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

INTERIM REPORT
2020

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report. This report, for which the directors (the "**Directors**") of JTF International Holdings Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this report misleading.*

The board of directors of JTF International Holdings Limited (the "**Company**") is pleased to announce the unaudited consolidated interim financial results of the Company and its subsidiaries (the "**Group**" or "**our Group**") for the three months and six months ended 30 June 2020 together with comparative figures for the corresponding periods in 2019 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the three months ended 30 June		For the six months ended 30 June	
		2020	2019	**2020**	2019
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Revenue	5	**347,017**	439,971	**483,646**	877,635
Cost of sales	6	**(330,688)**	(421,607)	**(460,515)**	(838,935)
Gross profit		**16,329**	18,364	**23,131**	38,700
Other gains — net		**–**	–	**12**	–
Distribution expenses	6	**(4,959)**	(5,181)	**(9,743)**	(9,387)
Administrative expenses	6	**(11,118)**	(1,930)	**(14,027)**	(5,791)
Net (impairment losses)/reversal of impairment losses on financial assets		**(144)**	3,410	**(144)**	3,410
Operating (loss)/profit		**108**	14,663	**(771)**	26,932
Finance (costs)/income — net	7	**57**	179	**(344)**	116
(Loss)/profit before income tax		**165**	14,842	**(1,115)**	27,048
Income tax expense	8	**(3,074)**	(3,842)	**(3,192)**	(8,348)
(Loss)/profit for the period		**(2,909)**	11,000	**(4,307)**	18,700
Other comprehensive income		**–**	–	**–**	–
Total comprehensive (loss)/income for the period		**(2,909)**	11,000	**(4,307)**	18,700
(Loss)/earnings per share	9				
— Basic and diluted (RMB)		**(0.3 cents)**	2.4 cents	**(0.5 cents)**	4.2 cents

The accompanying notes form an integral part of these condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	**17,697**	18,117
Right-of-use assets		**4,598**	4,943
Deferred income tax assets		**756**	684
Prepayments		**4,644**	4,644
		27,695	28,388
Current assets			
Inventories		**79,136**	85,742
Prepayments		**55,409**	107,684
Trade and other receivables	12	**217,513**	68,934
Cash and cash equivalents		**46,914**	42,580
		398,972	304,940
Total assets		**426,667**	333,328
EQUITY			
Equity attributable to the owners of the Company			
Share capital	14	**7,980**	5,301
Other reserves		**267,340**	210,532
Retained earnings		**54,721**	63,133
Total equity		**330,041**	278,966

	Note	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities		**4,092**	4,409
Deferred income tax liabilities		**10,454**	10,033
		14,546	14,442
Current liabilities			
Trade and other payables	13	**61,950**	11,221
Contract liabilities		**11,532**	16,456
Lease liabilities		**627**	612
Current income tax liabilities		**7,971**	11,631
		82,080	39,920
Total liabilities		**96,626**	54,362
Total equity and liabilities		**426,667**	333,328

The accompanying notes form an integral part of these condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

		Other reserves						
	Share capital	**Recapitalisation reserves**	**Share premium**	**Capital reserves**	**Statutory reserves**	**Safety reserves**	**Retained earnings**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Note a)	RMB'000 (Note b)	RMB'000	RMB'000
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	–	–	–	–	–	–	18,700	18,700
Appropriation to safety reserves	–	–	–	–	–	3,521	(3,521)	–
Issuance of shares by rights issue	1,845	–	55,374	–	–	–	–	57,219
Share issuance costs	–	–	(1,062)	–	–	–	–	(1,062)
Balance at 30 June 2019 (Unaudited)	5,301	56,125	116,620	300	10,564	19,204	49,687	257,801
Balances 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	**–**	**–**	**–**	**–**	**–**	**–**	**(4,307)**	**(4,307)**
Appropriation to safety reserves	**–**	**–**	**–**	**–**	**–**	**4,105**	**(4,105)**	**–**
Issuance of shares	**2,679**	**–**	**53,853**	**–**	**–**	**–**	**–**	**56,532**
Share issuance costs	**–**	**–**	**(1,150)**	**–**	**–**	**–**	**–**	**(1,150)**
Balance at 30 June 2020 (Unaudited)	**7,980**	**56,125**	**169,321**	**300**	**14,958**	**26,636**	**54,721**	**330,041**

The accompanying notes form an integral part of these condensed consolidated financial statements.

