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: 9689)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of JTF International Holdings Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim financial results of the Company and its subsidiaries (the "**Group**" or "**our Group**") for the six months ended 30 June 2023 together with comparative figures for the corresponding periods in 2022 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the six months ended 30 June	
		2023	2022
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*5*	**749,480**	400,126
Cost of sales	*7*	**(711,789)**	(382,396)
Gross profit		**37,691**	17,730
Other losses — net	*6*	**(12,263)**	(220)
Distribution expenses	*7*	**(17,097)**	(7,431)
Administrative expenses	*7*	**(14,505)**	(5,952)
Operating (loss)/profit		**(6,174)**	4,127
Finance income — net	*8*	**715**	528
(Loss)/profit before income tax		**(5,459)**	4,655
Income tax expense	*9*	**(3,040)**	(2,166)
(Loss)/profit for the period		**(8,499)**	2,489
Other comprehensive income		**–**	–
Total comprehensive (loss)/income for the period		**(8,499)**	2,489
(Loss)/earnings per share	*10*		
— Basic and diluted *(RMB)*		**(0.9 cents)**	0.3 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 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	*12*	**15,507**	16,072
Right-of-use assets		**3,626**	3,837
Deferred income tax assets		**3,925**	813
Prepayments		**4,194**	4,194
		27,252	24,916
Current assets			
Inventories		**208,324**	124,140
Prepayments		**64,590**	173,737
Trade and other receivables	*13*	**72,424**	61,964
Cash and cash equivalents		**104,466**	106,445
		449,804	466,286
Total assets		**477,056**	491,202
EQUITY			
Equity attributable to the owners of the Company			
Share capital	*16*	**7,980**	7,980
Other reserves		**291,006**	291,573
Retained earnings		**110,899**	118,831
Total equity		**409,885**	418,384
LIABILITIES			
Non-current liabilities			
Lease liabilities		**3,393**	3,684
Deferred income tax liabilities		**20,875**	19,472
		24,268	23,156
Current liabilities			
Trade and other payables	*14*	**19,576**	15,336
Contract liabilities		**7,086**	24,487
Lease liabilities		**380**	370
Current income tax liabilities		**3,598**	9,469
Provisions	*15*	**12,263**	–
		42,903	49,662
Total liabilities		**67,171**	72,818
Total equity and liabilities		**477,056**	491,202

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 2023

		Other reserves						
	Share capital *RMB'000*	**Recapitalisation reserves** *RMB'000*	**Share premium** *RMB'000*	**Capital reserves** *RMB'000*	**Statutory reserves** *RMB'000* *(Note a)*	**Safety reserves** *RMB'000* *(Note b)*	**Retained earnings** *RMB'000*	**Total** *RMB'000*
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
Balances at 1 January 2023 (Audited)	**7,980**	**56,125**	**169,321**	**300**	**25,388**	**40,439**	**118,831**	**418,384**
Loss and total comprehensive loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(8,499)**	**(8,499)**
Utilisation of safety reserves	**–**	**–**	**–**	**–**	**–**	**(567)**	**567**	**–**
Balance at 30 June 2023 (Unaudited)	**7,980**	**56,125**	**169,321**	**300**	**25,388**	**39,872**	**110,899**	**409,885**

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. Pursuant to the amendment of the regulations in November 2022, the range of aforesaid appropriation rates has been revised as 0.2% to 4.5%, and the PRC subsidiary can temporarily suspend the appropriation to the safety reserve when the unused monthly opening balance of the safety reserve exceeds three times of the required appropriation amount of the previous year. 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	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash generated from operations	**8,207**	103,289
Income tax paid	**(10,620)**	(4,662)
Net cash (used in)/generated from operating activities	**(2,413)**	98,627
Cash flows from investing activities		
Purchases of property, plant and equipment	**–**	(50)
Interest income on bank deposits	**653**	561
Net cash generated from investing activities	**653**	511
Cash flows from financing activities		
Principal elements of lease payments	**(281)**	(273)
Interest paid	**(98)**	(107)
Net cash used in financing activities	**(379)**	(380)
Net (decrease)/increase in cash and cash equivalents	**(2,139)**	98,758
Cash and cash equivalents at beginning of the period	**106,445**	7,805
Exchange differences on cash and cash equivalents	**160**	74
Cash and cash equivalents at end of the period	**104,466**	106,637

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 petrochemical products in 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 and subsequently its listing was transferred to the Main Board of the Stock Exchange on 17 May 2023.

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 on 22 August 2023.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial statements of the Group for the six months ended 30 June 2023 have been prepared in accordance with Hong Kong Accounting Standard 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 2022, 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 2022, 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 2022.

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 2022. There have been no changes in the risk management since the year ended 31 December 2022.

(b) Liquidity risk

Compared to the year ended 31 December 2022, there was no material change in the contractual undiscounted cash outflows 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 petrochemical products 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 the PRC, and the Group's revenue for the periods ended 30 June 2023 and 2022 were attributable to the market in the PRC.

