

# 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

INTERIM REPORT

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The board of directors of JTF International Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed interim financial results of the Company and its subsidiaries (the “**Group**” or “**our Group**”) for the three months and six months ended 30 June 2022 together with comparative figures for the corresponding periods in 2021 as follows:

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the three months ended 30 June		For the six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue	5	122,106	648,833	400,126	1,082,298
Cost of sales	6	(115,125)	(614,917)	(382,396)	(1,022,821)
<b>Gross profit</b>		<b>6,981</b>	33,916	<b>17,730</b>	59,477
Other (losses)/gains — net		(221)	—	(220)	1
Distribution expenses	6	(3,541)	(5,119)	(7,431)	(10,829)
Administrative expenses	6	(3,143)	(3,493)	(5,952)	(6,248)
<b>Operating profit</b>		<b>76</b>	25,304	<b>4,127</b>	42,401
<b>Finance income — net</b>	7	<b>363</b>	12	<b>528</b>	138
<b>Profit before income tax</b>		<b>439</b>	25,316	<b>4,655</b>	42,539
Income tax expense	8	(411)	(8,521)	(2,166)	(14,540)
<b>Profit for the period</b>		<b>28</b>	16,795	<b>2,489</b>	27,999
Other comprehensive income		—	—	—	—
<b>Total comprehensive income for the period</b>		<b>28</b>	16,795	<b>2,489</b>	27,999
<b>Earnings per share</b>	9				
— Basic and diluted (RMB)		<b>0.0 cents</b>	1.8 cents	<b>0.3 cents</b>	3.0 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 2022 RMB'000 (Unaudited)	At 31 December 2021 RMB'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	16,620	17,137
Right-of-use assets		4,048	4,259
Deferred income tax assets		770	733
Prepayments		4,194	4,194
		<b>25,632</b>	26,323
<b>Current assets</b>			
Inventories		103,936	42,131
Prepayments		131,006	15,210
Trade and other receivables	12	89,071	504,936
Cash and cash equivalents		106,637	7,805
		<b>430,650</b>	570,082
<b>Total assets</b>		<b>456,282</b>	596,405
<b>EQUITY</b>			
<b>Equity attributable to the owners of the Company</b>			
Share capital	14	7,980	7,980
Other reserves		285,916	282,462
Retained earnings		95,232	96,197
<b>Total equity</b>		<b>389,128</b>	386,639

		<b>At</b>	At
		<b>30 June</b>	31 December
		<b>2022</b>	2021
	Note	<b>RMB'000</b>	RMB'000
		<b>(Unaudited)</b>	(Audited)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		<b>3,772</b>	4,054
Deferred income tax liabilities		<b>16,404</b>	16,187
		<b>20,176</b>	20,241
<b>Current liabilities</b>			
Trade and other payables	13	<b>15,154</b>	179,700
Contract liabilities		<b>28,193</b>	3,527
Lease liabilities		<b>362</b>	353
Current income tax liabilities		<b>3,269</b>	5,945
		<b>46,978</b>	189,525
<b>Total liabilities</b>		<b>67,154</b>	209,766
<b>Total equity and liabilities</b>		<b>456,282</b>	596,405

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 2022

	Share capital RMB'000	Other reserves					Retained earnings RMB'000	Total RMB'000
		Recapitalisation reserves RMB'000	Share premium RMB'000	Capital reserves RMB'000	Statutory reserves RMB'000 (Note a)	Safety reserves RMB'000 (Note b)		
Balances 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	-	-	-	-	-	-	27,999	27,999
Appropriation to safety reserves	-	-	-	-	-	2,341	(2,341)	-
Balance at 30 June 2021 (Unaudited)	7,980	56,125	169,321	300	17,500	32,476	93,850	377,552
Balances 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	-	-	-	-	-	-	2,489	2,489
Appropriation to safety reserves	-	-	-	-	-	3,454	(3,454)	-
Balance at 30 June 2022 (Unaudited)	7,980	56,125	169,321	300	21,738	38,432	95,232	389,128

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 the articles of association of the Group's PRC subsidiary, the Group's PRC subsidiary is required to appropriate 10% of its profits after tax, as determined in accordance with relevant accounting principles generally accepted in the PRC and other applicable regulations, to the statutory reserve until such reserve reaches 50% of its registered capital. The appropriation to the reserve must be made before any distribution of dividends to equity holders of the PRC subsidiary. The statutory reserve can be used to offset previous years' losses, if any, and part of the statutory reserve can be capitalised as the PRC subsidiary's capital provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of its capital.

