

JTF INTERNATIONAL HOLDINGS LIMITED

金泰豐國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8479

FIRST QUARTERLY REPORT

2018



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The board of directors of JTF International Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (the “**Group**” or “**our Group**”) for the three months ended 31 March 2018 together with comparative figures for the corresponding period in 2017 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the three months ended 31 March	
		2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Revenue	3	520,363	408,482
Cost of sales		(494,041)	(393,886)
Gross profit		26,322	14,596
Other (losses)/gains — net		(683)	19
Distribution expenses		(5,056)	(6,111)
Administrative expenses		(2,523)	(2,811)
Operating profit		18,060	5,693
Finance income — net		68	33
Profit before income tax		18,128	5,726
Income tax expense	4	(6,600)	(2,385)
Profit for the period attributable to owners of the Company		11,528	3,341
Other comprehensive income		—	—
Total comprehensive income for the period attributable to owners of the Company		11,528	3,341
Earnings per share	5		
— Basic and diluted (RMB)		2.9 cents	1.3 cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2018

	Share capital RMB'000	Other reserves				Safety reserves RMB'000 (Note c)	Retained earnings RMB'000	Total RMB'000
		Recapitalisation reserves RMB'000	Share premium RMB'000	Capital reserves RMB'000 (Note a)	Statutory reserves RMB'000 (Note b)			
Balance at 1 January 2017 (Unaudited)	—	(16,085)	—	240	5,258	4,691	39,163	33,267
Profit and total comprehensive income for the period	—	—	—	—	—	—	3,341	3,341
Appropriation to safety reserves	—	—	—	—	—	754	(754)	—
Distribution	—	—	—	—	—	—	(30,856)	(30,856)
Deemed contribution by the shareholders	—	—	—	60	—	—	1,725	1,785
Issuance of shares to capitalise amounts due to related parties	—	65,308	—	—	—	—	—	65,308
Issuance of shares to an investor	—	—	30,856	—	—	—	—	30,856
Balance at 31 March 2017 (Unaudited)	—	49,223	30,856	300	5,258	5,445	12,619	103,701
Balances at 1 January 2018 (Unaudited)	—	56,125	30,856	300	7,291	8,939	15,558	119,069
Profit and total comprehensive income for the period	—	—	—	—	—	—	11,528	11,528
Appropriation to safety reserves	—	—	—	—	—	1,736	(1,736)	—
Issuance of shares by recapitalisation	2,592	—	(2,592)	—	—	—	—	—
Placing and public offering of shares	864	—	42,329	—	—	—	—	43,193
Transaction costs for placing and public offering of shares	—	—	(8,285)	—	—	—	—	(8,285)
Balance at 31 March 2018 (Unaudited)	3,456	56,125	62,308	300	7,291	10,675	25,350	165,505

(a) Capital reserves

Zengcheng City Jintaifeng Fuel Company Limited (“JTF (PRC)”), a subsidiary of the Company established in the People’s Republic of China (the “PRC”), occupies a piece of land and an office building located in Zengcheng City, Guangdong Province, the PRC (“Zengcheng Property”) owned by the Controlling Shareholders (as defined in notes to the unaudited condensed consolidated financial statements). The Controlling Shareholders have waived the operating lease expenses of RMB60,000 and RMB240,000 for the two years ended 31 December 2017 and 2016, respectively, which were deemed as contributions by the Controlling Shareholders to the Group.

(b) Statutory reserves

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

(c) Safety reserves

Pursuant to certain regulations issued by the Ministry of Finance and the State Administration of Work Safety of the PRC, the Group’s PRC subsidiary is required to set aside an amount to safety reserve at progressive rates from 0.5% to 4% of the total revenue from the sales of hazardous chemical from 14 February 2012. The reserve can be utilised for the spending in improvements and maintenances of work safety on the Group’s daily operations, which are considered expenses in nature and charged to the profit and loss as incurred.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 23 October 2014 as an exempted company with limited liability under the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the "**Group**") are principally engaged in the blending and sale of fuel oil, sale of refined oil and other petrochemicals in the PRC (the "**Listing Business**").