Notes:

(a) Statutory reserves

In accordance with the Company Law of the People's Republic of China ("**PRC**") and its articles of association, the Group's PRC subsidiary is required to appropriate 10% of its profits after tax, as determined in accordance with relevant accounting principles generally accepted in the PRC and other applicable regulations, to the statutory reserve until such reserve reaches 50% of its registered capital. The appropriation to the reserve must be made before any distribution of dividends to equity holders of the PRC subsidiary. The statutory reserve can be used to offset previous years' losses, if any, and part of the statutory reserve can be capitalised as the PRC subsidiary 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.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash used in operations	**(43,771)**	(56,930)
Income tax paid	**(6,503)**	(7,688)
Net cash used in operating activities	**(50,274)**	(64,618)
Cash flows from investing activities		
Purchases of property, plant and equipment	**(128)**	(67)
Prepayments for property, plant and equipment	**–**	(5,944)
Interest income on bank deposit	**112**	116
Net cash used in investing activities	**(16)**	(5,895)
Cash flows from financing activities		
Principal elements of lease payments	**(302)**	(152)
Interest paid	**(119)**	(133)
Proceeds from rights issue	**–**	57,219
Payments of professional fees in respect of rights issue	**–**	(1,062)
Proceeds from issuance of shares	**56,532**	–
Payments of professional fees in respect of issuance of shares	**(1,150)**	–
Net cash generated from financing activities	**54,961**	55,872
Net increase/(decrease) in cash and cash equivalents	**4,671**	(14,641)
Cash and cash equivalents at beginning of the period	**42,580**	26,699
Exchange differences on cash and cash equivalents	**(337)**	120
Cash and cash equivalents at end of the period	**46,914**	12,178

The accompanying notes form an integral part of these condensed consolidated financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM 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 Group is 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 ("**Thrive Shine**"), a company incorporated in the British Virgin Islands, which is owned as to 80% and 20% by Mr. Xu Ziming ("**Mr. Xu**") and Ms. Huang Sizhen ("**Ms. Huang**"), respectively. The ultimate controlling party of the Group is Mr. Xu and Ms. Huang (collectively, the "**Controlling Shareholders**").

The unaudited condensed consolidated interim financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated, and have been approved for issue by the Company's board of directors on 14 August 2020.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial statements of the Group for the six months ended 30 June 2020 have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34, "Interim financial reporting". The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2019, as described in those annual financial statements, except that the Hong Kong Institute of Certified Public Accountants has issued a number of new standards and amendments to 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. ESTIMATES

The preparation of the condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing the condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation of uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2019.

4. FINANCIAL RISK MANAGEMENT

(a) 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 condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2019. There have been no changes in the risk management since the year ended 31 December 2019.

(b) Liquidity risk

Compared to the year ended 31 December 2019, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

5. REVENUE AND SEGMENT INFORMATION

The chief operating decision-makers ("**CODM**") have been identified as the executive directors who review the Group's internal reports in order to assess performance and allocate resources regularly.

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

The major operating entity of the Group is domiciled in Mainland China, and the Group's revenue for the periods ended 30 June 2020 and 2019 respectively were derived from Mainland China.

