Resources Department is responsible for ensuring the absence of child and force labour, and the identity copy of candidate is needed for the recruitment procedure. Once the child or forced labour is discovered, the Group will dismiss the related person. It strictly adheres to the relevant labour regulations in the PRC and Hong Kong concerning working hours and holidays, aiming to safeguard the physical and mental health of all employees. The Group is also working on human rights due diligence in the supply chains, to ensure the safety, health, or education right of all children.

B5. Supply Chain Management

For many corporations nowadays, outsourcing non-core business processes has become not only the norm but also a key strategy to realign their focus on core areas and maintain competitiveness in the industry. However, our Group firmly believes that outsourcing does not absolve a corporation from responsibilities or risks associated with poor performance in the ESG area. The Group understands that it should play a role in every stage of its products and services throughout its life cycle, and effective supply chain management is crucial for maintaining the Group's reputation, ensuring business sustainability and managing operating costs.

Our procurement and resources management processes are continuously monitored and well-documented. The Group has implemented a supply chain management system to ensure that only suppliers capable of providing qualified services and products and adhering to relevant environmental and safety standards are selected. Suppliers with lower carbon footprint will be prioritized in the selection process.

Before engaging new suppliers, staff members from relevant departments are required to examine their licenses. The group only sell any refined oil used for business purpose to any supplier or customer with the qualification to engage in refined oil business and in compliance with Article 37 of the Regulation on Safety Management of Hazardous Chemicals (《危險化學品安全管理條例》), the Group only purchase hazardous chemicals from supplier or customer that obtained the licenses for manufacturing such chemicals or the licenses for trading in such chemicals. In addition, policy is established to maintain and update licenses register that keep track of the relevant licenses of our existing and new suppliers and customers, such as their licensing conditions and expiry dates and complete the Supplier Application Form. Only suppliers that meet all the requirements can be selected by the Group as its qualified vendors.

During the Reporting Period, the Group has a total of 19 (2022: JTF had 23 suppliers) suppliers located in the PRC (People's Republic of China) to support the local business.

Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2023

B6. Product Responsibility, Intellectual Property, and Consumer Data Protection

Product Responsibility

For the competition in the current market environment, customers have become increasingly demanding on products and services. The Group understands that customers attach great importance to the quality of energy products provided by the Group. Therefore, the Group must maintain good quality in order to maintain its reputation and secure long-term customer support.

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

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

The Group has established a comprehensive "Return Policy" that provides guidelines for employees to follow regarding quality control. This policy clearly outlines the criteria for issuing refunds, the procedures to be followed, and the handling of refund. With this procedure in place, any products that do not meet the Group's quality standards are returned to the supplier. This ensures that the Group maintains a high standard of quality for the products it sells. By promptly addressing any quality issues and returning non-compliant products, the Group upholds its commitment to delivering high-quality goods to its customers.

It is noteworthy that during the Reporting Period, the Group has not received any reports of product recalls or customer complaints. This indicates the effectiveness of the quality control measures in place and the Group's dedication to providing products that meet or exceed customer expectations.

Intellectual Property

The Group's senior management is responsible for safeguarding the intellectual properties. Contracts between the Group and distributors, employees and relevant parties contain a confidentiality clause to prevent the disclosure of sensitive information. A whistle-blowing platform is in place for employees report any incident of sensitive information disclosure.

Consumer Data Protection

Data protection measures are set up by the senior management to protect and monitor all data with regards to customers, suppliers, distributors, and other relevant parties. The Group adheres to the relevant privacy rules and regulation in the operating environment and is unaware of any unauthorised access, accidental, usage or amendments of these data.

Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2023

The Group has implemented a "Data Security Management Policy" to govern the storage and handling of personal data. This policy ensures that only authorized personnel have access to sensitive data and outlines specific security measures to protect the data. Under the policy, access to sensitive data is restricted to individuals with the necessary permissions and responsibilities. This helps to safeguard the confidentiality and integrity of the data. Additionally, the Group installed security systems such as firewalls and anti-virus software to provide further protection against unauthorized access or malicious activities. To mitigate potential security vulnerabilities, the policy prohibits personal use of company computers. This measure helps to minimize the risk of introducing external threats or compromising the security of the data stored within the systems. By implementing the "Data Security Management Policy", the Group demonstrates its commitment to ensuring the privacy and security of personal data. These measures are designed to comply with applicable data protection regulations and industry best practices, protecting both the interests of individuals and the reputation of the organization.

B7. Anti-corruption

The Group recognizes the potential risks associated with unethical conduct and is committed to taking a strong stance against bribery, extortion, fraud, and any form of misconduct. A zero-tolerance policy is in place to address such behaviours.

To reinforce this commitment throughout the Group, the Group has established two key policies: the "Anti-Fraud Management Policy" and the "Conflict of Interest Management Policy". These policies are designed to align with relevant regulatory laws and standards, promoting anti-fraud principles and consistent organizational behaviours. They provide clear guidelines, assign responsibilities for developing controls and conducting investigations, and facilitate the early detection of potential fraud that may harm the Group or its customers. The policies define a broad range of terms related to anti-corruption and outline how these terms apply in various situations to ensure compliance. By providing this clarity, employees are equipped with the necessary guidance to make ethical decisions and prevent fraudulent activities. In the event of suspected misconduct, internal investigations are conducted by the Audit Committee of the Board. The content and results of these investigations are treated with strict confidentiality, ensuring the integrity and privacy of the process. Through the implementation of these policies and the diligent enforcement of anti-fraud measures, the Group aims to maintain a culture of integrity, transparency, and ethical conduct throughout the organization.

Our directors and senior employees have undergone anti-corruption training to strength our corporate governance. The number of employees trained is presented in the table below:

Category[1]	**Units**	**2022**	**2023**	**Percentage change**
Directors	Number of Employees	6	**7**	16.67%
Other Employees		29	**1**	(96.55%)
Total Number of Directors and Employees		35	**8**	(77.14%)

Note:

1. The methodology adopted for reporting on the number of directors or employees trained in anti-corruption set out above was based on "How to Prepare an ESG Report — Appendix 3: Reporting Guidance on Social KPIs" issued by the Stock Exchange.

Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2023

Anti-corruption training was provided to six directors and twenty-nine employees in the last Reporting Period. During this Reporting Period, the Group providing training to seven directors and an employee. Considering the limited personnel change in this Reporting Period, the Group ensures all employees understand the zero-tolerance attitude of the Group. The Group will monitor closely if there's any violation of laws and provide the training in the coming years if necessary.

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

The Group was not involved in any cases of violations related to corruption during the Reporting Period, nor was involved in any corruption litigation cases related to the Group and the employees.

B8. Engaging our Community

The Group is committed to exert available resources to support our community and encourage our employees to participate in various charitable and voluntary activities. With COVID-19, the Group will prioritise more resources on the health and safety of the local community. The Group may also work with other organisations to further contribute to the society.

