

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

THIRD QUARTERLY REPORT
2019



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The board of directors of 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 and nine months ended 30 September 2019 together with comparative figures for the corresponding periods in 2018 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the three months ended 30 September		For the nine months ended 30 September	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Revenue	3	662,756	356,553	1,540,391	1,449,622
Cost of sales		(633,393)	(340,157)	(1,472,328)	(1,380,091)
Gross profit		29,363	16,396	68,063	69,531
Other gains — net		—	5,995	3,410	5,740
Distribution expenses		(7,093)	(5,514)	(16,480)	(17,597)
Administrative and other expenses		(2,973)	(10,667)	(8,764)	(14,954)
Operating profit		19,297	6,210	46,229	42,720
Finance income/(expenses) — net		(320)	429	(204)	540
Profit before income tax		18,977	6,639	46,025	43,260
Income tax expense	4	(6,622)	(4,834)	(14,970)	(17,406)
Profit for the period attributable to owners of the Company		12,355	1,805	31,055	25,854
Other comprehensive income		—	—	—	—
Total comprehensive income for the period attributable to owners of the Company		12,355	1,805	31,055	25,854
Earnings per share	5				
— Basic and diluted (RMB)		2.0 cents	0.4 cents	6.1 cents	6.2 cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2019

	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 2018 (Audited)	-	56,125	30,856	300	7,291	8,939	15,558	119,069
Profit and total comprehensive income for the period	-	-	-	-	-	-	25,854	25,854
Appropriation to safety reserves	-	-	-	-	-	5,040	(5,040)	-
Issuance of shares by capitalisation	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 30 September 2018 (Unaudited)	3,456	56,125	62,308	300	7,291	13,979	36,372	179,831
Balance at 1 January 2019 (Audited)	3,456	56,125	62,308	300	10,564	15,683	34,508	182,944
Profit and total comprehensive income for the period	-	-	-	-	-	-	31,055	31,055
Appropriation to safety reserves	-	-	-	-	-	4,854	(4,854)	-
Issuance of shares by rights issue	1,845	-	55,374	-	-	-	-	57,219
Transaction costs for rights issue	-	-	(1,062)	-	-	-	-	(1,062)
Balance at 30 September 2019 (Unaudited)	5,301	56,125	116,620	300	10,564	20,537	60,709	270,156

(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 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 in prior years totalling RMB300,000, 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 its articles of association, JTF (PRC) 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 JTF (PRC). The statutory reserve can be used to offset previous years’ losses, if any, and part of the statutory reserve can be capitalised as JTF (PRC)’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, JTF (PRC) is required to set aside an amount to safety reserve at progressive rates from 0.2% to 4% of the total revenue from the sales of hazardous chemical from 14 February 2012. The reserve can be utilised for spending on improvements and maintenances of work safety in respect of the Group’s daily operations, which are considered expenses in nature and charged to the profit and loss as incurred.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

The Company is an investment holding company. The Company and its subsidiaries (together, the "**Group**") are principally engaged in the blending and sale of fuel oil, sale of refined oil and other petrochemicals in the PRC (the "**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 of Hong Kong Limited (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 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 nine months ended 30 September 2019 are presented in Renminbi ("**RMB**"), unless otherwise stated, and have been approved for issue by the Company's board of directors on 12 November 2019.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements of the Group for the nine months ended 30 September 2019 have been prepared in accordance with the disclosure requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange. The unaudited condensed consolidated financial statements have been prepared under the historical cost convention.

The accounting policies adopted in preparing the unaudited consolidated results for the nine months ended 30 September 2019 are consistent with those adopted in the financial statements of the Group for the year ended 31 December 2018, 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. Except as disclosed in note 2 to the unaudited condensed consolidated interim financial statements dated 14 August 2019, none of those developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. REVENUE

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

The major operating entity of the Group is domiciled in Mainland China, and the Group's revenue for the nine months ended 30 September 2019 and 2018 respectively was derived in Mainland China.

3. REVENUE (Continued)

Analysis of revenue is as follows:

	For the three months ended 30 September		For the nine months ended 30 September	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Sales of goods:				
– Refined oil	578,130	268,934	1,249,320	915,688
– Fuel oil	59,229	31,940	204,300	299,397
– Other petrochemical products	25,397	53,972	86,771	232,830
	662,756	354,846	1,540,391	1,447,915
Service income	–	1,707	–	1,707
	662,756	356,553	1,540,391	1,449,622

4. INCOME TAX EXPENSE

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

No provision for Hong Kong profits tax was provided as the Group did not have assessable profit in Hong Kong for the nine months ended 30 September 2019 (nine months ended 30 September 2018: same). The profit of the group company in Hong Kong is mainly derived from dividend income from its subsidiary, which is not subject to Hong Kong profits tax.

