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
2020

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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The board of directors (the "**Board**") of JTF International Holdings Limited (the "**Company**") announces the unaudited condensed consolidated financial results of the Company and its subsidiaries (the "**Group**" or "**our Group**") for the three months ended 31 March 2020 together with comparative figures for the corresponding period in 2019 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the three months ended 31 March 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue	3	**136,629**	437,664
Cost of sales		**(129,827)**	(417,328)
Gross profit		**6,802**	20,336
Other income — net		**12**	—
Distribution expenses		**(4,784)**	(4,206)
Administrative expenses		**(2,909)**	(3,861)
Operating (loss)/profit		**(879)**	12,269
Finance cost — net		**(401)**	(63)
(Loss)/profit before income tax		**(1,280)**	12,206
Income tax expense	4	**(118)**	(4,506)
(Loss)/profit for the period attributable to owners of the Company		**(1,398)**	7,700
Other comprehensive income		**—**	—
Total comprehensive (loss)/income for the period attributable to owners of the Company		**(1,398)**	7,700
(Loss)/earnings per share	5		
— Basic and diluted (RMB)		**(0.2 cents)**	1.8 cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2020

		Other reserves						
	Share capital RMB'000	Recapitalisation reserves RMB'000	Share premium RMB'000	Capital reserves RMB'000	Statutory reserves RMB'000 (Note a)	Safety reserves RMB'000 (Note b)	Retained earnings RMB'000	Total RMB'000
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	—	—	—	—	—	—	7,700	7,700
Appropriation to safety reserves	—	—	—	—	—	1,771	(1,771)	—
Balance at 31 March 2019 (Unaudited)	3,456	56,125	62,308	300	10,564	17,454	40,437	190,644
Balance at 1 January 2020 (Audited)	**5,301**	**56,125**	**116,618**	**300**	**14,958**	**22,531**	**63,133**	**278,966**
Loss and total comprehensive loss for the period	**—**	**—**	**—**	**—**	**—**	**—**	**(1,398)**	**(1,398)**
Appropriation to safety reserves	**—**	**—**	**—**	**—**	**—**	**2,113**	**(2,113)**	**—**
Placing of shares	**2,679**	**—**	**53,853**	**—**	**—**	**—**	**—**	**56,532**
Transaction costs for placing of shares	**—**	**—**	**(1,150)**	**—**	**—**	**—**	**—**	**(1,150)**
Balance at 31 March 2020 (Unaudited)	**7,980**	**56,125**	**169,321**	**300**	**14,958**	**24,644**	**59,622**	**332,950**

Notes:

(a) Statutory reserves

In accordance with the Company Law of the People's Republic of China ("**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.

(b) Safety reserves

Pursuant to certain regulations issued by the Ministry of Finance and the State Administration of Work Safety of the PRC, the Group's PRC subsidiary is required to set aside an amount to safety reserve at progressive rates from 0.2% to 4% of the total revenue from the sales of hazardous chemical from 14 February 2012. The reserve can be utilised for 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 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.

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 Ziming ("**Mr. Xu**") and Ms. Huang Sizhen ("**Ms. Huang**"), respectively. The ultimate controlling party of the Group is Mr. Xu and Ms. Huang (collectively, the "**Controlling Shareholders**").

The unaudited condensed consolidated financial statements for the three months ended 31 March 2020 are presented in Renminbi ("**RMB**"), unless otherwise stated, and have been approved for issue by the Company's Board on 6 May 2020.

2. Basis of Preparation and Accounting Policies

The unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2020 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 three months ended 31 March 2020 are consistent with those adopted in the financial statements of the Group for the year ended 31 December 2019. The Hong Kong Institute of Certified Public Accountants has issued a number of new standards and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") 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, and sale of refined oil and other petrochemical products 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 2020 and 2019 respectively were derived in Mainland China.