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

Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2023

HKEX ESG REPORTING GUIDE CONTENT INDEX

Aspects, General Disclosures and KPIs	Description	Relevant Chapter/Explanation
A. Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental Aspect
KPI A1.1	The types of emissions and respective emissions data.	A1.1 Air Emissions
KPI A1.2	Direct (Scope 1) and energy indirect Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	A1.2 Greenhouse Gas Emission
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	A1.3 Waste Management
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	A1.3 Waste Management
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	A1. Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	A1.3 Waste Management

Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2023

Aspects, General Disclosures and KPIs	Description	Relevant Chapter/Explanation
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	A2. Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type (gas or oil) in total (kWh in '000s) and intensity (e.g., per unit of production volume, per facility).	A2.1 Energy Consumption
KPI A2.2	Water consumption in total and intensity (e.g., per unit of production volume, per facility).	A2.2 Water Consumption
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	A2.1 Energy Consumption
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	A2.2 Water Consumption
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	A2. Use of Resources
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	A3. The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	A3. The Environment and Natural Resources

Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2023

Aspects, General Disclosures and KPIs	Description	Relevant Chapter/Explanation
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	A4. Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	A4. Climate Change
B. Social		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	B1. Employment
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	B1. Employment
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	B1. Employment

Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2023

Aspects, General Disclosures and KPIs	Description	Relevant Chapter/Explanation
Aspect B2: Health and Safety		
General Disclosure	Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	B2. Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	B2. Health and Safety
KPI B2.2	Lost days due to work injury.	B2. Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	B2. Health and Safety
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	B3. Training and Development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g., senior management, middle management).	B3. Training and Development
KPI B3.2	The average training hours completed per employee by gender and employee category.	B3. Training and Development

Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2023

Aspects, General Disclosures and KPIs	Description	Relevant Chapter/Explanation
Aspect B4: Labour Standard		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	B4. Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	B4. Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	B4. Labour Standards
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	B5. Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	B5. Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	B5. Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	B5. Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	B5. Supply Chain Management

Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2023

Aspects, General Disclosures and KPIs	Description	Relevant Chapter/Explanation
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	B6. Product Responsibility, Intellectual Property, and Consumer Data Protection
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	B6. Product Responsibility, Intellectual Property, and Consumer Data Protection
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	B6. Product Responsibility, Intellectual Property, and Consumer Data Protection
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	B6. Product Responsibility, Intellectual Property, and Consumer Data Protection
KPI B6.4	Description of quality assurance process and recall procedures.	B6. Product Responsibility, Intellectual Property, and Consumer Data Protection
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	B6. Product Responsibility, Intellectual Property, and Consumer Data Protection

Environmental, Social and Governance Report (Continued)

For the year ended 31 December 2023

Aspects, General Disclosures and KPIs	Description	Relevant Chapter/Explanation
Aspect B7: Anti-Corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	B7. Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	B7. Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	B7. Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	B7. Anti-corruption
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	B8. Engaging our Community
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	B8. Engaging our Community
KPI B8.2	Resources contributed (e.g. money or time) to the focused area.	B8. Engaging our Community

Directors' Report

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. The Group is principally engaged in the wholesale of refined oil, fuel oil and other petrochemical products in the PRC.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, are set out in the sections headed "Management Discussion and Analysis" and "Corporate Governance Report — Accountability and Audit — Risk Management and Internal Control" of this annual report, and the discussion on the Group's environmental policies and performance, compliance with relevant laws and regulations that have a significant impact on the Group, and the Group's key relationships with its employees, customers and suppliers are set out in the section headed "Environmental, Social and Governance Report" of this annual report. Those discussion and analysis form part of this directors' report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2023 are set out in the consolidated financial statements on pages 75 to 125 of this annual report. The Directors do not recommend the payment of any final dividend for the year (2022: nil).

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2023, the five largest customers in aggregate and the largest customer of the Group accounted for approximately 78.0% and 49.2%, respectively, of the Group's sales.

For the year ended 31 December 2023, the five largest suppliers in aggregate and the largest supplier of the Group accounted for approximately 85.5% and 42.1%, respectively, of the Group's purchases.

None of the Directors, their close associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the issued shares of the Company) had any interest in any of these major customers or suppliers during the year ended 31 December 2023.

Directors' Report (Continued)

DIRECTORS

The directors of the Company during the year ended 31 December 2023 and up to the date of this report are:

Executive Directors

Mr. Xu Ziming, Chairman
Ms. Huang Sizhen, Managing director
Mr. Choi Sio Peng
Ms. Xu Yayi (appointed on 18 October 2023)

Independent non-executive Directors

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

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

No directors of the Company proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for a term of three years. Each of them is entitled to their respective remuneration and benefits under employee social security plan which have been agreed with the Company. In addition, each of them will be entitled to a discretionary bonus and a performance bonus as may be determined by the Remuneration Committee from time to time with reference to the financial performance of the Company and the individual performance of the relevant executive Directors.

Each of the independent non-executive Directors has entered into a service contract with the Company for a term of three years. Each of them is entitled to their respective remuneration which has been agreed with the Company.

Directors' Report (Continued)

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

As at 31 December 2023, the interests of the directors and chief executive of the Company in the share capital of the Company as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Appendix C3 of the Listing Rules relating to securities transactions by the Directors (the "**Model Code**") were as follows:

Name	Nature of interest	Number of shares		Percentage of shareholding
Thrive Shine Limited	Beneficial owner	480,150,000		51.63%
Mr. Xu Ziming	Interest in a controlled corporation	480,150,000	(Note 1)	51.63%
Ms. Huang Sizhen	Interest of spouse	480,150,000	(Note 1)	51.63%
Thrive Era Investments Limited	Beneficial owner	130,140,000		13.99%
Ms. Xu Yayi	Interest in a controlled corporation	130,140,000	(Note 2)	13.99%

Notes:

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

2. These shares are held by Thrive Era Investments Limited, a company wholly owned by Ms. Xu Yayi.

Save as disclosed herein, as at 31 December 2023, none of the directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2023, no person (other than the directors or chief executive of the Company disclosed above) had interests in the share capital of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

Directors' Report (Continued)

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Apart from the material related party transactions set out in Note 27 to the consolidated financial statements and in the section headed "Connected transactions and continuing connected transactions" below, there was no transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director (has the meaning given by section 486 of the Companies Ordinance of Hong Kong) had a material interest, whether directly or indirectly, subsisted at 31 December 2023 or at any time during the reporting period.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2023, the Group had not entered into any transactions which need to be disclosed as connected transactions or continuing connected transactions pursuant to Chapter 20 of the GEM Listing Rules and Chapter 14A of the Listing Rules. Details of other material related party transactions are set out in Note 27 to the consolidated financial statements.

During the year ended 31 December 2023, there is no contract of significance between the Group and a controlling shareholder of the Company (as defined in the GEM Listing Rules and the Listing Rules) or any of its subsidiaries, including for the provision of services to the Group.

PRE-EMPTIVE RIGHTS

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

PERMITTED INDEMNITY PROVISION

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

COMPETING INTERESTS

None of the controlling shareholders, namely Thrive Shine Limited, Mr. Xu Ziming and Ms. Huang Sizhen, the Directors or their respective close associates (as defined in the GEM Listing Rules and the Listing Rules) is interested in any business apart from the business operated by the Group which competes or is likely to compete, directly or indirectly, with the Group's business during the year ended 31 December 2023 and up to the date of this report.

Directors' Report (Continued)

NON-COMPETITION UNDERTAKINGS

As disclosed in the Prospectus and the listing document of the Company dated 11 May 2023 (the "**Listing Document**"), to protect the Group from any potential competition, Mr. Xu Ziming, Ms. Huang Sizhen, Ms. Xu Yayi, Thrive Shine Limited and Thrive Era Investments Limited (the "**Covenantors**") have given non-competition undertakings (the "**Non-competition Undertakings**") in favour of the Company pursuant to which each of the Covenantors has, among other matters, undertaken with the Company that each of the Covenantors and their respective associates (other than the Group) shall not engage in any business which will or may compete with the business currently and from time to time engaged by the Group. Details of the Non-competition Undertakings were set out in the paragraph headed "Relationship with Controlling Shareholders — Non-competition Undertakings" of the Listing Document.

Each of the Covenantors has provided to the Company a written confirmation in respect of the full compliance with the Non-competition Undertakings for the year ended 31 December 2023.

INTERESTS OF THE COMPLIANCE ADVISER

In accordance with rule 3A.19 of the Listing Rules, the Company has appointed Honestum International Limited as its compliance adviser (the "**Compliance Adviser**"). Except for the compliance adviser agreement entered into between the Company and the Compliance Adviser, neither the Compliance Adviser nor its directors, employees or close associates had any interests in relation to the Company which is required to be notified to the Company.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors the confirmation of independence pursuant to rule 5.09 of the GEM Listing Rules and rule 3.13 of the Listing Rules and considers all the independent non-executive directors are independent.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Group had been entered into or existed during the year ended 31 December 2023.

