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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

ANNUAL RESULTS

The board of directors (the “**Board**”) of JTF International Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (the “**Group**” or “**our Group**”) for the year ended 31 December 2020 together with the comparative audited figures for the preceding year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	Year ended 31 December	
		2020	2019
		RMB'000	RMB'000
Revenue	3	1,100,262	2,141,533
Cost of sales	4	(1,030,811)	(2,045,726)
Gross profit		69,451	95,807
Other gains/(losses) — net	5	1,418	(825)
Distribution expenses	4	(20,570)	(25,175)
Administrative expenses	4	(20,699)	(12,371)
Net (impairment losses)/reversal of impairment losses on financial assets		(295)	3,221
Operating profit		29,305	60,657
Finance income		291	376
Finance costs		(864)	(260)
Finance (costs)/income — net	6	(573)	116
Profit before income tax		28,732	60,773
Income tax expense	7	(13,527)	(20,906)
Profit for the year		15,205	39,867
Other comprehensive income		—	—
Total comprehensive income for the year		15,205	39,867
Earnings per share	8		
— Basic and diluted (RMB)		1.6 cents	7.4 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 December 2020	31 December 2019
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		17,521	18,117
Right-of-use assets		4,681	4,943
Deferred income tax assets		708	684
Prepayments		4,644	4,644
		27,554	28,388
Current assets			
Inventories		80,850	85,742
Prepayments		85,689	107,684
Trade and other receivables	10	147,071	68,934
Cash and cash equivalents		63,695	42,580
		377,305	304,940
Total assets		404,859	333,328
EQUITY			
Share capital		7,980	5,301
Other reserves		273,381	210,532
Retained earnings		68,192	63,133
Total equity		349,553	278,966
LIABILITIES			
Non-current liabilities			
Lease liabilities		4,407	4,409
Deferred income tax liabilities		12,373	10,033
		16,780	14,442
Current liabilities			
Trade and other payables	11	29,590	11,221
Contract liabilities	12	2,210	16,456
Lease liabilities		336	612
Current income tax liabilities		6,390	11,631
		38,526	39,920
Total liabilities		55,306	54,362
Total equity and liabilities		404,859	333,328

NOTES

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) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, PO 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, 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 financial statements are presented in Renminbi ("RMB"), unless otherwise stated, and have been approved for issue by the Board on 26 February 2021.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

(a) *Compliance with HKFRS and HKCO*

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance, Cap. 622.

(b) *Historical cost convention*

The consolidated financial statements have been prepared under the historical cost convention.

(c) *New standards, amendments and interpretations to standards*

The Group has applied the following standards, amendments and interpretations to standards for the first time for their annual reporting period commencing 1 January 2020:

HKAS 1 and HKAS 8 (amendment)	Definition of Material
HKFRS 3 (amendment)	Definition of a Business
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting
HKFRS 7, HKFRS 9 and HKAS 39 (amendment)	Interest Rate Benchmark Reform

The adoption of amendments and interpretations to standards does not have any significant impact to the results and financial position of the Group.

(d) *New standards, amendments and interpretations to standards not yet adopted*

The following new standards, amendments and interpretations to standards relevant to the Group have been issued but are not effective for the financial year beginning on 1 January 2020 and have not been early adopted by the Group:

		Effective for financial year beginning on or after
HKFRS 16 (amendment)	Covid-19-related Rent Concessions	1 June 2020
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2	1 January 2021
HKFRS 3 (amendment)	Reference to the Conceptual Framework	1 January 2022
HKAS 16 (amendment)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
HKAS 37 (amendment)	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Annual Improvements	Annual Improvements to HKFRS Standards 2018–2020	1 January 2022
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations	1 January 2022
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKFRS 17	Insurance contracts	1 January 2023
HKAS 1 (amendment)	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 10 and HKAS 28 (amendment)	Sale or Contribution of assets between an investor and its associate or joint venture	To be Determined

The Group has already commenced an assessment of the impact of these new or revised standards and amendments. According to the preliminary assessment made by the Group, no significant impact on the financial performance and position of the Group is expected when they become effective.

3. REVENUE AND SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker (“CODM”). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company.

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 considers that there is only one operating segment which is used to make strategic decisions.

The major operating entity of the Group is domiciled in the PRC, and the Group’s revenue for the years ended 31 December 2020 and 2019 were attributable to the market in the PRC.