Prior to the group reorganisation (the "**Reorganisation**"), the Listing Business was carried out by JTF (PRC), a limited liability company incorporated in the PRC, which was wholly owned by JTF (Hong Kong) Limited ("**JTF (Hong Kong)**"), and ultimately owned as to 60%, 15% and 25% by Mr. Xu Ziming ("**Mr. Xu**"), Ms. Huang Sizhen ("**Ms. Huang**") and Mr. Choi Sio Peng ("**Mr. Choi**"), nephew of Mr. Xu, respectively. In preparation for the listing of the shares of the Company on GEM of the Stock Exchange (the "**Listing**"), the Company and its subsidiaries now comprising the Group underwent the Reorganisation pursuant to which the Company became the holding company of the Listing Business. The Reorganisation was completed on 20 December 2017 and the Company's shares were listed on GEM of the Stock Exchange on 17 January 2018.

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

The unaudited condensed consolidated financial statements for the three months ended 31 March 2018 are presented in Renminbi ("**RMB**"), unless otherwise stated, and have been approved for issue by the Company's board of directors on 9 May 2018.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2018 have been prepared in accordance with the disclosure requirements of the GEM Listing Rules. The unaudited condensed consolidated financial statements have been prepared under the historical cost convention.

The accounting policies adopted in preparing the unaudited consolidated results for the three months ended 31 March 2018 are consistent with those adopted in the financial statements of the Group for the year ended 31 December 2017, except that the Hong Kong Institute of Certified Public Accountants has issued a number of new standards and amendments to Hong Kong Financial Reporting Standards which are effective for the current accounting period of the Group. None of those developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. REVENUE

The Group principally engages in the blending and sale of fuel oil, sale of diesel, gasoline and other petrochemicals in the PRC.

The major operating entity of the Group is domiciled in Mainland China, and the Group's revenue for the three months ended 31 March 2018 and 2017 respectively were derived in Mainland China.

3. REVENUE (Continued)

Analysis of revenue is as follows:

	For the three months ended 31 March	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales of goods:		
— Refined oil	294,618	159,298
— Fuel oil	140,370	142,311
— Other petrochemical products	85,375	106,873
	520,363	408,482

4. INCOME TAX EXPENSE

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

No provision for Hong Kong profits tax was provided as the Group did not have assessable profit in Hong Kong for the three months ended 31 March 2018 (three months ended 31 March 2017: same). The profit of the group company in Hong Kong is mainly derived from dividend income from its subsidiary, which is not subject to Hong Kong profits tax.

The income tax provision of the Group in respect of its operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profit for the year.

Pursuant to the Enterprise Income Tax Law of the PRC (the “**EIT Law**”) and the Implementation Rules of the EIT Law, the EIT is unified at 25% for all types of entities, effective from 1 January 2008. The standard tax rate of the Group’s PRC entities was 25% for the three months ended 31 March 2018 (three months ended 31 March 2017: 25%).

4. INCOME TAX EXPENSE (Continued)

According to the EIT Law and the Implementation Rules, starting from 1 January 2008, a withholding income tax of 10% is levied on the immediate holding company outside the PRC when its PRC subsidiary declares dividends out of profits earned after 1 January 2008. A lower 5% withholding income tax rate may be applied when the immediate holding company of the PRC subsidiary is established in Hong Kong and fulfils requirements under the tax treaty arrangements between the relevant authorities of Mainland China and Hong Kong. The applicable withholding income tax rates of the group company in Hong Kong was 10% for the three months ended 31 March 2018 (three months ended 31 March 2017: 10%).

5. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the period by the weighted average number of ordinary shares in issue during the three months ended 31 March 2018 and 2017 respectively.