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

Pursuant to the Enterprise Income Tax Law of the PRC (the “**EIT Law**”) and the Implementation Rules of the EIT Law, the EIT is unified at 25% for all types of entities, effective from 1 January 2008. The standard tax rate of the Group’s PRC entity was 25% for the nine months ended 30 September 2019 (nine months ended 30 September 2018: 25%).

According to the EIT Law and the Implementation Rules, starting from 1 January 2008, a withholding income tax of 10% is levied on the immediate holding company outside the PRC when its PRC subsidiary declares dividends out of profits earned after 1 January 2008. A lower 5% withholding income tax rate may be applied when the immediate holding company of the PRC subsidiary is established in Hong Kong and fulfils requirements under the tax treaty arrangements between the relevant authorities of Mainland China and Hong Kong. The applicable withholding income tax rates of the group company in Hong Kong was 10% for the nine months ended 30 September 2019 (nine months ended 30 September 2018: 10%).

5. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the period by the weighted average number of ordinary shares in issue during the periods ended 30 September 2019 and 2018.

	For the three months ended 30 September		For the nine months ended 30 September	
	2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Unaudited)
Profit for the period (RMB'000)	12,355	1,805	31,055	25,854
Weighted average number of ordinary shares in issue	630,000,000	420,000,000	506,153,846	413,846,154
Basic earnings per share (RMB)	2.0 cents	0.4 cents	6.1 cents	6.2 cents

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

6. DIVIDENDS

The board does not recommend the payment of an interim dividend for the nine months ended 30 September 2019.

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.

The Group's business faces multiple challenges from international and domestic factors in 2019. The trade dispute between the PRC and the United States have adversely affected the market atmosphere. Sentiments in various sectors including investment, infrastructure, trade, logistic, research and developments, and domestic consumption, etc. have become conservative. Nevertheless, the Group's total sales volume increased slightly by 3.9% compared with the corresponding period in 2018 for the nine months ended 30 September 2019. The increase in total sales volume was mainly attributable to the increase in sales volume of refined oil by 50.2% as the Group was able to shift more sales to refined oil with a broader end customer base for the general public. Such increase was partially offset by the decrease in sales volume of fuel oil by 41.4% due to the decrease in demand for fuel oil for marine vessel consumption.

On 29 December 2018, seven bureaus and commissions of the PRC government, including the National Development and Reform Commission, issued a notice ordering that from 1 January 2019 onward, all gasoline and diesel sold in Mainland China have to comply with the Sixth Stage Mandatory National Standard (VIA standard gasoline and VI standard diesel) for gasoline and diesel for motor vehicle consumption. Sale of motor vehicle gasoline and diesel below the standard is prohibited. Series of government environmental protection standards and policies increased the operating cost of the Group's upstream suppliers and refineries, which lead to increase in the Group's cost of purchases. As refineries that cannot meet the national environmental protection standards fade out in the market, the bargaining power of those who can meet those standards is strengthened versus the Group. Together with the aforesaid conservative sentiments in the market which made customers and suppliers acted more prudently in negotiation, the Group's gross profit margin decreased by 0.4% to 4.4% for the nine months ended 30 September 2019 compared with the corresponding period in 2018.

On 27 May 2019, the shareholders of the Company approved the adoption of a share option scheme relating to the grant of options to eligible persons including directors, employees, consultants or advisers of the Group to subscribe for shares of the Company to enable the Group to offer valuable incentive to attract and retain quality personnel and other persons to work to increase the value of the shares of the Company. The Company has not granted any option under the share option scheme since its adoption.

On 11 June 2019, the Company completed a rights issue of 210,000,000 shares at HK\$0.31 per rights share and raised net proceeds of about HK\$63,889,000 after deducting related expenses (the "**Rights Issue**"). Detailed terms of the Rights Issue, and its results were set out in the Company's prospectus dated 17 May 2019 (the "**Rights Issue Prospectus**") and the announcement dated 10 June 2019 respectively. Please refer to the section headed "Use of net proceeds of the Rights Issue" for details of the use of the net proceeds of the Rights Issue.