As at 31 December 2020 and 2019, the Group’s non-current assets were mainly located in the PRC.

Revenue of the Group recognised during the year comprised the following:

	Year ended 31 December	
	2020	2019
	RMB’000	RMB’000
Sales of goods:		
— Refined oil	728,805	1,790,014
— Fuel oil	164,441	258,651
— Other petrochemical products	179,266	86,770
	<u>1,072,512</u>	<u>2,135,435</u>
Service income	27,750	6,098
	<u>1,100,262</u>	<u>2,141,533</u>

Revenue from transactions with external customers amounting to approximately 10% or more of the Group’s revenue are as follows:

	Year ended 31 December	
	2020	2019
	RMB’000	RMB’000
Customer A**	165,855	N/A*
Customer B**	157,269	630,895
Customer C**	109,261	N/A*
Customer D**	108,090	249,255
Customer E**	N/A*	265,266
Customer F**	N/A*	257,853

*Note**: These customers contributed less than approximately 10% of total revenue for the corresponding year.

*Note***: These customers are defined as a group if they are under common control, which have the same ultimate controlling shareholder. As the sole shareholder of Customer E owns only 20% shares of a subsidiary of Customer B, they are defined as two groups during the Track Record Period.

4. EXPENSES BY NATURE

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Changes in inventories	4,892	(19,989)
Fuel oil, refined oil and other petrochemical products purchased	1,014,441	2,033,613
Transportation expenses	12,840	37,332
Handling charges	4,516	1,060
Expenses relating to short term leases	8,943	13,218
Staff costs (including directors' emoluments)	6,544	8,344
Taxes and surcharges	2,079	2,284
Depreciation	1,860	1,439
Auditor's remuneration	896	1,333
Listing expenses	10,913	—
Other expenses	4,156	4,638
	<u>1,072,080</u>	<u>2,083,272</u>

5. OTHER GAINS/(LOSSES) — NET

Other gains of approximately RMB1,418,000 for the year ended 31 December 2020 was mainly due to the liquidated damage compensation received from a supplier.

6. FINANCE (COSTS)/INCOME — NET

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Finance income		
— Interest income on bank deposits	291	274
— Net foreign exchange gains on cash and cash equivalents	—	102
	<u>291</u>	<u>376</u>
Finance costs		
— Interest expenses on lease liabilities	(245)	(260)
— Net foreign exchange losses on cash and cash equivalents	(619)	—
	<u>(864)</u>	<u>(260)</u>
Finance (costs)/income — net	<u>(573)</u>	<u>116</u>

7. 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 year ended 31 December 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 Group's unused tax losses were all incurred by the group company in Hong Kong that is not likely to generate taxable income in the foreseeable future. They can be carried forward indefinitely.

The income tax provision of the Group in respect of its operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profit for the year ended 31 December 2020 (2019: same).

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 year ended 31 December 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 Group has accrued withholding tax provision at 10% withholding income tax rate for the year ended 31 December 2020 (2019: 10%).

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Current income tax:		
— PRC enterprise income tax	<u>11,211</u>	<u>15,983</u>
Deferred income tax:		
— PRC enterprise income tax	(24)	969
— PRC withholding income tax	<u>2,340</u>	<u>3,954</u>
	<u>2,316</u>	<u>4,923</u>
	<u>13,527</u>	<u>20,906</u>

8. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares in issue during the years ended 31 December 2020 and 2019.

	Year ended 31 December	
	2020	2019
Profit for the year (RMB'000)	15,205	39,867
Weighted average number of ordinary shares in issue	922,622,951	537,369,863
Basic earnings per share (RMB)	<u>1.6 cents</u>	<u>7.4 cents</u>

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

9. DIVIDENDS

There were no dividends paid or payable by the Company in respect of the year ended 31 December 2020 (2019: nil).

10. TRADE AND OTHER RECEIVABLES

	31 December 2020 RMB'000	31 December 2019 RMB'000
Trade receivables	138,974	60,536
Less: provision for impairment of trade receivables	<u>(1,443)</u>	<u>(1,148)</u>
Trade receivables — net	137,531	59,388
VAT recoverable	7,443	6,566
Deposits and others	<u>2,097</u>	<u>2,980</u>
Trade and other receivables	<u>147,071</u>	<u>68,934</u>

As of 31 December 2020, ageing analysis of trade receivables (net of provision of RMB1,443,000) (2019: RMB1,148,000) based on the dates when the trade receivables are recognised is as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Less than 30 days	137,358	58,888
31 days to 180 days	173	211
Over 180 days	<u>-</u>	<u>289</u>
	<u>137,531</u>	<u>59,388</u>

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.