	For the three months ended 31 March	
	2018 (Unaudited)	2017 (Unaudited)
Profit for the period (RMB'000)	11,528	3,341
Weighted average number of ordinary shares in issue	401,333,333	252,280,000
Basic earnings per share (RMB)	2.9 cents	1.3 cents

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

6. DIVIDENDS

The board of directors does not recommend the payment of an interim dividend for the three months ended 31 March 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Currently, our wholesale business operations are primarily based in three oil depots in Zengcheng and Panyu in Guangzhou and Gaolan Port Economic Zone in Zhuhai within the Pearl River Delta region of Guangdong Province, where our oil depots store and trade different types of oil products. All of our Group's products are sold in the PRC with primary focus in Guangdong Province.

For the three months ended 31 March 2018, the Group's gross profit margin increased to approximately 5.1% from approximately 3.6% for the three months ended 31 March 2017, which was mainly attributable to the upward trend of refined oil price during the three months ended 31 March 2018 and the our ability to harness the benefits of our cost-plus pricing policy and matched trade sales model, by negotiating higher gross profit margin for our refined oil products with customers who are more sensitive to oil price during an uptrend market as they are more incline to finalise their purchases quickly.

RESULTS OF OPERATIONS

Revenue

The Group's revenue was derived from sales of (i) fuel oil, (ii) refined oil and (iii) other petrochemical products. Revenue principally represents the net value of goods sold after deduction of 17% value-added tax of the PRC.

For the three months ended 31 March 2018, the Group's total revenue amounted to approximately RMB520,363,000, representing an increase of approximately 27.4% over the corresponding period in 2017. The increase was mainly attributable to the increase in revenue from the sale of our refined oil products by approximately RMB135,320,000.

Income tax expense

Income tax expense increased by approximately RMB4,215,000 to approximately RMB6,600,000 for the three months ended 31 March 2018 from approximately RMB2,385,000 for the three months ended 31 March 2017, mainly due to the increase in taxable profit from the Group's operation in the PRC.

Profit for the period

The Group's profit for the three months ended 31 March 2018 increased by approximately RMB8,187,000 to approximately RMB11,528,000 from a profit of approximately RMB3,341,000 for the three months ended 31 March 2017 primarily due to the increase in revenue and gross profit margin as described above.

Borrowings

Our Group did not have any borrowings during the three months ended 31 March 2018 (three months ended 31 March 2017: Nil).

Pledged assets

Our Group did not have any assets pledged for security during the three months ended 31 March 2018 (three months ended 31 March 2017: Nil).

Contingent liabilities

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

FUTURE PLANS AND PROSPECT

The Group's primary objectives are to continue to expand our scale of operations to achieve business growth and increase our market share in the industry. Since 2016, the trading volume of gasoline has grown significantly. For the three months ended 31 March 2018, gasoline sales accounted for approximately 56.6% of our total revenue (three months ended 31 March 2017: 39.0%). As compared with fuel oil and diesel products, gasoline products have broader end customer base for the general public, and so the directors believe that further development into the gasoline market in Guangdong Province, the PRC can enhance our earning capability.

According to 13th Five year plan gasoline retail market development of Guangzhou City, Dongguan City and Huizhou City (2016–2020) (廣州市成品油零售體系「十三五」發展規劃 (2016–2020), (東莞市成品油零售體系「十三五」發展規劃 (2016–2020) and (惠州市成品油零售體系「十三五」發展規劃 (2016–2020)), the cities of Guangzhou, Dongguan and Huizhou, which are close to our oil depot at Zengcheng City, Guangzhou, Guangdong Province, the PRC ("**Zengcheng Oil Depot**"), will provide a combined market of refined oil consumption estimated at approximately 11,151,300 tonnes, through a network of 1,525 gas stations by 2020. The directors believe that with our experience in the refined oil market and network of established customers including the three largest state-owned oil companies in the PRC, the strategically advantageous location of Zengcheng Oil Depot would enable us to attract gas station operators to purchase refined oil from such depot.