**(b) Safety reserves**

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

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<b>Cash flows from operating activities</b>		
Cash generated from operations	103,289	12,614
Income tax paid	(4,662)	(8,711)
<b>Net cash generated from operating activities</b>	<b>98,627</b>	<b>3,903</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(50)	(123)
Interest income on bank deposit	561	225
<b>Net cash generated from investing activities</b>	<b>511</b>	<b>102</b>
<b>Cash flows from financing activities</b>		
Principal elements of lease payments	(273)	(248)
Interest paid	(107)	(132)
<b>Net cash used in financing activities</b>	<b>(380)</b>	<b>(380)</b>
<b>Net increase in cash and cash equivalents</b>	<b>98,758</b>	<b>3,625</b>
Cash and cash equivalents at beginning of the period	7,805	63,695
Exchange differences on cash and cash equivalents	74	28
<b>Cash and cash equivalents at end of the period</b>	<b>106,637</b>	<b>67,348</b>

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 12 August 2022.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial statements of the Group for the six months ended 30 June 2022 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 2021, 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 2021, 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 2021.

### 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 2021. There have been no changes in the risk management since the year ended 31 December 2021.

#### **(b) Liquidity risk**

Compared to the year ended 31 December 2021, 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 2022 and 2021 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	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Sales of goods:				
— Refined oil	97,659	317,568	365,995	623,057
— Fuel oil	–	40,585	–	91,401
— Other petrochemical products	24,036	288,984	33,083	363,474
	121,695	647,137	399,078	1,077,932
Service income	411	1,696	1,048	4,366
	122,106	648,833	400,126	1,082,298

## 6. EXPENSES BY NATURE

	For the three months ended 30 June		For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Changes in inventories	<b>(127,672)</b>	(915)	<b>(61,805)</b>	(30,075)
Refined oil, fuel oil and other petrochemical products purchased	<b>242,030</b>	615,832	<b>443,225</b>	1,052,896
Transportation expenses	<b>926</b>	1,581	<b>1,416</b>	2,458
Expenses relating to short term leases and handling charges	<b>2,138</b>	2,496	<b>4,555</b>	5,823
Staff costs (including directors' emoluments)	<b>1,531</b>	1,439	<b>2,913</b>	2,901
Taxes and surcharges	<b>618</b>	426	<b>1,016</b>	734
Depreciation	<b>389</b>	255	<b>778</b>	644
Listing expenses	<b>–</b>	262	<b>750</b>	1,201
Other expenses	<b>1,849</b>	2,153	<b>2,931</b>	3,316
Total cost of sales, distribution expenses and administrative expenses	<b>121,809</b>	623,529	<b>395,779</b>	1,039,898

## 7. FINANCE INCOME — NET

	For the three months ended 30 June		For the six months ended 30 June	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
— Interest income on bank deposits	318	78	561	225
— Interest expenses on lease liabilities	(53)	(57)	(107)	(115)
— Net foreign exchange gains/(losses) on cash and cash equivalent	98	(9)	74	28
Finance income — net	363	12	528	138

## 8. INCOME TAX EXPENSE

	For the three months ended 30 June		For the six months ended 30 June	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current income tax:				
— PRC enterprise income tax	490	6,656	1,986	11,383
Deferred income tax:				
— PRC enterprise income tax	(32)	5	(37)	(18)
— PRC withholding income tax	(47)	1,860	217	3,175
	(79)	1,865	180	3,157
	411	8,521	2,166	14,540

## 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 2022 (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 (“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 2022 (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 six months ended 30 June 2022 (2021: 10%).

## 9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the period by the weighted average number of ordinary shares in issue during the periods ended 30 June 2022 and 2021.

	For the three months ended 30 June		For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Profit for the period (RMB'000)	28	16,795	2,489	27,999
Weighted average number of ordinary shares in issue	930,000,000	930,000,000	930,000,000	930,000,000
Basic earnings per share (RMB)	0.0 cents	1.8 cents	0.3 cents	3.0 cents

Diluted earnings per share is equal to basic 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 any interim dividend for the six months ended 30 June 2022 (For the year ended 31 December 2021: Nil).

## 11. PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 June 2022, additions to the Group's property, plant and equipment were approximately RMB50,000 (For the year ended 31 December 2021: RMB748,000).