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

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Directors' Report (Continued)

SHARE CAPITAL

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

SHARE OPTION SCHEME

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

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

RESERVES

Details of movements in the reserves of the Group and the Company during the year ended 31 December 2023 are set out in the consolidated statement of changes in equity on page 78 and in Note 29(a) to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

Pursuant to applicable statutory provisions of the Cayman Islands, the Company's reserves available for distribution to the shareholders of the Company as at 31 December 2023 amounted to RMB196,155,000.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float under the GEM Listing Rules and the Listing Rules during the year ended 31 December 2023 and up to the date of this annual report.

Directors' Report (Continued)

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company is scheduled to be held on Wednesday, 22 May 2024 ("**2024 AGM**"). For determining the entitlement to attend and vote at the 2024 AGM, the register of members of the Company will be closed from Friday, 17 May 2024 to Wednesday, 22 May 2024, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2024 AGM, all transfer of shares accompanied by the relevant shares certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by 4:30 p.m. on Thursday, 16 May 2024.

AUDITOR

PricewaterhouseCoopers retires and, being eligible, has offered themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as auditor of the Company will be proposed at the 2024 AGM.

By Order of the Board

Xu Ziming
Chairman

Hong Kong, 15 March 2024

Independent Auditor's Report

羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of JTF International Holdings Limited (the "Company") and its subsidiaries (the "Group") which are set out on pages 75 to 125, comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

Independent Auditor's Report (Continued)

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in our audit is related to recoverability of trade receivables.

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of trade receivables Refer to Note 4(a) (critical accounting estimates and judgments) and Note 19 to the consolidated financial statements. As at 31 December 2023, the net book value of trade receivables amounted to RMB49,574,000 (after the provision of RMB1,443,000), which approximated 10% of the Group's total assets. Management performed credit evaluations for the Group's customers and assessed expected credit losses of trade receivables. These assessments were focused on the customers' settlement history and their current ability to pay, and took into account information specific to respective customer as well as pertaining to the economic environment in which the customer operated. All of these assessments involved significant judgments of management. We focused on this area because management made subjective judgments over assessing the credit standing of the Group's customers and the estimation of expected credit losses of trade receivables.	With respect to management's credit evaluations for the Group's customers and the assessment of expected credit losses of trade receivables, we understood, evaluated and validated the key controls over credit risk management. Those key controls were related to credit standing of each new customer, identification of events that triggered the provision for impairment of trade receivables and estimation of the expected credit losses. We obtained management's assessment of expected credit losses of trade receivables and assessed the reasonableness of the key underlying information referenced by management. Where impairment provision was individually made, we checked and assessed whether the impairment provision was properly supported by considering available forward-looking information, the debtors' aging analysis, settlement history and history of bad debt losses. In respect of receivables of individual customer which had not been identified by management as potentially impaired, we corroborated management's assessment with the external evidence obtained from our independent research on publicly available information, our examination of the customers' payment records during the current year and subsequent to the year end, as well as the historical collection records. Based on our audit procedures, we were satisfied that management's assessments were consistent with the evidence that we obtained.

Independent Auditor's Report (Continued)

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report (Continued)

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

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

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

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

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

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

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

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

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

Independent Auditor's Report (Continued)

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

The engagement partner on the audit resulting in this independent auditor's report is Pang Ho Yin.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 15 March 2024

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December 2023 RMB'000	2022 RMB'000
Revenue	6	**1,239,515**	1,534,524
Cost of sales	7	**(1,181,619)**	(1,461,613)
Gross profit		**57,896**	72,911
Other (losses)/gains — net	9	**(13,243)**	3,095
Distribution expenses	7	**(16,200)**	(14,269)
Administrative expenses	7	**(23,615)**	(13,622)
Operating profit		**4,838**	48,115
Finance income	10	**1,080**	1,187
Finance costs	10	**(184)**	(207)
Finance income — net	10	**896**	980
Profit before income tax		**5,734**	49,095
Income tax expense	11	**(7,243)**	(17,350)
(Loss)/Profit for the year		**(1,509)**	31,745
Other comprehensive income		**–**	–
Total comprehensive income for the year		**(1,509)**	31,745
(Loss)/Earnings per share			
— Basic and diluted (RMB)	12	**(0.2) cents**	3.4 cents

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

Consolidated Statement of Financial Position

	Note	**31 December 2023 RMB'000**	31 December 2022 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**14,948**	16,072
Right-of-use assets	15	**3,156**	3,837
Deferred income tax assets	16	**2,181**	813
Prepayments	18	**4,194**	4,194
		24,479	24,916
Current assets			
Inventories	17	**58,298**	124,140
Prepayments	18	**144,934**	173,737
Amounts due from related parties	19	**14,624**	–
Trade and other receivables	19	**64,706**	61,964
Cash and cash equivalents	20	**189,706**	106,445
		472,268	466,286
Total assets		**496,747**	491,202

Consolidated Statement of Financial Position (Continued)

	Note	**31 December 2023 RMB'000**	31 December 2022 RMB'000
EQUITY			
Share capital	21	**7,980**	7,980
Other reserves	22	**306,924**	291,573
Retained earnings		**116,595**	118,831
Total equity		**431,499**	418,384
LIABILITIES			
Non-current liabilities			
Lease liabilities	15	**3,295**	3,684
Deferred income tax liabilities	16	**20,757**	19,472
		24,052	23,156
Current liabilities			
Trade and other payables	23	**31,345**	15,336
Contract liabilities	24	**7,600**	24,487
Lease liabilities	15	**193**	370
Current income tax liabilities		**2,058**	9,469
		41,196	49,662
Total liabilities		**65,248**	72,818
Total equity and liabilities		**496,747**	491,202

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

The financial statements on pages 75 to 125 were approved by the Board of Directors on 15 March 2024 and were signed on its behalf.

Xu Ziming
Director

Huang Sizhen
Director

Consolidated Statement of Changes in Equity

		Other reserves						
	Share capital RMB'000 Note 21	Recapitalisation reserves RMB'000	Share premium RMB'000	Capital reserves RMB'000	Statutory reserves RMB'000 Note 22(a)	Safety reserves RMB'000 Note 22(b)	Retained earnings RMB'000	Total RMB'000
Balance as at 1 January 2022	7,980	56,125	169,321	300	21,738	34,978	96,197	386,639
Profit for the year	–	–	–	–	–	–	31,745	31,745
Other comprehensive income	–	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	–	–	31,745	31,745
Appropriation to safety reserves	–	–	–	–	–	5,461	(5,461)	–
Appropriation to statutory reserves	–	–	–	–	3,650	–	(3,650)	–
Balance as at 31 December 2022	7,980	56,125	169,321	300	25,388	40,439	118,831	418,384
Balance as at 1 January 2023	**7,980**	**56,125**	**169,321**	**300**	**25,388**	**40,439**	**118,831**	**418,384**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(1,509)**	**(1,509)**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**(1,509)**	**(1,509)**
Usage of safety reserves	**–**	**–**	**–**	**–**		**(701)**	**701**	**–**
Appropriation to statutory reserves	**–**	**–**	**–**	**–**	**1,428**	**–**	**(1,428)**	**–**
Contribution from the Controlling Shareholders (Note 9)	**–**	**–**	**–**	**14,624**	**–**	**–**	**–**	**14,624**
Balance as at 31 December 2023	**7,980**	**56,125**	**169,321**	**14,924**	**26,816**	**39,738**	**116,595**	**431,499**

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

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2023 RMB'000	2022 RMB'000
Cash flows from operating activities			
Cash generated from operations	25	**97,278**	108,707
Income tax paid		**(14,737)**	(10,621)
Net cash generated from operating activities		**82,541**	98,086
Cash flows from investing activities			
Payments for property, plant and equipment		**–**	(73)
Interest income on cash deposit		**929**	1,035
Net cash generated from investing activities		**929**	962
Cash flows from financing activities			
Cash advance from a Controlling Shareholder		**180,000**	–
Repayment of cash advance to a Controlling Shareholder		**(180,000)**	–
Principal elements of lease payments		**(176)**	(353)
Interest paid		**(184)**	(207)
Net cash used in financing activities		**(360)**	(560)
Net increase in cash and cash equivalents		**83,110**	98,488
Cash and cash equivalents at beginning of the year		**106,445**	7,805
Exchange differences on cash and cash equivalents		**151**	152
Cash and cash equivalents at end of the year	20	**189,706**	106,445

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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi Yuan unless otherwise stated)

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 sale of refined oil, other petrochemical products , and the blending and sale of fuel oil in the People's Republic of China (the "**PRC**").