Analysis of revenue is as follows:

	For the three months ended 30 June		**For the six months ended 30 June**	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Sales of goods:				
— Refined oil	**255,163**	336,634	**379,826**	671,190
— Fuel oil	**68,445**	69,436	**76,250**	145,071
— Other petrochemical products	**22,556**	33,901	**22,556**	61,374
	346,164	439,971	**478,632**	877,635
Service income	**853**	–	**5,014**	–
	347,017	439,971	**483,646**	877,635

6. EXPENSES BY NATURE

	For the three months ended 30 June		For the six months ended 30 June	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Changes in inventories	**86,014**	88,433	**6,606**	58,890
Refined oil, fuel oil and other petrochemical products purchased	**244,404**	332,911	**453,482**	779,460
Transportation expenses	**719**	1,067	**1,146**	1,789
Operating lease expenses and handling charges	**3,050**	2,907	**6,499**	5,794
Staff costs (including directors' emoluments)	**1,554**	2,020	**3,608**	3,908
Taxes and surcharges	**557**	263	**901**	585
Depreciation	**424**	441	**773**	903
Listing expenses	**8,935**	–	**8,935**	–
Other expenses	**1,108**	676	**2,335**	2,784
Total cost of sales, distribution expenses and administrative expenses	**346,756**	428,718	**484,285**	854,113

7. FINANCE (COSTS)/INCOME — NET

	For the three months ended 30 June		For the six months ended 30 June	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
— Interest income on bank deposits	**50**	88	**112**	129
— Interest expenses on lease liabilities	**(58)**	(63)	**(119)**	(133)
— Net foreign exchange gains/(losses) on cash and cash equivalent	**65**	154	**(337)**	120
Finance (costs)/income — net	**57**	179	**(344)**	116

8. INCOME TAX EXPENSE

	For the three months ended 30 June		For the six months ended 30 June	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Current income tax:				
— PRC enterprise income tax	**502**	2,633	**2,843**	6,235
Deferred income tax:				
— PRC enterprise income tax	**2,269**	–	**(72)**	–
— PRC withholding income tax	**303**	1,209	**421**	2,113
	2,572	1,209	**349**	2,113
	3,074	3,842	**3,192**	8,348

8. INCOME TAX EXPENSE (Continued)

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 six months ended 30 June 2020 (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 ("**EIT**") 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 subsidiary was 25% for the six months ended 30 June 2020 (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 rates of the group company in Hong Kong was 10% for the six months ended 30 June 2020 (2019: 10%).

9. (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 periods ended 30 June 2020 and 2019.

	For the three months ended 30 June		For the six months ended 30 June	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
(Loss)/profit for the period (RMB'000)	**(2,909)**	11,000	**(4,307)**	18,700
Weighted average number of ordinary shares in issue	**930,000,000**	466,153,846	**915,164,830**	443,204,420
Basic (loss)/earnings per share (RMB)	**(0.3 cents)**	2.4 cents	**(0.5 cents)**	4.2 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.

10. DIVIDENDS

The board of directors does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (2019: Nil).

11. PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 June 2020, additions to the Group's property, plant and equipment were approximately RMB128,000 (2019: RMB67,000).

12. TRADE AND OTHER RECEIVABLES

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Trade receivables	**208,814**	60,536
Less: provision for impairment of trade receivables	**(1,291)**	(1,148)
Trade receivables — net	**207,523**	59,388
Deductible value-added-tax ("**VAT**")	**7,634**	6,566
Deposits and others	**2,356**	2,980
Trade and other receivables	**217,513**	68,934

As of 30 June 2020, ageing analysis of trade receivables (net of provision of RMB1,291,000) (31 December 2019: RMB1,148,000) based on the dates when the trade receivables are recognised is as follows:

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Less than 30 days	**109,763**	58,888
31 days to 180 days	**97,760**	211
Over 180 days	**–**	289
	207,523	59,388

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.