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 nine months ended 30 September 2019, the Group's total revenue amounted to approximately RMB1,540,391,000, representing an increase of approximately 6.3% over the corresponding period in 2018. The increase was mainly attributable to the increase in revenue from the sale of our refined oil products by approximately RMB333,632,000.

Income tax expense

Income tax expense decreased by approximately RMB2,436,000 to approximately RMB14,970,000 for the nine months ended 30 September 2019 from approximately RMB17,406,000 for the nine months ended 30 September 2018, mainly due to the decrease in deferred income tax recognised during the period.

Profit for the period

The Group's profit for the nine months ended 30 September 2019 increased by approximately RMB5,201,000 to approximately RMB31,055,000 from approximately RMB25,854,000 for the nine months ended 30 September 2018 primarily due to the decrease in administrative and other expenses.

Borrowings

Our Group did not have any borrowings during the nine months ended 30 September 2019 (31 December 2018: Nil).

Pledged assets

Our Group did not have any assets pledged for security during the nine months ended 30 September 2019 (31 December 2018: Nil).

Contingent liabilities

The Group did not have any material contingent liabilities as at 30 September 2019 (31 December 2018: 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 nine months ended 30 September 2019, gasoline sales accounted for approximately 81.1% of our total revenue (nine months ended 30 September 2018: 63.2%). 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.

However, the Group's management expects that in the last quarter of 2019, the negative factors mentioned in the section headed "Management Discussion and Analysis — Business Review" above will still affect the Group's business. Our management will closely monitor market development and price trend to make necessary adjustment to our product mix with a view to maintain the Group's profitability.

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

The Company's shares were listed on GEM on 17 January 2018 (the "**Listing Date**"). The Company intends that the net proceeds of the Company's placing and public offering of a total of 105,000,000 shares (the "**Share Offer**") (after deducting related underwriting fees and listing expenses) of approximately RMB20,803,000 be applied according to the percentage allocation described under the section headed "Future Plans and Use of Proceeds" of the prospectus of the Company dated 29 December 2017 (the "**Prospectus**"). An analysis of the progress of the implementation plans up to 30 September 2019 is set out below:

Business strategies as stated in the Prospectus

- (1) Upgrading of the wharf berth capability at Zengcheng Oil Depot

Implementation plan

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.

Implementation progress as at 30 September 2019

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 related to upgrading berth capacity. Currently, a lead contract has been engaged. Survey and design works are in progress, and are expected to be finalised by December 2019. Subject to government approval, the Group expects to commence construction works in early 2020 and completion in mid 2020.

Business strategies as stated in the Prospectus**Implementation plan****Implementation progress as at 30 September 2019**

(2) Refurbishment 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.	Except for storage of gasoline which requires additional facilities and government approval, the Group has obtained all government approval for current operation usage of Zengcheng Oil Depot.
	Modification/installation works for tanks storage and other oil depot facilities.	Except for additional facilities required for storage of gasoline, refurbishment works for storage tanks, pipelines, oil depot facilities and equipment are mostly completed.

The remaining unutilised net proceeds of the Share Offer as at 30 September 2019 were placed in bank accounts with licensed banks maintained by the Group in Hong Kong and in the PRC as working capital.

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.

USE OF NET PROCEEDS OF THE RIGHTS ISSUE

The Company has applied the net proceeds of the Rights Issue after deducting related underwriting fees and other expenses of approximately RMB56,157,000 to support and finance the ongoing working capital requirements for developing and enhancing the trading capacity of the Group's blending and sale of fuel oil, sale of refined oil and other petrochemicals business in the PRC as mentioned in the Rights Issue Prospectus.

INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend for the nine months ended 30 September 2019.

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

As at 30 September 2019, 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	255,150,000	40.5%
Mr. Xu Ziming (Note 1)	Interest in a controlled corporation	255,150,000	40.5%
Ms. Huang Sizhen (Note 1)	Interest of spouse	255,150,000	40.5%
Thrive Era Investments Limited	Beneficial owner	85,040,000	13.5%
Mr. Choi Sio Peng (Note 2)	Interest in a controlled corporation	85,040,000	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 30 September 2019, 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

As at 30 September 2019, no person (other than a director or chief executive of the Company) had interests in the share capital of the Company recorded in the register required to be kept by the Company under section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the nine months ended 30 September 2019.

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.

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 has any interest in relation to the Group as notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules during the nine months ended 30 September 2019 and up to the date of this quarterly report.

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 nine months ended 30 September 2019 and this report.

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

Hong Kong, 12 November 2019

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.