The Company's shares were listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 17 January 2018 and subsequently its listing was transferred to the Main Board of the Stock Exchange on 17 May 2023.

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

The financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated, and have been approved for issue by the Company's Board of Directors on 15 March 2024.

2 BASIS OF PREPARATION

(a) Compliance with HKFRS and HKCO

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

(b) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in Renminbi Yuan unless otherwise stated)

2 BASIS OF PREPARATION (Continued)

(c) New standards, amendments and interpretations to standards

The Group has applied the following amendments or annual improvements for the first time for their annual reporting period commencing 1 January 2023:

HKFRS 17	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

The following new standards, amendments and interpretations to standards relevant to the Group have been issued but are not effective for 31 December 2023 reporting period and have not been early adopted by the Group:

		Effective for financial year beginning on or after
Amendment to HKAS 1	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants	1 January 2024
Amendment to HKAS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025
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.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in Renminbi Yuan unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the financial department under policies approved by the Board of Directors.

3.1.1 Market risk

(a) Foreign exchange risk

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

As at 31 December 2023, the Group's major non-RMB denominated assets and liabilities included trade and other receivables, cash and cash equivalents and trade and other payables, which were denominated in HK$. Fluctuation of the exchange rate of RMB against HK$ could affect the Group's results of operations.

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

The carrying amounts of the Group's foreign currency denominated financial assets and liabilities at the respective balance sheet dates are presented in Note 19, Note 20 and Note 23. At 31 December 2023, the Group has no significant foreign currency risk.

(b) Cash flow interest rate risk

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

The annual interest rates of the Group's deposits held in banks throughout the year ended 31 December 2023 ranged from 0.01%–0.625%. 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, amounts due from related parties and cash and cash equivalents.

As at 31 December 2023, all of the Group's bank deposits were deposited with financial institutions incorporated in Mainland China, Hong Kong and Macao. Management believes that these financial institutions are of high credit quality and does not have significant credit risk.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in Renminbi Yuan unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

As at 31 December 2023, the top five debtors of the Group contributed to 98% of the Group's total trade receivables (2022: 97%).

All of the Group's trade and other receivables have no collateral. The Group has policies in place to ensure that sales are made to customers with appropriate credit history and the Group performs periodic credit evaluations of its customers. Management reviews its receivables for the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period by considering actual or expected significant changes in the operating results of the debtor, default or significant delay in payments and other available forward-looking information. Specifically for the Group's trade receivables, the Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime expected loss allowance. Other receivables is measured as either 12-month ECL or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. The Group established ECL model based on historical settlement records, past experience and available forward-looking information which include GDP and other macro-economic factors affecting the ability of the customers to settle the receivables. The directors consider the Group's credit risk of trade receivables to be immaterial. The Group's other receivables are deposits or receivables arose from normal operations, which based on management's assessment, the credit risk is not significant. In this regard, the directors are satisfied that the risks of impairment are monitored and adequate provision, if any, has been made in the consolidated financial statements. On that basis, the expected loss rate as at 31 December 2023 was 2.83% (2022: 4.21%). Further quantitative disclosures in respect of trade and other receivables are set out in Note 19.

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. 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.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in Renminbi Yuan unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.3 Liquidity risk (Continued)

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 2023						
Trade and other payables (excluding accrual for staff costs, allowances and other tax payables)	**26,410**	**–**	**–**	**–**	**26,410**	**26,410**
Lease liabilities	**360**	**360**	**1,080**	**2,940**	**4,740**	**3,488**
31 December 2022						
Trade and other payables (excluding accrual for staff costs, allowances and other tax payables)	8,952	–	–	–	8,952	8,952
Lease liabilities	560	560	1,080	3,300	5,500	4,054

3.2 Capital management

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

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

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

No gearing ratio is presented as the Group had net cash surplus as at 31 December 2023 (2022: same).

Notes to the Consolidated Financial Statements (Continued)

(All amounts in Renminbi Yuan unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation

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

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

(ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

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

The 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

	31 December 2023 RMB'000	31 December 2022 RMB'000
Financial assets		
Financial assets at amortised cost:		
Trade and other receivables (excluding VAT recoverable receivable)	**57,145**	47,224
Amounts due from related parties	**14,624**	–
Cash and cash equivalents	**189,706**	106,445
	261,475	153,669
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and other payables (excluding accrual for staff costs, allowances and other taxes payables)	**26,410**	8,952
Lease liabilities	**3,488**	4,054
	29,898	13,006

Notes to the Consolidated Financial Statements (Continued)

(All amounts in Renminbi Yuan unless otherwise stated)

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the actual results. The estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as below.

(a) Impairment of receivables

The Group records impairment of receivables based on an assessment made by management on the expected credit losses of trade and other receivables. Impairment assessment requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact both the carrying value of trade and other receivables and the impairment charge in the period in which such estimate has been changed.

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

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

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

(c) Income taxes and deferred taxation

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

Notes to the Consolidated Financial Statements (Continued)

(All amounts in Renminbi Yuan unless otherwise stated)

5 SEGMENT INFORMATION

Accounting policy of segment reporting

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

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

The major operating entity of the Group is domiciled in the PRC, and the Group's revenue for the years ended 31 December 2023 and 2022 were attributable to the market in the PRC.

As at 31 December 2023 and 2022, the Group's non-current assets were mainly located in the PRC.

6 REVENUE

Accounting policy of 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".

Notes to the Consolidated Financial Statements (Continued)

(All amounts in Renminbi Yuan unless otherwise stated)

6 REVENUE (Continued)

Accounting policy of revenue recognition (Continued)

(b) *Service income*

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

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Sales of goods:		
— Refined oil	**894,128**	590,853
— Other petrochemical products	**284,413**	929,469
— Fuel oil	**14,798**	1,609
	1,193,339	1,521,931
Service income	**46,176**	12,593
	1,239,515	1,534,524
Timing of revenue recognition		
— At point in time	**1,239,515**	1,534,524

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

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Customer A	**610,360**	N/A*
Customer B	**163,049**	N/A*
Customer C**	**N/A***	238,195
Customer D**	**N/A***	191,877
Customer E	**N/A***	174,136
Customer F**	**N/A***	163,351

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

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

(i) 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.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in Renminbi Yuan unless otherwise stated)

7 EXPENSES BY NATURE

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Fuel oil, refined oil and other petrochemical products purchased	**1,099,607**	1,539,919
Changes in inventories	**60,713**	(82,009)
Transportation expenses	**16,898**	4,058
Listing expenses	**10,840**	3,284
Expenses relating to short term leases (Note 15)	**9,804**	4,297
Provision for impairment of inventories (Note 17)	**5,129**	–
Staff costs (including directors' emoluments) (Note 8)	**4,958**	5,825
Taxes and surcharges	**2,666**	2,718
Handling charges	**2,418**	4,217
Depreciation (Notes 14 and 15)	**1,440**	1,560
Auditor's remuneration	**1,350**	1,060
Other expenses	**5,611**	4,575
Total cost of sales, distribution expenses and administrative expenses	**1,221,434**	1,489,504

8 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Salaries, wages, welfare and other benefits	**4,239**	5,034
Contributions to employee social security plans	**719**	791
	4,958	5,825