Analysis of revenue is as follows:

	For the three months ended 31 March	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales of goods:		
— Refined oil	**124,663**	334,556
— Fuel oil	**7,805**	75,635
— Other petrochemical products	**—**	27,473
	132,468	437,664
Service income	**4,161**	—
	136,629	437,664

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 2020 (three months ended 31 March 2019: 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 entities was 25% for the three months ended 31 March 2020 (three months ended 31 March 2019: 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 rate of the group company in Hong Kong was 10% for the three months ended 31 March 2020 (three months ended 31 March 2019: 10%).

5. (Loss)/earnings Per Share

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit for the period by the weighted average number of ordinary shares in issue during the three months ended 31 March 2020 and 2019 respectively.

	For the three months ended 31 March	
	2020	2019
	(Unaudited)	(Unaudited)
(Loss)/profit for the period (RMB'000)	**(1,398)**	7,700
Weighted average number of ordinary shares in issue	**900,329,670**	420,000,000
Basic (loss)/earnings per share (RMB)	**(0.2 cents)**	1.8 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.

6. Dividends

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2020.

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) refined oil; (ii) fuel 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 Mainland China with primary focus in Guangdong Province.

The outbreak of the new coronavirus disease has brought notable effects on economic activities and transportations in China. As the Group's major operating entity is domiciled in China and the revenue was solely derived from the market in China, it has caused direct impact to the Group's revenue and financial performance. Sales orders decreased significantly after the Chinese New Year, and the Group's revenue for the three months ended 31 March 2020 decreased by approximately 68.8% as compared to the corresponding period in 2019.

In addition, the drastic fall of international crude oil price since March 2020 also adversely affected the Group. Under the Group's sales from inventory model, the Group maintained some inventory of refined oil for small quantity purchase from our customers. As the price of refined oil which the Group negotiated in late March and April of 2020 experienced a decrease of around 30% compared with those in February 2020, a provision for inventory impairment of approximately RMB8,248,000 was made for the aforesaid inventories which remained unsold as at 31 March 2020 and recorded in cost of sales during the period ended 31 March 2020. To minimize future uncertainties and further losses resulted from decrease in oil price, the Group had sold most of these inventories under the sale for inventory model in March and April 2020.

To mitigate the effect of this adverse economic environment, for the three months ended 31 March 2020, the Group shifted to engage more outport trades, which we entered into separate agreements with customers and suppliers and the oil products are delivered to and collected at the designated ports as agreed by the parties. Service income from outport trades accounted for approximately RMB4,161,000 of the total gross profit of the Group for the three months ended 31 March 2020. For the three months ended 31 March 2020, the Group's gross profit margin (excluding service income and the provision for inventory impairment) increased from approximately 4.6% to approximately 8.2% comparing with the corresponding period in 2019. Such increase in gross profit margin was mainly due to the decrease in weighted average cost of refined oil for the three months ended 31 March 2020 as a result of refined oil remained unsold which was purchased with decreased oil price.

The Group believes that it will take some time for the Chinese economy to recover to normal, and the Group's results in the second quarter of 2020 will still be affected adversely. At the same time, oil price is expected to stabilise offer such drastic fall. The management of the Group will closely monitor the market conditions, and seek suitable business opportunities in order to minimize the negative effects of the disease to our business.

Results of Operations

Revenue

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

For the three months ended 31 March 2020, the Group's total revenue amounted to approximately RMB136,629,000, representing a decrease of approximately 68.8% over the corresponding period in 2019. The decrease was mainly attributable to the reasons as stated in the Business Review section.

Income tax expense

Income tax expense decreased by approximately RMB4,388,000 to approximately RMB118,000 for the three months ended 31 March 2020 from approximately RMB4,506,000 for the three months ended 31 March 2019, mainly due to the decrease in taxable profit from the Group's operation in the PRC.

(Loss)/profit for the period

The Group's results for the three months ended 31 March 2020 decreased by approximately RMB9,098,000 to a loss of approximately RMB1,398,000 from a profit of approximately RMB7,700,000 for the three months ended 31 March 2019 primarily due to the reasons as stated in the Business Review section.