## 12. TRADE AND OTHER RECEIVABLES

	<b>As at 30 June 2022 RMB'000 (Unaudited)</b>	As at 31 December 2021 RMB'000 (Audited)
Trade receivables	<b>54,040</b>	499,491
Less: provision for impairment of trade receivables	<b>(1,443)</b>	(1,443)
Trade receivables — net	<b>52,597</b>	498,048
Deductible value-added-tax (“VAT”)	<b>12,877</b>	3,725
Purchase refund and liquidated damages receivables	<b>16,050</b>	–
Deposits and others	<b>7,547</b>	3,163
Trade and other receivables	<b>89,071</b>	504,936

As of 30 June 2022, ageing analysis of trade receivables (net of provision of RMB1,443,000) (31 December 2021: RMB1,443,000) based on the dates when the trade receivables are recognised is as follows:

	<b>As at 30 June 2022 RMB'000 (Unaudited)</b>	As at 31 December 2021 RMB'000 (Audited)
Less than 30 days	<b>41,319</b>	69,346
31 days to 180 days	<b>11,278</b>	428,702
	<b>52,597</b>	498,048

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.

### 13. TRADE AND OTHER PAYABLES

	<b>As at 30 June 2022 RMB'000 (Unaudited)</b>	As at 31 December 2021 RMB'000 (Audited)
Trade payables	35	157,030
Accruals for staff costs and allowances	2,594	2,903
Accruals for construction projects	251	251
Accruals for handling charges	415	2,540
Accruals for short term lease expenses	349	1,808
Accruals for listing expenses	2,472	2,728
Other payables	5,187	12,093
Other tax payables	3,851	347
	<b>15,154</b>	<b>179,700</b>

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

	<b>As at 30 June 2022 RMB'000 (Unaudited)</b>	As at 31 December 2021 RMB'000 (Audited)
Less than 30 days	35	32,044
31 days to 180 days	–	124,986
	<b>35</b>	<b>157,030</b>

### 14. SHARE CAPITAL

	Number of shares		Share capital	
	As at 30 June 2022	As at 31 December 2021	As at 30 June 2022 HK\$	As at 31 December 2021 HK\$
<b>Authorised (Note)</b>				
Ordinary shares of HK\$0.01 each	2,000,000,000	1,000,000,000	20,000,000	10,000,000

Note: On 11 April 2022, at the Company Annual General Meeting, the authorised share capital of the Company was resolved to be increased from HK\$10,000,000 divided into 1,000,000,000 Shares of HK\$0.01 each to HK\$20,000,000 divided into 2,000,000,000 Shares of HK\$0.01 each by the creation of an additional 1,000,000,000 new Shares.

## 14. SHARE CAPITAL (Continued)

	Number of shares		Share capital	
	At 30 June 2022	At 31 December 2021	At 30 June 2022 HK\$	At 31 December 2021 HK\$
<b>Issued and fully paid</b>				
Ordinary shares of HK\$0.01 each	930,000,000	930,000,000	9,300,000	9,300,000

## 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 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Property, plant and equipment	8,483	8,483

## 16. CONTINGENCIES

Reference is made to the dispute 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. In the opinion of the directors of the Company, there were no material developments in relation to the dispute since the date of the Annual Report 2021. The directors of the Company have made a further assessment and are of the view that the disputes relating to the settlement of the Loan will not have a material adverse impact on the Group's business operation and financial performance.

Save as the above, the Group did not have any other material contingent liabilities as at 30 June 2022 (31 December 2021: Same).

## 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.

Since late 2021, the outbreak of the COVID-19 Omicron variant in China has caused disruption to traffic and economic activities, in particular, during late March to May 2022, a number of major cities were under strict and widespread COVID-19 lockdown measures imposed by the PRC government. Together with the drastic price surge 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 76.2% caused the turnover decreased to RMB400,126,000, or by 63.0% comparing with the corresponding period in 2021. Gross profit ratio also decreased from approximately 5.5% during the six months ended 30 June 2021 to approximately 4.4% in the same period in 2022.

However, since June 2022, as the lockdown measures in China have been lifted progressively and the domestic oil price has been stabilised, the sales volume and amounts of the Group have been greatly improved compared with the average monthly figures for the two months ended 31 May 2022.

## RESULTS OF OPERATIONS

### Revenue

Our Group derived our revenue from sales of refined oil and other petrochemical products for the six months ended 30 June 2022. Revenue principally represents the net value of goods sold after deduction of value-added tax of the PRC. The decline in sales of fuel oil is primarily due to the low market demand and profit ratio compare with other oil products during the period, and is consistent with our business strategies to reduce our attention on the fuel oil market and expand our business in the refined oil market.