During the year ended 31 December 2023, no forfeited contributions were utilised by the Group to reduce its contributions for the current year (2022: Nil). As at 31 December 2023, no forfeited contribution was available to reduce the contribution payable in future years.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in Renminbi Yuan unless otherwise stated)

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

(i) 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 2023 and 2022 are presented as below:

	Salaries, wages, welfare and other benefits RMB'000	Discretionary bonuses RMB'000	Contributions to employee social security plans RMB'000	Total RMB'000
For the year ended 31 December 2023				
Executive directors:				
Mr. Xu	282	–	40	322
Ms. Huang (i)	282	–	8	290
Mr. Choi Sio Peng ("**Mr. Choi**")	486	–	14	500
Ms. Xu Yayi ("**Ms. Xu**") (ii)	100	–	2	102
Independent non-executive directors:				
Mr. Chan William	97	–	–	97
Mr. Tsui Hing Shan	97	–	–	97
Mr. Kan Siu Chung	97	–	–	97
	1,441	–	64	1,505

Notes to the Consolidated Financial Statements (Continued)

(All amounts in Renminbi Yuan unless otherwise stated)

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

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

	Salaries, wages, welfare and other benefits RMB'000	Discretionary bonuses RMB'000	Contributions to employee social security plans RMB'000	Total RMB'000
For the year ended 31 December 2022				
Executive directors:				
Mr. Xu	327	–	41	368
Ms. Huang (i)	327	–	10	337
Mr. Choi Sio Peng ("**Mr. Choi**")	619	–	10	629
Independent non-executive directors:				
Mr. Chan William	93	–	–	93
Mr. Tsui Hing Shan	93	–	–	93
Mr. Kan Siu Chung	93	–	–	93
	1,552	–	61	1,613

Notes:

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

(ii) Ms. Xu has been appointed as an executive Director with effect from 18 October 2023.

Except for disclosed above, during the years ended 31 December 2023 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 2023 and 2022:

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

(All amounts in Renminbi Yuan unless otherwise stated)

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

(ii) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2023 included 2 directors (2022: 3), whose emoluments are reflected in the analysis presented above. The emoluments of the remaining 3 individuals (2022: 2) during the years are as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Salaries, wages, welfare and other benefits	**907**	924
Contributions to employee social security plans	**144**	83
	1,051	1,007

During the year ended 31 December 2023, no bonuses was awarded by the group to any of the five highest paid individuals above (2022: same).

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

	Year ended 31 December	
	2023	2022
Number of individuals falls in the emolument bands from nil to HK$1,000,000	**3**	2

During the year ended 31 December 2023, 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 (2022: same).

(iii) 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	
	2023	2022
Number of individuals falls in the emolument bands from nil to HK$1,000,000	**1**	1

Notes to the Consolidated Financial Statements (Continued)

(All amounts in Renminbi Yuan unless otherwise stated)

9 OTHER (LOSSES)/GAINS — NET

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Litigation loss (Note (a))	**(13,267)**	–
Subsidy income	**–**	3,351
Others	**24**	(256)
Other (losses)/gains — net	**(13,243)**	3,095

(a) Litigation loss

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**"), had 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 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. 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 had not been informed by Former Shareholders the existence of the Loan. Subsequently between 2005 and 2020, there were several transfers of the creditor's rights to the Loan, which were also not aware of by the Controlling Shareholders or JTF (PRC).

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

In October 2021, the Current Creditor applied again to the Court for, among others (i) repayment from JTF (PRC) of the full amount of the Loan and all interests and late repayment penalty relating thereto (the "**Repayment Request**"); and (ii) interim preservation of JTF (PRC)'s properties prior to trial (the "**Interim Preservation**"). Subsequently, the Court made an order to freeze several bank accounts of JTF (PRC) (the "**Bank Accounts**").

Notes to the Consolidated Financial Statements (Continued)

(All amounts in Renminbi Yuan unless otherwise stated)

9 OTHER (LOSSES)/GAINS — NET (Continued)

(a) Litigation loss (continued)

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

The case was transferred to the People's Court of Nansha District of Guangzhou City (廣州市南沙區人民法院) (the "**Nansha Court**") pursuant to the relevant PRC laws, and two court hearing sessions were held in October 2022 and February 2023, respectively.

On 18 July 2023, JTF (PRC) received a judgment (the "**Judgment**") from the Nansha Court pursuant to which JTF (PRC) was ordered to pay the Current Creditor the remaining outstanding balance of the Loan of RMB4,209,000 and accrued interest of RMB8,054,000 (calculated up until 20 June 2023) and further daily interest of 0.021% on the outstanding balance of the Loan and outstanding interest respectively from 21 June 2023 until all outstanding amounts being settled. JTF (PRC) or the Current Creditor can apply to the Nansha Court for an appeal within 15 days of its receipt of the Judgment.

On 30 July 2023, JTF (PRC) filed an appeal against the Judgment from the Nansha Court.

On 29 December 2023, JTF (PRC) received the final judgment (the "**Final Judgment**") in relation to the Litigation from the Guangzhou City Intermediate People's Court of Guangdong Province, pursuant to which JTF (PRC) was ordered to pay the Current Creditor, within ten days from the effective date of the Final Judgment, the remaining outstanding balance of the Loan of RMB4,209,000 and accrued interest of RMB8,822,000, and to pay the Guangzhou City Intermediate People's Court of Guangdong Province and Nansha Court the Litigation fees of RMB236,000. Other claims by the Current Creditor were dismissed.

The compensation as ordered by the Final Judgment amounted to RMB13,267,000, of which RMB128,000 was settled during the year ended 2023, with the remaining balance of RMB13,139,000 was recognised as other payables of the Group (Note 23) as at year end and was subsequently settled in January 2024.

The Controlling Shareholders have agreed to indemnify JTF (PRC) against any claims, liabilities, losses or other expenses arising from any disputes relating to the settlement of the Loan. As the result of the Litigation has become conclusive and no further appeal is possible, the Controlling Shareholders have reconfirmed on 31 December 2023 in writing that they will indemnify the Group for the amount ordered by the Final Judgment, together with legal and other expenses relating to the Litigation totalling RMB14,624,000 within three months from the date of the Final Judgment. The amount is recognised as amounts due from related parties of the Group (Note 19) and is regarded as contribution from owners and credited to other reserves (Note 22). The amounts due from related parties was subsequently settled in March 2024.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in Renminbi Yuan unless otherwise stated)

10 FINANCE INCOME — NET

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Finance income		
— Interest income on bank deposits	**929**	1,035
— Net foreign exchange gains on cash and cash equivalents	**151**	152
	1,080	1,187
Finance costs		
— Interest expenses on lease liabilities	**(184)**	(207)
	(184)	(207)
Finance income — net	**896**	980

11 INCOME TAX EXPENSE

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

No provision for Hong Kong profits tax was provided as the Group did not have assessable profit in Hong Kong for the year ended 31 December 2023 (2022: same). The profit of the group company in Hong Kong is mainly derived from dividend income from its subsidiary, which is not subject to Hong Kong profits tax. The Group's unused tax losses were 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 income tax provision of the Group in respect of its operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profit for the year ended 31 December 2023 (2022: same).

Pursuant to the Enterprise Income Tax Law of the PRC (the "**EIT Law**") and the Implementation Rules of the EIT Law, the EIT is unified at 25% for all types of entities, effective from 1 January 2008. The standard tax rate of the Group's PRC entities 25% for the year ended 31 December 2023 (2022: 25%).

According to the EIT Law and the Implementation Rules, starting from 1 January 2008, a withholding income tax of 10% is levied on the immediate holding company outside the PRC when its PRC subsidiary declares dividends out of profits earned after 1 January 2008. A lower 5% withholding income tax rate may be applied when the immediate holding company of the PRC subsidiary is established in Hong Kong and fulfils requirements under the tax treaty arrangements between the relevant authorities of Mainland China and Hong Kong. The Group has accrued withholding tax provision at 10% withholding income tax rate for the year ended 31 December 2023 (2022: 10%).