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

The Company's shares ("**Shares**") were listed on 17 January 2018 (the "**Listing Date**") and the proceeds of the placing and public offer of 105,000,000 Shares were received during the three months ended 31 March 2018. The Company intends that the net proceeds (after deducting related underwriting fees and listing expenses) of approximately RMB20,803,000 be applied in the manner as described under the section headed "Future Plans and Use of Proceeds" of the prospectus of the Company dated 29 December 2017. The net proceeds have been deposited into bank accounts maintained by the Group in Hong Kong and the PRC as working capital, and progress of the implementation plans are as set out below:

Implementation progress as at 31 March 2018

- | | |
|---|--|
| (1) Upgrading of the wharf berth capability at Zengcheng Oil Depot | Conducting project planning, and preparing information for filing registration necessary to obtain government approval. |
| | As at 31 March 2018, the net proceeds have not been used on the implementation plans. |
| (2) Refurbishment of oil tanks, pipelines and other oil depot facilities at Zengcheng Oil Depot | Conducting project planning, preparing information for filing registration necessary to obtain government approval, and locating suitable contractors to undertake the refurbishment work. |
| | As at 31 March 2018, the net proceeds have not been used on the implementation plans. |

INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend for the three months ended 31 March 2018.

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

As at 31 March 2018, the interests of the directors and chief executive of the Company in the share capital of the Company as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance (the "SFO") or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors (the "Model Code") were as follows:

Name	Nature of interest	Number of shares	Percentage of shareholding
Thrive Shine Limited	Beneficial owner	170,100,000	40.5%
Mr. Xu Ziming (note 1)	Interest in a controlled corporation	170,100,000	40.5%
Ms. Huang Sizhen (note 1)	Interest of spouse	170,100,000	40.5%
Thrive Era Investments Limited	Beneficial owner	56,700,000	13.5%
Mr. Choi Sio Peng (note 2)	Interest in a controlled corporation	56,700,000	13.5%

Notes:

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

Save as disclosed herein, as at 31 March 2018, none of the directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 March 2018, the following persons (not being a director or chief executive of the Company) 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:

Name	Nature of interest	Number of shares	Percentage of shareholding
Trophy Plus Global Limited	Beneficial owner	88,200,000	21%
Ms. Kung Sau Kwan (note)	Interest in a controlled corporation	88,200,000	21%

Note: These shares are held by Trophy Plus Global Limited, a company wholly owned by Ms. Kung Sau Kwan.

Save as disclosed herein, as at 31 March 2018, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities from the Listing Date and up to 31 March 2018.

COMPETING INTERESTS

None of the controlling shareholders, namely Thrive Shine Limited, Mr. Xu Ziming and Ms. Huang Sizhen, the directors and their respective close associates (as defined in the GEM Listing Rules) is interested in any business apart from the business operated by the Group which competes or is likely to compete, directly or indirectly, with the Group's business during the three months ended 31 March 2018.

INTERESTS OF THE COMPLIANCE ADVISER

Save for the compliance adviser agreement between the Company and Kingsway Capital Limited, none of Kingsway Capital Limited, its directors, employees or close associates had any interest in relation to the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with the management of the Group the accounting principles and practices adopted by the Group, its internal controls and financial reporting matters including the review of the unaudited condensed consolidated financial statements for the three months ended 31 March 2018 and this report.

On behalf of the Board
JTF International Holdings Limited
Xu Ziming
Chairman and Executive Director

Hong Kong, 9 May 2018

As at the date of this report, the executive directors of the Company are Mr. Xu Ziming, Ms. Huang Sizhen and Mr. Choi Sio Peng; and the independent non-executive directors are Mr. Chan William, Mr. Tsui Hing Shan and Mr. Kan Siu Chung.