For the six months ended 30 June 2022, the Group's total revenue amounted to approximately RMB400,126,000, representing a decrease of approximately 63.0% over the six months ended 30 June 2021. 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 2022 and 2021, the breakdown of the Group's revenue by products in total revenue, volume and average selling price:

	For the six months ended 30 June					
	2022			2021		
	Total	Average		Total	Average	
	revenue	selling	Total	sales	selling	Total
	RMB'000	price	revenue	volume	price	sales
		(Note)	RMB'000	Tonnes	(Note)	volume
		RMB			RMB	
1. Sales of goods						
Refined oil	365,995	46,184	7,925	623,057	112,903	5,519
Fuel oil	–	–	N/A	91,401	27,490	3,325
Other petrochemical products	33,083	4,824	6,858	363,474	77,679	4,679
Subtotal — sales of goods	399,078	51,008	1,077,932	218,072		
2. Service income						
Refined oil	–	–	N/A	421	4,992	84
Fuel oil	–	–	N/A	3,945	34,494	114
Other petrochemical products	1,048	10,331	101	–	–	N/A
Subtotal — service income	1,048	10,331	4,366	39,486		
Total	400,126	61,339	1,082,298	257,558		

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 for the six months ended 30 June 2022 mainly includes the cost of refined 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 2022 and 2021 were approximately RMB382,396,000 and RMB1,022,821,000, 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 2022 was in line with our decrease in revenue during the period.

The following table sets forth, for the six months ended 30 June 2022 and 2021, the components of our cost of sales by product type:

	For the six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Refined oil	352,269	588,551
Fuel oil	–	88,827
Other petrochemical products	30,127	345,443
<b>Total</b>	<b>382,396</b>	<b>1,022,821</b>

## 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 2022 and 2021:

	For the six months ended 30 June			
	2022		2021	
	Gross profit RMB'000	Gross profit margin	Gross profit RMB'000	Gross profit margin
1. Sales of goods				
Refined oil	13,726	3.8%	34,506	5.5%
Fuel oil	–	N/A	2,574	2.8%
Other petrochemical products	2,956	8.9%	18,031	5.0%
Subtotal — sales of goods	16,682	4.2%	55,111	5.1%
2. Service income	1,048	N.A.	4,366	N.A.
Total	17,730	4.4%	59,477	5.5%

The Group's gross profit margin (excluding service income) decreased from approximately 5.1% for the six months ended 30 June 2021 to approximately 4.2% for the six months ended 30 June 2022. 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 decreased by approximately RMB3,398,000 or 31.4% to approximately RMB7,431,000 for the six months ended 30 June 2022 from approximately RMB10,829,000 for the six months ended 30 June 2021 mainly due to the decrease in short term leases and handling charges in current period. Expenses relating to short term leases 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 decreased by approximately RMB296,000 or 4.7% to approximately RMB5,952,000 for the six months ended 30 June 2022 from approximately RMB6,248,000 for the six months ended 30 June 2021. This was mainly attributable to the decrease in the professional fee for the application of transfer of listing from GEM to Main Board of the Stock Exchange recognised in the current period.

### Finance income — net

Finance income — net increased by approximately RMB390,000 to approximately RMB528,000 for the six months ended 30 June 2022 from approximately RMB138,000 for the six months ended 30 June 2021 mainly due to the increase in interest income from bank deposit.

### Profit before income tax

The Group's profit before income tax decreased by approximately RMB37,884,000 to approximately RMB4,655,000 for the six months ended 30 June 2022 from approximately RMB42,539,000 for the six months ended 2021 primarily due to the decrease in gross profit and gross profit margin in current period.

### Income tax expense

Income tax expense decreased by approximately RMB12,374,000 to approximately RMB2,166,000 for the six months ended 30 June 2022 from approximately RMB14,540,000 for the six months ended 30 June 2021, mainly due to the decrease in taxable profit from the Group's operation in the PRC.

### Profit for the period

The Group's profit for the period decreased by approximately RMB25,510,000 to approximately RMB2,489,000 for the six months ended 30 June 2022 from approximately RMB27,999,000 for the six months ended 2021 primarily due to the decrease in gross profit, gross profit margin and the decrease in income tax expense in current period.



## 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	
	2022 RMB'000	2021 RMB'000
Net cash generated from operating activities	<b>98,627</b>	3,903
Net cash generated from investing activities	<b>511</b>	102
Net cash used in financing activities	<b>(380)</b>	(380)
Net increase in cash and cash equivalents	<b>98,758</b>	3,625

For the six months ended 30 June 2022, the Group had net cash generated from operating activities of approximately RMB98,627,000, which was mainly attributable to the decrease in net working capital (excluding cash and cash equivalent) used in the business.