12. TRADE AND OTHER RECEIVABLES (Continued)

As at 30 June 2020, trade receivables of RMB199,952,000 (31 December 2019: RMB13,688,000) were past due but not impaired. These related to a number of independent customers for whom there were no recent history of default. The ageing analysis of these trade receivables based on the dates when they are recognised is as follows:

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Less than 30 days	**102,192**	13,188
31 days to 180 days	**97,760**	211
Over 180 days	**–**	289
	199,952	13,688

13. TRADE AND OTHER PAYABLES

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Trade payables	**51,010**	1,435
Accrual for staff costs and allowances	**2,488**	1,765
Accrual for construction projects	**251**	251
Accruals for operating lease expenses and handling charges	**1,480**	326
Accruals for listing expenses	**5,527**	–
Other payables	**1,138**	7,249
Other tax payables	**64**	195
Trade and other payables	**61,950**	11,221

13. TRADE AND OTHER PAYABLES (Continued)

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

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Less than 30 days	**51,010**	1,435
	51,010	1,435

14. SHARE CAPITAL

	Number of shares		Share capital	
	As at 30 June 2020	As at 31 December 2019	**As at 30 June 2020 HK$**	As at 31 December 2019 HK$
Authorised				
Ordinary shares of HK$0.01 each	**1,000,000,000**	1,000,000,000	**10,000,000**	10,000,000

14. SHARE CAPITAL (Continued)

	Note	Number of shares		Share capital	
		Six months ended 30 June 2020	Year ended 31 December 2019	**Six months ended 30 June 2020**	Year ended 31 December 2019
				HK$	HK$
Issued and fully paid					
Ordinary shares of HK$0.01 each, as at 1 January 2020 (2019: As at 1 January 2019)		**630,000,000**	420,000,000	**6,300,000**	4,200,000
Shares issued pursuant to the rights issue	(a)	**–**	210,000,000	**–**	2,100,000
Issuance of shares	(b)	**300,000,000**	–	**3,000,000**	–
		930,000,000	630,000,000	**9,300,000**	6,300,000

Notes:

(a) On 11 June 2019, 210,000,000 ordinary shares with par value of HK$0.01 each were issued by way of rights issue on the basis of one rights share for every two ordinary shares at a subscription price of HK$0.31 per rights share.

(b) On 10 January 2020, 225,000,000 and 75,000,000 new shares of the Company have been issued and allotted to Thrive Shine and Thrive Era Investments Limited at HK$0.211 per share respectively.

15. COMMITMENTS

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

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Property, plant and equipment	**8,483**	8,483

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 the PRC with primary focus in Guangdong Province.

The outbreak of COVID-19 Pandemic since January 2020 has adversely affected economic activities and transportations in China. In an attempt to control the outbreak of the disease, the PRC government imposed lockdown measures on various PRC cities since January 2020 and ordered nationwide postponement of business operations following the Chinese New Year holidays until early February 2020. As our Group's major operating entity is domiciled in China and the revenue is solely derived from the market in China, the COVID-19 Pandemic has direct impact on the Group's revenue and financial performance. As economic activities were almost brought to a halt in China from January 2020 to March 2020, the number of sales contracts that we entered into dropped significantly during such period. However, as economic activities started to resume generally in late March to early April, the Group gradually entered into relatively more sales contracts since then. In particular, the Group's revenue is mainly derived from customers in Guangdong Province where economic activities have largely resumed by the second quarter of 2020, and thus our revenue generated during the second quarter of 2020 amounted to approximately RMB347,017,000, representing approximately 71.8% of our total revenue for the six months ended 30 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

BUSINESS REVIEW(Continued)

In addition, drastic fall in international crude oil prices during the period also adversely affected the profitability of the Group. Although the Group adopts a cost plus pricing policy, we are still exposed to the risk of oil price fluctuation. In early 2020, the prices of oil dropped drastically and the general market conditions worsened due to the outbreak of the COVID-19 Pandemic. Under such volatile market conditions, the customers were very sensitive to the prices of the oil products, therefore the Group's ability to increase the selling prices as compared to purchase costs was limited. As a result, the Group's gross profit ratio (excluding service income) dropped from approximately 4.4% for the six months ended 30 June 2019 to approximately 3.8% for the current interim period.