Notes to the Consolidated Financial Statements (Continued)

(All amounts in Renminbi Yuan unless otherwise stated)

11 INCOME TAX EXPENSE (Continued)

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Current income tax:		
— PRC enterprise income tax	**7,326**	14,145
Deferred income tax:		
— PRC enterprise income tax	**(1,368)**	(80)
— PRC withholding income tax	**1,285**	3,285
	(83)	3,205
	7,243	17,350

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

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Profit before income tax	**5,734**	49,095
Tax calculated at tax rates applicable to profit in the respective tax jurisdictions	**4,735**	13,780
Tax effect of:		
— Tax loss for which no deferred tax assets was recognised	**149**	225
— Expenses not deductible for tax purposes	**1,074**	60
— PRC withholding income tax of a group company	**1,285**	3,285
Income tax expense	**7,243**	17,350

Notes to the Consolidated Financial Statements (Continued)

(All amounts in Renminbi Yuan unless otherwise stated)

12 (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit for the year by the weighted average number of ordinary shares in issue during the years ended 31 December 2023 and 2022.

	Year ended 31 December	
	2023	2022
(Loss)/Profit for the year (RMB'000)	**(1,509)**	31,745
Weighted average number of ordinary shares in issue	**930,000,000**	930,000,000
Basic (loss)/earnings per share (RMB)	**(0.2) cents**	3.4 cents

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

13 DIVIDENDS

There were no dividends paid or payable by the Company in respect of the year ended 31 December 2023 (2022: same).

Notes to the Consolidated Financial Statements (Continued)

(All amounts in Renminbi Yuan unless otherwise stated)

14 PROPERTY, PLANT AND EQUIPMENT

Accounting policy of property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the lease term if shorter, as follows:

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

(All amounts in Renminbi Yuan unless otherwise stated)

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Storage facilities RMB'000	Leasehold improvements RMB'000	Office equipment, motor vehicles and others RMB'000	Assets under construction RMB'000	Total RMB'000
Year ended 31 December 2022					
Opening net book amount	10,615	3,972	800	1,750	17,137
Additions	–	–	73	–	73
Depreciation charges	(593)	(260)	(285)	–	(1,138)
Closing net book amount	10,022	3,712	588	1,750	16,072
At 31 December 2022					
Cost	20,384	4,818	2,098	1,750	29,050
Accumulated depreciation	(9,673)	(1,106)	(1,510)	–	(12,289)
Accumulated impairment	(689)	–	–	–	(689)
Net book amount	10,022	3,712	588	1,750	16,072
Year ended 31 December 2023					
Opening net book amount	**10,022**	**3,712**	**588**	**1,750**	**16,072**
Additions	**–**	**–**	**–**	**–**	**–**
Depreciation charges	**(593)**	**(260)**	**(271)**	**–**	**(1,124)**
Closing net book amount	**9,429**	**3,452**	**317**	**1,750**	**14,948**
At 31 December 2023					
Cost	**20,384**	**4,818**	**2,098**	**1,750**	**29,050**
Accumulated depreciation	**(10,266)**	**(1,366)**	**(1,781)**	**–**	**(13,413)**
Accumulated impairment	**(689)**	**–**	**–**	**–**	**(689)**
Net book amount	**9,429**	**3,452**	**317**	**1,750**	**14,948**

Notes to the Consolidated Financial Statements (Continued)

(All amounts in Renminbi Yuan unless otherwise stated)

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

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

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Distribution expenses	**623**	618
Administrative expenses	**501**	520
	1,124	1,138

15 LEASES

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

	31 December 2023 RMB'000	31 December 2022 RMB'000
Right-of-use assets		
Land and buildings	**3,156**	3,837
Lease liabilities		
Current	**193**	370
Non-current	**3,295**	3,684
	3,488	4,054

There were no additions to the right-of-use assets during the year ended 31 December 2023 (2022: same).

Notes to the Consolidated Financial Statements (Continued)

(All amounts in Renminbi Yuan unless otherwise stated)

15 LEASES (Continued)

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

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Depreciation charge of right-of-use assets	**316**	422
Interest expenses (included in finance cost)	**184**	207
Expenses relating to short-term leases (included in distribution expenses and administrative expenses)	**9,804**	4,297

The total cash payment for leases during the year ended 31 December 2023 was RMB10,192,000 (2022: RMB6,121,000).

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

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

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

16 DEFERRED INCOME TAX

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

	31 December 2023 RMB'000	31 December 2022 RMB'000
Deferred income tax assets:		
— to be recovered within 12 months	**1,282**	–
— to be recovered after more than 12 months	**899**	813
	2,181	813
Deferred income tax liabilities:		
— to be recovered after more than 12 months	**(20,757)**	(19,472)
Deferred income tax liabilities — net	**(18,576)**	(18,659)

Notes to the Consolidated Financial Statements (Continued)

(All amounts in Renminbi Yuan unless otherwise stated)

16 DEFERRED INCOME TAX (Continued)

(a) (Continued)

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

	Year ended 31 December	
	2023 **RMB'000**	2022 RMB'000
At beginning of the year	**(18,659)**	(15,454)
Tax credited/(charged) to profit or loss	**83**	(3,205)
At end of the year	**(18,576)**	(18,659)

(b) The movements in deferred income tax assets and liabilities for the years ended 31 December 2023 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 RMB'000	Write-down of inventories RMB'000	Depreciation, impairment and timing difference on lease adopted RMB'000	Payroll accruals RMB'000	PRC withholding income tax on unremitted retained earnings of the group company in Mainland China and others RMB'000	Others RMB'000	Total RMB'000
At 1 January 2022	361	–	508	153	(16,187)	(289)	(15,454)
Tax credited/(charged) to profit or loss	–	–	17	–	(3,285)	63	(3,205)
At 31 December 2022	361	–	525	153	(19,472)	(226)	(18,659)
At 1 January 2023	**361**	**–**	**525**	**153**	**(19,472)**	**(226)**	**(18,659)**
Tax credited/(charged) to profit or loss	**–**	**1,282**	**8**	**–**	**(1,285)**	**78**	**83**
At 31 December 2023	**361**	**1,282**	**533**	**153**	**(20,757)**	**(148)**	**(18,576)**

Notes to the Consolidated Financial Statements (Continued)

(All amounts in Renminbi Yuan unless otherwise stated)

17 INVENTORIES

Accounting policy 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.

	31 December 2023 RMB'000	31 December 2022 RMB'000
Refined oil	**42,538**	118,111
Other petrochemical products	**20,889**	6,029
Inventories — gross	**63,427**	124,140
Less: provision for impairment	**(5,129)**	–
Inventories — net	**58,298**	124,140

During the year ended 31 December 2023, the cost of inventories recognised as expenses and included in "cost of sales" in profit and loss amounted to RMB1,180,510,000 (2022: RMB1,460,417,000).

Write-downs of inventories to net realisable value amounted to RMB5,129,000 (2022: nil). These were recognised as an expense during the year ended 31 December 2023 and included in 'cost of sales' in the consolidated income statement.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in Renminbi Yuan unless otherwise stated)

18 PREPAYMENTS

Accounting policy of prepayments for inventories

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.

	31 December 2023 RMB'000	31 December 2022 RMB'000
Prepayments for inventories	**144,451**	173,263
Others	**4,677**	4,668
Total prepayments	**149,128**	177,931
Less: non-current portion of prepayments	**(4,194)**	(4,194)
Current portion of prepayments	**144,934**	173,737

Notes to the Consolidated Financial Statements (Continued)

(All amounts in Renminbi Yuan unless otherwise stated)

19 TRADE AND OTHER RECEIVABLES AND AMOUNTS DUE FROM RELATED PARTIES

Accounting policy of 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.