11. TRADE AND OTHER PAYABLES

	31 December 2020 RMB'000	31 December 2019 RMB'000
Trade payables (<i>Note (a)</i>)	16,243	1,435
Accruals for staff costs and allowances	2,538	1,765
Accruals for construction projects	251	251
Accruals for handling charges	1,216	326
Accruals for short term lease expenses	1,089	–
Accruals for listing expenses	2,236	–
Other payables	5,753	7,249
Other tax payables	264	195
	<hr/>	<hr/>
Trade and other payables	29,590	11,221
	<hr/> <hr/>	<hr/> <hr/>

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

	31 December 2020 RMB'000	31 December 2019 RMB'000
Less than 30 days	16,243	1,435
	<hr/> <hr/>	<hr/> <hr/>

12. CONTRACT LIABILITIES

Contract liabilities represent cash received from customers in advance for which the goods are yet to be delivered.

13. COMMITMENTS

Capital commitments

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

	31 December 2020 RMB'000	31 December 2019 RMB'000
Property, plant and equipment	8,483	8,483
	<hr/> <hr/>	<hr/> <hr/>

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 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, 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.

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 we managed to maintain the total sales volumes of 2020 remained almost the same as previous year.

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 following the outbreak of COVID-19 Pandemic and; the general market conditions were worsened throughout the entire year of 2020. As customers were very sensitive to the prices of the oil products, the Group's ability to increase the selling prices as compared to purchase costs was limited. As a result, the Group's gross profit margin (excluding service income) dropped from approximately 4.2% for the year ended 31 December 2019 to approximately 3.9% for the current year.

To mitigate the effects stemmed from the abovementioned adverse economic environment and COVID-19 Pandemic, in 2020 the Group opted for more outport trades, for which we do not have to maintain inventory, and at the same time reducing transportation and storage activities. Outport trade contributed approximately RMB27,750,000 to our gross profit and accounted for approximately 39.8% of the total sales volumes of 2020.

As a result of the decrease in gross profit margin and the increase in proportion of output trade in our business activities, the Group's gross profit decreased by approximately RMB26,356,000 or 27.5% for the year ended 31 December 2020 comparing with 2019.

RESULTS OF OPERATIONS

Revenue

The Group derived its 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 year ended 31 December 2020, the Group's total revenue amounted to approximately RMB1,100,262,000, representing a decrease of approximately 48.6% over the year ended 31 December 2019. The decrease was mainly attributable to the reasons stated in the subsections headed "Business Review" above.

The following table sets forth the breakdown of the Group's revenue by products in total revenue, volume and average selling price for the two years ended 31 December 2020:

	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	728,805	154,138	4,728	1,790,014	315,289	5,677
Fuel oil	164,441	47,799	3,440	258,651	67,566	3,828
Other petrochemical products	179,266	57,143	3,137	86,770	17,793	4,877
Subtotal — sales of goods	<u>1,072,512</u>	<u>259,080</u>		<u>2,135,435</u>	<u>400,648</u>	
2. Service income						
Refined oil	25,664	145,815	176	6,098	29,937	204
Fuel oil	1,259	11,254	112	—	—	—
Other petrochemical products	827	13,957	59	—	—	—
Subtotal — service income	<u>27,750</u>	<u>171,026</u>		<u>6,098</u>	<u>29,937</u>	
Total	<u>1,100,262</u>	<u>430,106</u>		<u>2,141,533</u>	<u>430,585</u>	

Note: Average selling price is arrived at by dividing the total revenue by the total sales volume for the relevant year.

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 years ended 31 December 2020 and 2019 were approximately RMB1,030,811,000 and RMB2,045,726,000 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 for the year ended 31 December 2020 was in line with our decrease in revenue for such year.