To mitigate the effects of the abovementioned adverse economic environment, during the current interim period, the Group shifted to engage in more outport trades for which we do not have to maintain inventory, which contributed approximately RMB5,014,000 to our gross profit.

RESULTS OF OPERATIONS

Revenue

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

For the six months ended 30 June 2020, the Group's total revenue amounted to approximately RMB483,646,000, representing a decrease of approximately 44.9% over the six months ended 30 June 2019. The decrease was mainly attributable to the reasons stated in the subsection headed "Business Review" above.

RESULTS OF OPERATIONS (Continued)

Revenue (Continued)

The following table sets forth, for the six months ended 30 June 2020 and 2019, the breakdown of the Group's revenue by products in total revenue, volume and average selling price:

	For the six months ended 30 June					
	2020			2019		
	Total revenue RMB'000	**Total sales volume Tonnes**	**Average selling price (Note) RMB**	Total revenue RMB'000	Total sales volume Tonnes	Average selling price (Note) RMB
1. Sales of goods						
Refined oil	**379,826**	**77,118**	**4,925**	671,190	117,630	5,706
Fuel oil	**76,250**	**19,146**	**3,983**	145,071	37,783	3,840
Other petrochemical products	**22,556**	**7,609**	**2,964**	61,374	12,360	4,965
Subtotal-sales of goods	**478,632**	**103,873**		877,655	167,773	
2. Service income						
Refined oil	**4,882**	**84,355**	**58**	–	–	–
Fuel oil	**132**	**4,888**	**27**	–	–	–
Subtotal-service income	**5,014**	**89,243**		–	–	
Total	**483,646**	**193,116**		877,635	167,773	

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

RESULTS OF OPERATIONS (Continued)

Cost of sales

Our Group's cost of sales mainly includes the cost of refined oil, fuel oil and other petrochemical products, which is measured on a moving weighted average basis. Our cost of sales for the six months ended 30 June 2020 and 2019 were approximately RMB460,515,000 and RMB838,935,000, 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 during the six months ended 30 June 2020 was in line with our decrease in revenue during the period.

The following table sets forth, for the six months ended 30 June 2020 and 2019, the components of our cost of sales by product type:

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Refined oil	**367,824**	641,247
Fuel oil	**73,446**	138,206
Other petrochemical products	**19,245**	59,482
Total	**460,515**	838,935

RESULTS OF OPERATIONS (Continued)

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 six months ended 30 June 2020 and 2019:

	For the six months ended 30 June			
	2020		2019	
	Gross profit RMB'000	Gross profit margin	Gross profit RMB'000	Gross profit margin
1. Sales of goods				
Refined oil	**12,002**	**3.2%**	29,943	4.5%
Fuel oil	**2,804**	**3.7%**	6,865	4.7%
Other petrochemical products	**3,311**	**14.7%**	1,892	3.1%
Subtotal-sales of goods	**18,117**	**3.8%**	38,700	4.4%
2. Service income	**5,014**	**N.A.**	–	–
Total	**23,131**	**4.8%**	38,700	4.4%

The Group's gross profit margin (excluding service income) decreased from approximately 4.4% for the six months ended 30 June 2019 to approximately 3.8% for the six months ended 30 June 2020. The decrease in gross profit and gross profit margin were mainly attributable to the reasons stated in the sub-section headed "Business Review" above.

Distribution expenses

Distribution expenses increased by approximately RMB356,000 or 3.8% to approximately RMB9,743,000 for the six months ended 30 June 2020 from approximately RMB9,387,000 for the six months ended 30 June 2019. Operating lease expense and handling charge were the largest component in the Group's distribution expense structure and mainly represented the lease of our oil depots.

RESULTS OF OPERATIONS (Continued)

Administrative expenses

Administrative expenses increased by approximately RMB8,236,000 or 142.2% to approximately RMB14,027,000 for the six months ended 30 June 2020 from approximately RMB5,791,000 for the six months ended 30 June 2019. This was mainly attributable to additional professional fee for the preparation of transfer of listing from GEM to Main Board of the Stock Exchange.