	31 December 2023 RMB'000	31 December 2022 RMB'000
Trade receivables	**51,017**	34,306
Less: provision for impairment of trade receivables	**(1,443)**	(1,443)
Trade receivables — net	**49,574**	32,863
VAT recoverable	**7,561**	14,740
Deposits and others (note (c))	**7,571**	7,549
Purchase refund receivable (note (d))	**–**	6,812
Trade and other receivables	**64,706**	61,964
Amounts due from related parties (Note 27(c))	**14,624**	–

(a) As at 31 December 2023, ageing analysis of trade receivables (net of provision of RMB1,443,000) (2022: RMB1,443,000) based on the dates when the trade receivables are recognised is as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000
Less than 30 days	**49,573**	32,703
31 days to 180 days	**–**	159
Over 180 days	**1**	1
	49,574	32,863

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

Notes to the Consolidated Financial Statements (Continued)

(All amounts in Renminbi Yuan unless otherwise stated)

19 TRADE AND OTHER RECEIVABLES AND AMOUNTS DUE FROM RELATED PARTIES (Continued)

(a) (Continued)

As at 31 December 2023, trade receivables of RMB1,443,000 (2022: RMB1,443,000) were impaired and provisions were made as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
At 1 January	**1,443**	1,443
Provision for impairment of trade receivables	**–**	–
At end of the year	**1,443**	1,443

(b) Trade and other receivables were denominated in:

	31 December 2023	31 December 2022
	RMB'000	RMB'000
— RMB	**64,662**	61,920
— HK$	**44**	44
	64,706	61,964

(c) As at 31 December 2022 and 2023, cash and cash equivalents of totalling RMB7,095,000 were under custody of the Court of Zengcheng District, which were recognized as other receivables from the Court of Zengcheng District. As advised by the PRC counsel engaged by the Group, the receivables are to be returned to the Group after JTF (PRC) having fulfilled all its obligations and responsibilities resulting from the judgment. Management considers these receivables are fully recoverable as the Controlling Shareholders have agreed to indemnify JTF (PRC) against any claims, liabilities, losses or other expenses arising from any disputes relating to the settlement of the Loan. Please refer to Note 9 for details.

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

(e) As at 31 December 2023, the carrying amounts of each class of trade and other receivables and amounts due from related parties mentioned above represented the Group's maximum exposure to credit risk. The Group did not hold any collateral as security (2022: same).

(f) The carrying amounts of each class of trade and other receivables and amounts due from related parties mentioned above approximated to their fair value due to their short maturities as at 31 December 2023 (2022: same).

Notes to the Consolidated Financial Statements (Continued)

(All amounts in Renminbi Yuan unless otherwise stated)

20 CASH AND CASH EQUIVALENTS

	31 December 2023 RMB'000	31 December 2022 RMB'000
Cash at banks and cash on hand denominated in:		
— RMB	**189,208**	104,945
— HK$	**498**	1,500
	189,706	106,445

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

21 SHARE CAPITAL

	Number of ordinary shares	**Nominal value of ordinary shares** HK$	**Equivalent nominal value of ordinary shares** RMB
Year ended 31 December 2022			
Balance as at 1 January 2022	930,000,000	9,300,000	7,980,009
Balance as at 31 December 2022	930,000,000	9,300,000	7,980,009
Year ended 31 December 2023			
Balance as at 1 January 2023	**930,000,000**	**9,300,000**	**7,980,009**
Balance as at 31 December 2023	**930,000,000**	**9,300,000**	**7,980,009**

Notes to the Consolidated Financial Statements (Continued)

(All amounts in Renminbi Yuan unless otherwise stated)

22 OTHER RESERVES

	Recapitalisation reserves RMB'000	Share premium RMB'000	Capital reserves RMB'000	Statutory reserves RMB'000 Note (a)	Safety reserves RMB'000 Note (b)	Total RMB'000
At 1 January 2022	56,125	169,321	300	21,738	34,978	282,462
Appropriation to safety reserves	–	–	–	–	5,461	5,461
Appropriation to statutory reserves	–	–	–	3,650	–	3,650
At 31 December 2022	56,125	169,321	300	25,388	40,439	291,573
At 1 January 2023	**56,125**	**169,321**	**300**	**25,388**	**40,439**	**291,573**
Usage of safety reserves	**–**	**–**	**–**	**–**	**(701)**	**(701)**
Appropriation to statutory reserves	**–**	**–**	**–**	**1,428**	**–**	**1,428**
Contribution from the Controlling Shareholders (Note 9)	**–**	**–**	**14,624**	**–**	**–**	**14,624**
At 31 December 2023	**56,125**	**169,321**	**14,924**	**26,816**	**39,738**	**306,924**

(a) Statutory reserves

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

(b) Safety reserves

Pursuant to certain regulations issued by the Ministry of Finance and the State Administration of Work Safety of the PRC, since 14 February 2012 the Group's PRC subsidiary was required to set aside an amount to safety reserve at progressive rates from 0.2% to 4% of the total revenue of the previous year from the sales of hazardous chemical. Pursuant to the amendment of the regulations in November 2022, the range of aforesaid appropriation rates has been revised as 0.2% to 4.5%, and the PRC subsidiary can temporarily suspend the appropriation to the safety reserve when the unused monthly opening balance of the safety reserve exceeds three times of the required appropriation amount of the previous year. The reserve can be utilised for the spending in improvements and maintenances of work safety on the Group's daily operations, which are considered expenses in nature and charged to the profit and loss as incurred.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in Renminbi Yuan unless otherwise stated)

23 TRADE AND OTHER PAYABLES

Accounting policy of trade and other payables and amounts due to related parties

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

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

	31 December 2023 RMB'000	31 December 2022 RMB'000
Trade payables (Note (a))	**4,610**	–
Payable for legal claim (Note 9)	**13,139**	–
Other payables	**7,758**	5,250
Accruals for staff costs and allowances	**3,023**	2,410
Other tax payables	**1,912**	3,974
Accruals for short term lease expenses	**516**	544
Accruals for construction projects	**251**	251
Accruals for handling charges	**136**	216
Accruals for listing expenses	**–**	2,691
Trade and other payables	**31,345**	15,336

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

	31 December 2023 RMB'000	31 December 2022 RMB'000
Less than 30 days	**4,610**	–
	4,610	–

Notes to the Consolidated Financial Statements (Continued)

(All amounts in Renminbi Yuan unless otherwise stated)

23 TRADE AND OTHER PAYABLES (Continued)

Accounting policy of trade and other payables and amounts due to related parties (Continued)

(b) Trade and other payables were denominated in:

	31 December 2023 RMB'000	31 December 2022 RMB'000
— RMB	**29,089**	11,304
— HK$	**2,256**	4,032
	31,345	15,336

(c) The fair values of trade and other payables approximated their carrying amounts at 31 December 2023 due to their short-term maturities (2022: same).

24 CONTRACT LIABILITIES

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

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Revenue recognised that was included in the contract liabilities at the beginning of the year	**24,487**	3,527

Notes to the Consolidated Financial Statements (Continued)

(All amounts in Renminbi Yuan unless otherwise stated)

25 CASH FLOW INFORMATION

(a) Cash generated from operations

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

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Profit before income tax	**5,734**	49,095
Adjustments for:		
— Depreciation (Notes 14 and 15)	**1,440**	1,560
— Provision for impairment of inventories (Note 17)	**5,129**	–
— Finance income — net	**(896)**	(980)
— Other gains	**(25)**	–
	11,382	49,675
Changes in working capital:		
— Inventories	**60,713**	(82,009)
— Trade and other receivables	**(2,742)**	442,972
— Prepayments	**28,803**	(158,527)
— Trade and other payables	**16,009**	(164,364)
— Contract liabilities	**(16,887)**	20,960
Cash generated from operations	**97,278**	108,707

Notes to the Consolidated Financial Statements (Continued)

(All amounts in Renminbi Yuan unless otherwise stated)

25 CASH FLOW INFORMATION (Continued)

(b) Reconciliation of liabilities arising from financing activities

	Lease liabilities RMB'000
Balance as at 1 January 2022	4,407
Cash flows	(560)
Interest expenses on lease liabilities	207
Balance as at 31 December 2022	4,054
Balance as at 1 January 2023	4,054
Cash flows	(360)
Interest expenses on lease liabilities	184
Disposal of lease liability	(390)
Balance as at 31 December 2023	3,488

26 CAPITAL COMMITMENTS

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

	31 December 2023 RMB'000	31 December 2022 RMB'000
Property, plant and equipment	**8,483**	8,483

Notes to the Consolidated Financial Statements (Continued)

(All amounts in Renminbi Yuan unless otherwise stated)

27 RELATED PARTY TRANSACTIONS

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

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

(b) Transactions with related parties

Apart from the disclosure in Note 8, the Group had entered into a lease agreement with the Controlling Shareholders to lease a piece of land and office building located in Guangzhou City, Guangdong Province with annual rental fee of RMB360,000 from 1 April 2017 to 31 March 2037.

