

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



2022

FIRST QUARTERLY REPORT

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 2022 together with comparative figures for the corresponding period in 2021 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the three months ended 31 March	
	Note	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue	3	278,020	433,465
Cost of sales		(267,271)	(407,904)
Gross profit		10,749	25,561
Other income — net		1	1
Distribution expenses		(3,890)	(5,710)
Administrative and other expenses		(2,809)	(2,755)
Operating profit		4,051	17,097
Finance income — net		165	126
Profit before income tax		4,216	17,223
Income tax expense	4	(1,755)	(6,019)
Profit for the period attributable to owners of the Company		2,461	11,204
Other comprehensive income		—	—
Total comprehensive income for the period attributable to owners of the Company		2,461	11,204
Earnings per share	5		
— Basic and diluted (RMB)		0.3 cents	1.2 cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2022

	Share capital RMB'000	Recapitalisation reserves RMB'000	Other reserves			Safety reserves RMB'000 (Note b)	Retained earnings RMB'000	Total RMB'000
			Share premium RMB'000	Capital reserves RMB'000	Statutory reserves RMB'000 (Note a)			
Balance at 1 January 2021 (Audited)	7,980	56,125	169,321	300	17,500	30,135	68,192	349,553
Profit and total comprehensive income for the period	—	—	—	—	—	—	11,204	11,204
Appropriation to safety reserves	—	—	—	—	—	951	(951)	—
Balance at 31 March 2021 (Unaudited)	7,980	56,125	169,321	300	17,500	31,086	78,445	360,757
Balance at 1 January 2022 (Audited)	7,980	56,125	169,321	300	21,738	34,978	96,197	386,639
Profit and total comprehensive income for the period	—	—	—	—	—	—	2,461	2,461
Appropriation to safety reserves	—	—	—	—	—	1,828	(1,828)	—
Balance at 31 March 2022 (Unaudited)	7,980	56,125	169,321	300	21,738	36,806	96,830	389,100

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 reserves at progressive rates from 0.2% to 4% of the total revenue from the sales of hazardous chemical since 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 2022 are presented in Renminbi ("**RMB**"), unless otherwise stated, and have been approved for issue by the Company's Board on 13 May 2022.

2. Basis of Preparation and Accounting Policies

The unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2022 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 2022 are consistent with those adopted in the financial statements of the Group for the year ended 31 December 2021. 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 2022 and 2021 respectively were derived in Mainland China.

Analysis of revenue is as follows:

	For the three months ended	
	31 March	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales of goods:		
— Refined oil	268,336	305,489
— Fuel oil	—	50,816
— Other petrochemical products	9,047	74,490
	277,383	430,795
Service income	637	2,670
	278,020	433,465

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 2022 (three months ended 31 March 2021: 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 2022 (three months ended 31 March 2021: 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 2022 (three months ended 31 March 2021: 10%).

5. Earnings Per Share

Basic earnings per share is calculated by dividing the profit for the period by the weighted average number of ordinary shares in issue during the three months ended 31 March 2022 and 2021 respectively.

	For the three months ended 31 March	
	2022	2021
	(Unaudited)	(Unaudited)
Profit for the period (RMB'000)	2,461	11,204
Weighted average number of ordinary shares in issue	930,000,000	930,000,000
Basic earnings per share (RMB)	0.3 cents	1.2 cents

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

6. Dividends

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2022.

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 transportation vehicles, marine vessels and machinery equipment, for retail sale at gas stations and as raw materials in refining process for oil refineries. The Group also sells blended fuel oil according to customers' specifications in order to meet their different needs and application requirements.

Currently, our wholesale business operations are primarily conducted through oil depots in Guangzhou and Zhuhai within the Pearl River Delta region of Guangdong Province, the PRC, 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.

Since late 2021, the outbreak of the COVID-19 Omicron variant in China has caused disruption to traffic and economic activities in the first quarter of 2022. In addition, facing the drastic inflation in international oil price due to the political crisis between Russia and Ukraine since late 2021, market participants in general became more conservative and prudent in the trading of oils. As a result, despite the increase in average selling price, the decrease in sales volumes by 65.3% caused the turnover decreased to RMB278,020,000, or by 35.9% comparing with the corresponding period in 2021. Gross profit ratio also decreased from 5.9% in the first quarter of 2021 to 3.9% in 2022.