Finance (costs)/income — net

Finance (costs)/income — net changed from a net income approximately RMB116,000 for the six months ended 30 June 2019 to net costs of approximately RMB344,000 for the six months ended 30 June 2020 mainly due to the change from net foreign exchange gains to losses on cash and cash equivalents.

(Loss)/profit before income tax

The Group changed from a profit before income tax of approximately RMB27,048,000 for the six months ended 30 June 2019 to a loss of approximately RMB1,115,000 for the six months ended 30 June 2020 primarily due to the decrease in gross profit and gross profit margin and incurring additional professional fee for the preparation transfer of listing from GEM to Main Board of the Stock Exchange.

Income tax expense

Income tax expense decreased by approximately RMB5,156,000 to approximately RMB3,192,000 for the six months ended 30 June 2020 from approximately RMB8,348,000 for the six months ended 30 June 2019, mainly due to the decrease in taxable profit from the Group's operation in the PRC.

(Loss)/profit for the period

The Group changed from a profit for the period of approximately RMB18,700,000 for the six months ended 30 June 2019 to a loss of approximately RMB4,307,000 for the six months ended 30 June 2020 primarily due to the decrease in gross profit and gross profit margin and incurring additional professional fee for the preparation transfer of listing from GEM to Main Board of the Stock Exchange.

LIQUIDITY AND FINANCIAL RESOURCES

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

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Net cash used in operating activities	**(50,274)**	(64,618)
Net cash used in investing activities	**(16)**	(5,895)
Net cash generated from financing activities	**54,961**	55,872
Net increase/(decrease) in cash and cash equivalents	**4,671**	(14,641)

For the six months ended 30 June 2020, the Group had net cash used in operating activities of approximately RMB50,274,000, which was mainly attributable to increase in net working capital (excluding cash and cash equivalent) used in the business.

For the six months ended 30 June 2020, the Group had net cash used in investing activities of approximately RMB16,000, which consisted mainly of purchases of property, plant and equipment during the period.

For the six months ended 30 June 2020, the Group had net cash generated from financing activities of approximately RMB54,961,000, which was primarily attributable to the net proceeds of approximately RMB55,382,000 received upon completion of subscription of shares in January 2020.

As at 30 June 2020 and 31 December 2019, the Group had cash and cash equivalents of approximately RMB46,914,000 and RMB42,580,000 respectively.

LIQUIDITY AND FINANCIAL RESOURCES (Continued)

Net current assets

As at 30 June 2020, the Group's net current assets amounted to approximately RMB316,892,000, an increase of approximately RMB51,872,000 as compared with approximately RMB265,020,000 as at 31 December 2019. The increase was primarily due to the net proceeds of approximately RMB55,382,000 received upon completion of subscription of shares in January 2020. Other changes in working capital and the resulting period end balance represented a snapshot of our working capital position as at 30 June 2020.

Borrowings and gearing ratio

Our Group did not have any borrowings for the six months ended 30 June 2020 (31 December 2019: Nil).

Our Group monitors our 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 30 June 2020.

Capital commitment

The Group incurred capital expenditures of RMB128,000 for the six months ended 30 June 2020.

Capital commitments contracted for but not incurred by the Group as at 30 June 2020 amounted to RMB8,483,000, which mainly related to wharf infrastructures (31 December 2019: 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 for the six months ended 30 June 2020.

Capital structure

As at 30 June 2020 and 31 December 2019, the capital structure of the Company comprised of its issued share capital and reserves.

LIQUIDITY AND FINANCIAL RESOURCES (Continued)

Pledged assets

Our Group did not have any assets pledged as security for the six months ended 30 June 2020 (31 December 2019: Nil).

Contingent liabilities

The Group did not have any material contingent liabilities as at 30 June 2020 (31 December 2019: Nil).