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Interest expenses on lease liabilities		
— The Controlling Shareholders	**176**	185

During the year ended 31 December 2023, the cash advance from/(repayment of cash advance to) a Controlling Shareholder was non-trade in nature, interest-free and repayable on demand.

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Cash advance from a Controlling Shareholder	**180,000**	–

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Repayment of cash advance to a Controlling Shareholder	**(180,000)**	–

Notes to the Consolidated Financial Statements (Continued)

(All amounts in Renminbi Yuan unless otherwise stated)

27 RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties

	31 December 2023 RMB'000	31 December 2022 RMB'000
Lease liabilities		
— The Controlling Shareholders	**3,488**	3,672
Amounts due from related parties		
— The Controlling Shareholders	**14,624**	–

(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 8 is as follows:

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Salaries, wages, bonuses, welfare and other benefits	**847**	1,104
Contributions to employee social security plans	**128**	130
	975	1,234

The salaries and wages disclosed above include RMB37,000 (2022: RMB37,000) of remuneration payable which were unpaid as at year end and are included in other payables. In addition, the contributions to employee social security plans disclosed above include RMB10,000 (2022: RMB9,000) of social security and housing provident fund payable which were unpaid as at year end and are included in other payables.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in Renminbi Yuan unless otherwise stated)

28 SUBSIDIARIES OF THE COMPANY

Details of the principal subsidiaries of the Company at 31 December 2023 are set out below.

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

Note:

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

Notes to the Consolidated Financial Statements (Continued)

(All amounts in Renminbi Yuan unless otherwise stated)

29 STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY

	Note	**31 December 2023 RMB'000**	31 December 2022 RMB'000
ASSETS			
Non-current assets			
Investment in a subsidiary		**72,210**	72,210
Amounts due from subsidiaries		**151,951**	151,951
		224,161	224,161
Current assets			
Cash and cash equivalents		**240**	2,719
Prepayments		**475**	467
Amounts due from the controlling shareholders		**14,624**	–
		15,339	3,186
Total assets		**239,500**	227,347
EQUITY			
Share capital		**7,980**	7,980
Other reserves	(a)	**256,155**	241,531
Accumulated losses	(a)	**(60,000)**	(47,326)
Total equity		**204,135**	202,185
LIABILITIES			
Current liabilities			
Other payables		**2,089**	4,156
Amounts due to subsidiaries		**33,276**	21,006
		35,365	25,162
Total liabilities		**35,365**	25,162
Total equity and liabilities		**239,500**	227,347

The statement of financial position of the Company was approved by the Board of Directors on 15 March 2024 and was signed on its behalf.

Xu Ziming
Director

Huang Sizhen
Director

Notes to the Consolidated Financial Statements (Continued)

(All amounts in Renminbi Yuan unless otherwise stated)

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

(a) Reserves movement of the Company

	Other reserves RMB'000	Accumulated losses RMB'000
At 1 January 2022	241,531	(41,762)
Loss for the year	–	(5,564)
As at 31 December 2022	241,531	(47,326)
At 1 January 2023	**241,531**	**(47,326)**
Loss for the year	**–**	**(12,674)**
Contribution from the Controlling Shareholders	**14,624**	**–**
As at 31 December 2023	**256,155**	**(60,000)**

30 SUBSEQUENT EVENT

Save as disclosed elsewhere in this report, there were no other material subsequent events took place after 31 December 2023 and up to the date of this report.

31 SUMMARY OF OTHER ACCOUNTING POLICIES

This note provides a list of other potentially material accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the group consisting of JTF International Holdings Limited and its subsidiaries.

31.1 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.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in Renminbi Yuan unless otherwise stated)

31 SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

31.1 Subsidiaries (Continued)

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

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

31.2 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

Notes to the Consolidated Financial Statements (Continued)

(All amounts in Renminbi Yuan unless otherwise stated)

31 SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

31.2 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

31.3 Impairment of non-financial assets

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

Notes to the Consolidated Financial Statements (Continued)

(All amounts in Renminbi Yuan unless otherwise stated)

31 SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

31.4 Financial assets

(a) *Classification*

The Group classifies its financial assets in the following measurement categories:

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

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

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

(b) *Recognition and derecognition*

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

(c) *Measurement*

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

(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 19 for further details. For other receivables, the Group applies either 12-month ECL or lifetime expected losses method, depending on whether there has been a significant increase in credit risk since initial recognition.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in Renminbi Yuan unless otherwise stated)

31 SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

31.5 Offsetting financial instruments

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

31.6 Cash and cash equivalents

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

31.7 Share capital

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

31.8 Current and deferred income tax

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

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in Renminbi Yuan unless otherwise stated)

31 SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

31.8 Current and deferred income tax (Continued)

(b) Deferred income tax

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

(All amounts in Renminbi Yuan unless otherwise stated)

31 SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

31.9 Employee benefits

(a) *Social security obligations*

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

(b) *Bonus plan*

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

(c) *Employee leave entitlements*

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

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

Notes to the Consolidated Financial Statements (Continued)

(All amounts in Renminbi Yuan unless otherwise stated)

31 SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

31.10 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.

31.11 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.

31.12 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.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in Renminbi Yuan unless otherwise stated)

31 SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

31.13 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 Group under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

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

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

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

31.14 Dividend distribution

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

Financial Summary

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

	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000	**2023** **RMB'000**
Revenue	2,141,533	1,100,262	2,043,377	1,534,524	**1,239,515**
Cost of sales	(2,045,726)	(1,030,811)	(1,952,644)	(1,461,613)	**(1,181,619)**
Gross profit	95,807	69,451	90,733	72,911	**57,896**
Other (losses)/gains — net	(825)	1,418	6	3,095	**(13,243)**
Distribution expenses	(25,175)	(20,570)	(21,791)	(14,269)	**(16,200)**
Administrative and other operating expenses	(9,150)	(20,994)	(12,354)	(13,622)	**(23,615)**
Operating profit	60,657	29,305	56,594	48,115	**4,838**
Finance income/(costs) — net	116	(573)	51	980	**896**
Profit before income tax	60,773	28,732	56,645	49,095	**5,734**
Income tax expense	(20,906)	(13,527)	(19,559)	(17,350)	**(7,243)**
Profit/(loss) for the year attributable to the owners of the Company	39,867	15,205	37,086	31,745	**(1,509)**
ASSETS AND LIABILITIES					
Non-current assets	28,388	27,554	26,323	24,916	**24,479**
Current assets	304,940	377,305	570,082	466,286	**472,268**
Non-current liabilities	(14,442)	(16,780)	(20,241)	(23,156)	**(24,052)**
Current liabilities	(39,920)	(38,526)	(189,525)	(49,662)	**(41,196)**
Net assets	278,966	349,553	386,639	418,384	**431,499**
Total equity attributable to the owners of the Company	278,966	349,553	386,639	418,384	**431,499**