Borrowings

Our Group did not have any borrowings during the three months ended 31 March 2020 (31 December 2019: Nil).

Pledged assets

Our Group did not have any assets pledged for security during the three months ended 31 March 2020 (31 December 2019: Nil).

Contingent liabilities

The Group did not have any material contingent liabilities as at 31 March 2020 (31 December 2019: 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 2020, gasoline sales accounted for approximately 87.2% of our total revenue (three months ended 31 March 2019: 59.8%). 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.

In August 2019, the State Council issued the "Opinions of the General Office of the State Council on Accelerating the Development of Circulation to Promote Commercial Consumption" which promulgated a series of measures aiming to strengthen the development and transformation of traditional trading enterprises, effectiveness in provision of domestic products and services, and optimizing consumption environment to stimulate domestic consumptions in cities and rural areas. Included in such measures was the abolishment of special licenses required for petroleum wholesale and storage business, and the right to approve petroleum retail licenses was granted to local government at the city-level. The government bureaus of Guangdong province had ceased the requirements of licenses applications of petroleum wholesale and storage business since then, and from 15 February 2020 granted city-level government offices the authority to carry on annual review and approval of the petroleum business. The effects of the above measures will start to affect the Group in 2020: there will be more participants in the refined oil wholesale and storage markets, which will result in more fierce market competition. At the same time, the easing of regulations will stimulate market circulation, and the Group is expected to play a bigger role in the local supply chain and be able to capture a bigger market share in the future.

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 (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 (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 March 2020 is set out below:

Business strategies as stated in the Prospectus	Implementation plan	Implementation progress as at 31 March 2020
(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.	The Group is negotiating with relevant government authorities in relation to the specific requirements in relation to the upgrading of wharf berth capability.
	Conducting project design, including construction survey and construction drawing design.	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. The Group originally expects to receive government approval and to commence construction works in first half of 2020 and completion in second half of 2020, however, due to the outbreak of the new coronavirus disease, it is expected that such schedule may be delayed by 3 to 6 months.

Business strategies as stated in the Prospectus	Implementation plan	Implementation progress as at 31 March 2020
(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.	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 have been mostly completed.

USE OF NET PROCEEDS OF THE RIGHTS ISSUE

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 RMB56,155,000 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.

The Company has applied the net proceeds of the Rights Issue after deducting related underwriting fees and other expenses of approximately RMB56,155,000 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, and sale of refined oil and other petrochemicals business in the PRC as mentioned in the Rights Issue Prospectus.

USE OF NET PROCEEDS OF PLACING

On 10 January 2020, the Company issued and allotted 225,000,000 ordinary shares to Thrive Shine Limited and 75,000,000 ordinary shares to Thrive Era Investments Limited at HK$0.211 per share pursuant to the subscription agreement dated 26 November 2019 (the "**Placing**"). Details of such subscription were set out in the Company's announcements dated 26 November 2019, 6 January 2020 and 10 January 2020, and circular dated 12 December 2019.

The Company has applied 90% of the net proceeds from the Placing after deducting related expenses of approximately RMB55,382,000 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, and sale of refined oil and other petrochemicals business in the PRC, and the remaining 10% as general working capital of the Group, as mentioned in the circular dated 12 December 2019.

INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend for the three months ended 31 March 2020 (three months ended 31 March 2019: Nil).

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

As at 31 March 2020, 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 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 (Note 1)	Interest in a controlled corporation	480,150,000	51.63%
Ms. Huang Sizhen (Note 1)	Interest of spouse	480,150,000	51.63%
Thrive Era Investments Limited	Beneficial owner	160,040,000	17.21%
Mr. Choi Sio Peng (Note 2)	Interest in a controlled corporation	160,040,000	17.21%

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 2020, 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 31 March 2020, 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 THE LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities in the three months ended 31 March 2020.

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 three months ended 31 March 2020 and up to the date of this 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 three months ended 31 March 2020 and this report.

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

Hong Kong, 6 May 2020

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.