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.

At 30 June 2020, the Group's major non-RMB denominated assets and liabilities included cash and cash equivalents and accruals denominated in Hong Kong dollars. Fluctuation of the exchange rate of RMB against Hong Kong dollars could affect the Group's results of operations.

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

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

HUMAN RESOURCE

As at 30 June 2020, the Group had 41 full time employees who were directly employed by our Group in the PRC and one full-time employees in Hong Kong. For the six months ended 30 June 2020, our total staff costs (including the directors' remuneration) were approximately RMB3,608,000 (2019: RMB3,908,000).

The Group determines remuneration based on each employee's qualifications, position and seniority. Review of the performance of employees is conducted annually to determine on salary increment, bonuses and promotions based on their performance. The Group considers the employees valuable assets and are vital to the Group's success. The recruitment of employees is mainly based on the Group's business strategies, operational requirements, expected stuff turnover and our corporate structure and management.

HUMAN RESOURCE (Continued)

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

FUTURE PLANS AND PROSPECT

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 largest three State-owned oil companies, 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 OF THE COMPANY'S INITIAL PUBLIC OFFERING

The Company's shares were listed on GEM of the Stock Exchange on 17 January 2018. 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 June 2020 is set out below:

Business strategies as stated in the Prospectus	Implementation plan	Implementation progress as at 30 June 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. 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 at least three to six months.

USE OF NET PROCEEDS OF THE COMPANY'S INITIAL PUBLIC OFFERING (Continued)

Business strategies as stated in the Prospectus	Implementation plan	Implementation progress as at 30 June 2020
(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. 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.

USE OF NET PROCEEDS OF THE COMPANY'S INITIAL PUBLIC OFFERING (Continued)

Use of the net proceeds of the Share Offer up to 30 June 2020 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 30 June 2020 RMB'000	Unutilized net proceeds as at 30 June 2020 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 Zhencheng Oil Depot	9,765	9,765	–
Total	20,803	17,584	3,474

The remaining unutilized net proceeds of the Share Offer as at 30 June 2020 were placed in bank accounts with licensed banks maintained by the Group as working capital.

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

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 RMB56,157,000 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.

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.

SUBSEQUENT EVENT

On 10 July 2020, the Company submitted a formal application for the proposed transfer of listing of the shares of the Company from GEM to the Main Board of the Stock Exchange ("**Transfer of Listing**").

The definitive timetable for the Transfer of Listing has not yet been finalized, and it is subject to, among others, the conditions of the Transfer of Listing to be fulfilled as set out in the Company's announcement dated 10 July 2020. There is no assurance that the approval will be obtained from the Stock Exchange for the Transfer of Listing. Accordingly, the Transfer of Listing may or may not proceed. Further announcement(s) will be made by the Company to keep the shareholders and potential investors of the Company informed of the progress of the Transfer of Listing as and when appropriate.

INTERIM DIVIDEND

The directors do not recommend the payment of any dividend for the six months ended 30 June 2020.

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 during the six months ended 30 June 2020.

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

As at 30 June 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 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 (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 30 June 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 30 June 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.

CORPORATE GOVERNANCE PRACTICES

The Company had complied with all the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 to the GEM Listing Rules during the six months ended 30 June 2020.

COMPLIANCE WITH THE MODEL CODE BY DIRECTORS

The Company has adopted the Model Code as the code of conduct regarding directors' securities transactions. Having made specific enquiries with all directors, all of them confirmed that they have complied with the required standard of dealings throughout the six months ended 30 June 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 during the six months ended 30 June 2020.

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 primary duties of the Audit Committee are to review and supervise the Group's financial report process and internal control and risk management systems, and to formulate or review policies relating to anti-bribery compliances by ensuring regular management review of relevant corporate governance measures and its implementation and to communicate with external auditor on the audit procedures and accounting issues.

The Audit Committee of the Company has reviewed the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2020 and this interim report.

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

Hong Kong, 14 August 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.