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 2022, the Group's total revenue amounted to approximately RMB278,020,000, representing a decrease of approximately 35.9% comparing with the corresponding period in 2021. The decrease was mainly attributable to the reasons as stated in the Business Review section.

Income tax expense

Income tax expense decreased by approximately RMB4,264,000 to approximately RMB1,755,000 for the three months ended 31 March 2022 from approximately RMB6,019,000 for the three months ended 31 March 2021, mainly due to the decrease in taxable profit from the Group's operation in the PRC.

Profit for the period

The Group's profits for the three months ended 31 March 2022 decreased from approximately RMB11,204,000 for the three months ended 31 March 2021 to approximately RMB2,461,000 primarily due to the reasons as stated in the Business Review section.

Borrowings

The Group did not have any borrowings during the three months ended 31 March 2022 (31 December 2021: Nil).

Pledged assets

The Group did not have any assets pledged for security during the three months ended 31 March 2022 (31 December 2021: Nil).

Contingent liabilities

Except for as disclosed in Note 25 of the Group's consolidated financial statements for the year ended 31 December 2021 contained in the Group's Annual Report 2021 dated 2 March 2022, the Group did not have any other material contingent liabilities as at 31 March 2022 (31 December 2021: Same).

FUTURE PLANS AND PROSPECT

The Energy Bureau of Guangdong Province (廣東省能源局) has issued the “Working Plan of Gasoline Retail Market in Guangdong Province for the 14th Five-Year Plan” (廣東省成品油分銷體系「十四五」發展規劃編制工作方案) in April 2021, which emphasized both the optimization of the retail networks and adequate coverage to remote areas. In January 2022, the issuance of the “Comprehensive Three-dimensional Transportation Network Planning Outline for Guangdong Province” (廣東省綜合立體交通網規劃綱要), the Traffic and Transportation Department of Guangdong Province (廣東省交通運輸廳) detailed the overall strategy to enhance the transportation capacity in the province including the strengthening of highways and logistic networks. It is expected that, with our Group’s experience in the refined oil market and network of established customers including the three largest state-owned oil companies in the PRC, the Group is expected to play a 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 2022 is set out below:

Business strategies as stated in the Prospectus	Implementation plan	Implementation progress as at 31 March 2022
(1) Upgrading of the wharf berth capability at Zengcheng Oil Depot	<p>Conducting project planning and filing registration documents with relevant government authorities, including construction approval, environmental impact assessment, safety pre-evaluation and construction planning permit.</p> <p>Conducting project design, including construction survey and construction drawing design.</p>	<p>The Group is negotiating with relevant government authorities in relation to the specific requirements in relation to the upgrading of wharf berth capability.</p> <p>In 2018, the Group engaged a contractor to perform works on refurbishment of certain wharf infrastructures. However, the Group incurred additional time to identify a suitable contractor for the works relating to upgrading of berth capacity. Currently, a lead contractor has been engaged. Survey and design works are in progress, and were mostly completed in December 2019. Due to the outbreak COVID-19 Pandemic in 2020, the schedule of works and government approval processes were delayed. Tentatively the Group expects all construction works will be completed in the end of 2022.</p>

Business strategies as stated in the Prospectus

Implementation plan

Implementation progress as at 31 March 2022

- | | | |
|---|--|---|
| (2) Refurbishment and enhancement of oil tanks, pipelines and other oil depot facilities at Zengcheng Oil Depot | Conducting project planning and filing registration documents with relevant government authorities, including construction approval, environmental impact assessment, safety pre-evaluation and construction planning permit.

Modification/installation works for tanks storage and other oil depot facilities. | Refurbishment works for storage tanks, pipelines, oil depot facilities and equipment have been completed. |
|---|--|---|

INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend for the three months ended 31 March 2022 (three months ended 31 March 2021: Nil).

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

As at 31 March 2022, 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	130,140,000	13.99%
Mr. Choi Sio Peng (Note 2)	Interest in a controlled corporation	130,140,000	13.99%

Notes:

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

Save as disclosed herein, as at 31 March 2022, 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 2022, 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 during the three months ended 31 March 2022.

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.

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 2022 and this report.

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

Hong Kong, 13 May 2022

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.