For the six months ended 30 June 2022, the Group had net cash generated from investing activities of approximately RMB511,000, which consisted mainly of interest income on bank deposit during the period.

For the six months ended 30 June 2022, the Group had net cash used in financing activities of approximately RMB380,000, which was primarily attributable to the lease payments during the period.

As at 30 June 2022 and 31 December 2021, the Group had cash and cash equivalents of approximately RMB106,637,000 and RMB7,805,000, respectively.

### Net current assets

As at 30 June 2022, the Group's net current assets amounted to approximately RMB383,672,000, an increase of approximately RMB3,115,000 as compared with approximately RMB380,557,000 as at 31 December 2021. The increase was primarily due to the operating profit of the current period. Other changes in working capital and the resulting period end balance represented a snapshot of our working capital position as at 30 June 2022.

## **LIQUIDITY AND FINANCIAL RESOURCES** (Continued)

### **Borrowings and gearing ratio**

Our Group did not have any borrowings for the six months ended 30 June 2022 (31 December 2021: 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 2022.

### **Capital commitment**

The Group incurred capital expenditures of approximately RMB50,000 for the six months ended 30 June 2022.

Capital commitments contracted for but not incurred by the Group as at 30 June 2022 amounted to approximately RMB8,483,000, which mainly related to wharf infrastructures (31 December 2021: approximately 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 2022.

### **Capital structure**

As at 30 June 2022 and 31 December 2021, the capital structure of the Company comprised of its issued share capital and reserves.

### **Pledged assets**

Our Group did not have any assets pledged as security for the six months ended 30 June 2022 (31 December 2021: Nil).

## **LIQUIDITY AND FINANCIAL RESOURCES (Continued)**

### **Contingent liabilities**

Reference is made to the dispute 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. In the opinion of the directors of the Company, there were no material developments in relation to the dispute since the date of the Annual Report 2021. The directors of the Company have made a further assessment and are of the view that the disputes relating to the settlement of the Loan will not have a material adverse impact on the Group's business operation and financial performance.

Save as the above, the Group did not have any other material contingent liabilities as at 30 June 2022 (31 December 2021: Same).

### **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 2022, 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 2022, the Group had 33 full time employees who were directly employed by our Group in the PRC and one full-time employee Hong Kong. For the six months ended 30 June 2022, our total staff costs (including the directors' remuneration) were approximately RMB2,913,000 (2021: approximately RMB2,901,000).

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 staff turnover and our corporate structure and management.

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

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 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 2022 is set out below:

### Business strategies as stated in the Prospectus

### Implementation plan

### Implementation progress as at 30 June 2022

- |  |   |   |
|--|---|---|
| (1) Upgrading of the wharf berth capability at Zengcheng Oil Depot | Conducting project planning and filing registration documents with relevant government authorities, including construction approval, environmental impact assessment, safety pre-evaluation and construction planning permit. | The Group is negotiating with relevant government authorities in relation to the specific requirements in relation to the upgrading of wharf berth capability.  |
|  | Conducting project design including construction survey and construction drawing design.  | In 2018, the Group engaged a contractor to perform works on refurbishment of certain wharf infrastructures. However, the Group incurred additional time to identify a suitable contractor for the works relating to upgrading of berth capacity. Currently, a lead contractor has been engaged. Survey and design works are in progress, and were mostly completed in December 2019. 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 first half of 2023. |

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

## 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 2022 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 2022 RMB'000	Unutilized net proceeds as at 30 June 2022 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	–
<b>Total</b>	<b>20,803</b>	<b>17,329</b>	<b>3,474</b>

The remaining unutilized net proceeds of the Share Offer as at 30 June 2022 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.

## 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 application, its first re-submission on 9 March 2021 and second re-submission on 28 October 2021 were lapsed and the Company has re-submitted a formal renewal of application to the Stock Exchange on 12 May 2022.

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 2022.

## 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 2022.



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

As at 30 June 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 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	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 30 June 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 30 June 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.

## 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 2022.

## 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 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 during the six months ended 30 June 2022.

## CHANGES IN THE DIRECTORS' INFORMATION

Change in directors' information since the date of the Group's annual financial statements for the year ended 31 December 2021 and up to the date of this report, which are required to be disclosed under Rule 17.50A(1) of the GEM Listing Rules are set out below:

With effect from 10 June 2022, Mr. Chan William has been appointed as an independent non-executive director of Janco Holdings Limited, a company listed on GEM of Stock Exchange (stock code: 8035).

## 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 2022 and this interim report.

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

Hong Kong, 12 August 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.*