The following table sets forth the components of our cost of sales by product type for the two years ended 31 December 2020:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Refined oil	700,954	1,710,959
Fuel oil	156,886	250,544
Other petrochemical products	172,971	84,223
Total	1,030,811	2,045,726

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 two years ended 31 December 2020:

	2020		2019	
	Gross profit <i>RMB'000</i>	Gross profit margin	Gross profit <i>RMB'000</i>	Gross profit margin
1. Sales of goods				
Refined oil	27,851	3.8%	79,055	4.4%
Fuel oil	7,555	4.6%	8,107	3.1%
Other petrochemical products	6,295	3.5%	2,547	2.9%
Subtotal — sales of goods	41,701	3.9%	89,709	4.2%
2. Service income	27,750	N.A.	6,098	N.A.
Total	69,451	6.3%	95,807	4.5%

The Group's overall gross profit margin (excluding for service income) decreased slightly from approximately 4.2% for the year ended 31 December 2019 to approximately 3.9% for the year ended 31 December 2020. The decrease was mainly due to the reasons as stated in "Business Review" above.

Other gains/(losses) — net

Other gains/(losses) — net change from losses of approximately RMB825,000 for the year ended 31 December 2019 to gains of approximately RMB1,418,000 for the year ended 31 December 2020 was mainly due to the liquidated damages compensation received from a supplier.

Distribution expenses

Distribution expenses decreased by approximately RMB4,605,000 or 18.3% to approximately RMB20,570,000 for the year ended 31 December 2020 from approximately RMB25,175,000 for the year ended 31 December 2019. The decrease in distribution expenses was primarily due to the decrease in transportation expenses as a result of decrease in sales.

Administrative expenses

Administrative expenses increased by approximately RMB8,328,000 or 67.3% to approximately RMB20,699,000 for the year ended 31 December 2020 from approximately RMB12,371,000 for the year ended 31 December 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 change from a net finance income of approximately RMB116,000 for the year ended 31 December 2019 to net finance cost of approximately RMB573,000 for the year ended 31 December 2020 was mainly due to the increase in foreign exchange loss compared with the previous year.

Profit before income tax

The Group's profit before income tax decreased by approximately RMB32,041,000 from approximately RMB60,773,000 for the year ended 31 December 2019 to approximately RMB28,732,000 for the year ended 31 December 2020 primarily due to the decrease in gross profit and incurring of additional professional fee for the preparation of transfer of listing from GEM to Main Board of the Stock Exchange.

Income tax expense

Income tax expense decreased by approximately RMB7,379,000 to approximately RMB13,527,000 for the year ended 31 December 2020 from approximately RMB20,906,000 for the year ended 31 December 2019 mainly due to the decrease in taxable profit from the Group's operations in the PRC.

Profit for the year

The Group's profit for the year decreased by approximately RMB24,662,000 to approximately RMB15,205,000 for the year ended 31 December 2020 from approximately RMB39,867,000 for the year ended 31 December 2019 primarily due to the decrease in gross profit and incurring of additional professional fee for the preparation of transfer of listing from GEM to Main Board of the Stock Exchange.

LIQUIDITY AND FINANCIAL RESOURCES

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

	For the year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Net cash used in operating activities	(32,403)	(29,995)
Net cash used in investing activities	(282)	(9,538)
Net cash generated from financing activities	<u>54,419</u>	<u>55,312</u>
Net increase in cash and cash equivalents	<u><u>21,734</u></u>	<u><u>15,779</u></u>

For the year ended 31 December 2020, the Group had net cash used in operating activities of approximately RMB32,403,000, which was mainly attributable to net increase in working capital for operations.

For the year ended 31 December 2020, the Group had net cash used in investing activities of approximately RMB282,000, which consisted mainly of purchases of property, plant and equipment.

For the year ended 31 December 2020, the Group had net cash generated from financing activities of approximately RMB54,419,000, which was mainly attributable to the net proceeds of approximately RMB55,382,000 received upon the issuance of shares in January 2020.

As at 31 December 2020 and 31 December 2019, the Group had cash and cash equivalents of approximately RMB63,695,000 and RMB42,580,000 respectively.

Net current assets

As at 31 December 2020, the Group's net current assets amounted to approximately RMB338,779,000, representing an increase of approximately RMB73,759,000 as compared to approximately RMB265,020,000 as at 31 December 2019. The increase was primarily due to the receipt of the net proceeds of the issuance of shares in January 2020 as mentioned above and changes in working capital, which year end balance represented a snapshot of our working capital position as at 31 December 2020.

Borrowings and gearing ratio

The Group did not have any borrowings during the year ended 31 December 2020 (31 December 2019: Nil).

No gearing ratio is presented as the Group had net cash surplus as at 31 December 2020 (31 December 2019: net cash surplus).

Capital commitment

As at 31 December 2020, the Group had capital commitments amounted to approximately RMB8,483,000 (31 December 2019: RMB8,483,000).

Capital structure

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

Pledged assets

The Group did not have any assets pledged for security as at 31 December 2020 (31 December 2019: Nil).

Contingent liabilities

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

FOREIGN EXCHANGE RISK

The Group operates in the PRC with most transactions being settled in Renminbi (“**RMB**”), except for certain transactions which are settled in foreign currencies.

At 31 December 2020, the Group’s major non-RMB denominated assets and liabilities included trade and other receivables, cash and cash equivalents and trade and other payables, which were denominated in Hong Kong dollars. Fluctuation of the exchange rate of RMB against Hong Kong dollars could affect the Group’s results of operations.

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

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

HUMAN RESOURCE

As at 31 December 2020, the Group had 40 full time employees who were directly employed by our Group in the PRC and one full-time employees in Hong Kong. For the year ended 31 December 2020, our total staff costs (including the directors' remuneration) were approximately RMB6,544,000 (2019: RMB8,344,000).

Our Group considers employees valuable assets and are vital to our success. We recruit employees mainly based on our business strategies, operational requirements, expected staff turnover, and corporate structure and management. Employees' remunerations are determined on the basis of their qualifications, positions and seniority. We review the performance of the employees annually and award salary increment, bonuses and promotions based on their performance.

The Group has established various welfare plans including the provision of basic medical insurance, unemployment insurance and other relevant insurance for employees in the PRC pursuant to the PRC rules and regulations and the existing policy requirements of the local government. The Group makes contributions to statutory mandatory provident fund scheme for 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 Group believes 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. In line with the PRC government's direction in opening its energy sector to private and foreign participants, in July 2020, the Ministry of Commerce repealed the Measures for the Administration of the Refined Oil Market (成品油市場管理辦法). These greatly eased market access to the refined oil market. The Group expects that 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 (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 31 December 2020 is set out below:

Business strategies as stated in the Prospectus	Implementation plan	Implementation progress as at 31 December 2020
(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 of the new coronavirus disease in 2020, the schedule of works and government approval processes were delayed. Tentatively the Group expects to receive government approval and commence construction works in first half of 2021.</p>
(2) Refurbishment and enhancement of oil tanks, pipelines and other oil depot facilities 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>Modification/installation works for tanks storage and other oil depot facilities.</p>	<p>Refurbishment works for storage tanks, pipelines, oil depot facilities and equipment have been completed.</p>

Use of the net proceeds of the Share Offer up to 31 December 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 31 December 2020 RMB'000	Unutilised net proceeds as at 31 December 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 Zengcheng Oil Depot	9,765	9,765	–
Total	<u>20,803</u>	<u>17,329</u>	<u>3,474</u>

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 petrochemical businesses in the PRC, and the remaining 10% as general working capital of the Group, as mentioned in the circular dated 12 December 2019.

APPLICATION FOR THE TRANSFER OF LISTING

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.

EVENT AFTER THE YEAR END DATE

There is no material subsequent event undertaken by the Company or by the Group after 31 December 2020 and up to the date of this announcement.

FINAL DIVIDEND

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2020.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the forthcoming annual general meeting of the Company to be held on Thursday, 27 May 2021 (the “**2021 AGM**”), the register of members of the Company will be closed from Monday, 24 May 2021 to Thursday, 27 May 2021, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2020 AGM, all transfer of shares accompanied by the relevant shares certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong by 4:30 p.m. on Friday, 21 May 2021.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company’s listed securities.

CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2020, the Company had complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 15 to the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”).

AUDIT COMMITTEE

The primary duties of the Audit Committee of the Company 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 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 consolidated financial statements and above annual results.

PUBLICATION OF ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2020 containing all the information required by the GEM Listing Rules will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course in accordance with the GEM Listing Rules.

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

Hong Kong, 26 February 2021

As at the date of this announcement, 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.

This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited 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 announcement 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 announcement misleading.

This announcement will remain on the GEM website at “www.hkgem.com” on the “Latest Company Announcements” page for a minimum period of 7 days from the day of its posting and on the Company’s website at www.jtfoil.com.