Analysis of revenue is as follows:

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sales of goods:		
— Refined oil	**331,413**	365,995
— Fuel oil	**–**	–
— Other petrochemical products	**400,470**	33,083
	731,883	399,078
Service income	**17,597**	1,048
	749,480	400,126
Timing of revenue recognition		
– At point in time	**749,480**	400,126

6. OTHER LOSSES — NET

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Provision for litigation	**(12,263)**	–
Others	**–**	(220)
	(12,263)	(220)

7. EXPENSES BY NATURE

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Changes in inventories	**(84,184)**	(61,805)
Refined oil, fuel oil and other petrochemical products purchased	**795,410**	443,225
Transportation expenses	**7,743**	1,416
Expenses relating to short term leases and handling charges	**7,120**	4,555
Staff costs (including directors' emoluments)	**2,706**	2,913
Taxes and surcharges	**1,105**	1,016
Depreciation	**776**	778
Listing expenses	**5,244**	750
Other expenses	**7,471**	2,931
Total cost of sales, distribution expenses and administrative expenses	**743,391**	395,779

8. FINANCE INCOME — NET

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income on bank deposits	**653**	561
Interest expenses on lease liabilities	**(98)**	(107)
Net foreign exchange gains on cash and cash equivalent	**160**	74
Finance income — net	**715**	528

9. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax:		
— PRC enterprise income tax	**4,749**	1,986
Deferred income tax:		
— PRC enterprise income tax	**(3,112)**	(37)
— PRC withholding income tax	**1,403**	217
	(1,709)	180
	3,040	2,166

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 2023 (2022: 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 incurred by the group company in Hong Kong that is not probable 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 six months ended 30 June 2023 (2022: same).

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 entities was 25% for the six months ended 30 June 2023 (2022: 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 six months ended 30 June 2023 (2022: 10%).

10. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit for the period by the weighted average number of ordinary shares in issue during the periods ended 30 June 2023 and 2022.

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(Loss)/profit for the period *(RMB'000)*	**(8,499)**	2,489
Weighted average number of ordinary shares in issue	**930,000,000**	930,000,000
Basic (loss)/earnings per share *(RMB)*	**(0.9 cents)**	0.3 cents

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

11. DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2023 (Six months ended 30 June 2022: Nil).

12. PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 June 2023, there was no additions and disposals to the Group's property, plant and equipment (Six months ended 30 June 2022: additions of RMB50,000 and no disposals).

13. TRADE AND OTHER RECEIVABLES

	As at 30 June 2023	As at 31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**39,319**	34,306
Less: provision for impairment of trade receivables	**(1,443)**	(1,443)
Trade receivables — net	**37,876**	32,863
Value-added-tax recoverable	**26,966**	14,740
Purchase refund receivable	**–**	6,812
Deposits and others	**7,582**	7,549
Trade and other receivables	**72,424**	61,964

As at 30 June 2023, ageing analysis of trade receivables (net of provision of RMB1,443,000) (31 December 2022: RMB1,443,000) based on the dates when the trade receivables are recognised is as follows:

	As at 30 June 2023 *RMB'000* **(Unaudited)**	As at 31 December 2022 *RMB'000* (Audited)
Less than 30 days	**37,875**	32,703
31 days to 180 days	**–**	159
Over 180 days	**1**	1
	37,876	32,863

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.

14. TRADE AND OTHER PAYABLES

	As at 30 June 2023 *RMB'000* **(Unaudited)**	As at 31 December 2022 *RMB'000* (Audited)
Trade payables	**8,795**	–
Accruals for staff costs and allowances	**2,560**	2,410
Accruals for construction projects	**251**	251
Accruals for handling charges	**270**	216
Accruals for short term lease expenses	**966**	544
Accruals for listing expenses	**–**	2,691
Other payables	**5,251**	5,250
Other tax payables	**1,483**	3,974
Trade and other payables	**19,576**	15,336

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

	As at 30 June 2023 *RMB'000* **(Unaudited)**	As at 31 December 2022 *RMB'000* (Audited)
Less than 30 days	**7,532**	–
31 days to 180 days	**1,263**	–
	8,795	–

15. PROVISIONS

Reference is made to the section headed "Business — Legal and regulatory compliance — Litigation and potential claims" in the listing document of the Company dated 11 May 2023 and the announcements of the Company dated 20 July 2023 and 17 August 2023 in respect of a litigation (the "**Litigation**") in the PRC against a subsidiary of the Group. A loss provision of approximately RMB12,263,000 was provided for the six months ended 30 June 2023.

16. SHARE CAPITAL

	Number of shares		Share capital	
	As at 30 June 2023	As at 31 December 2022	**As at 30 June 2023**	As at 31 December 2022
			HK$	*HK$*
Authorised				
Ordinary shares of HK$0.01 each	**2,000,000,000**	2,000,000,000	**20,000,000**	20,000,000

	Number of shares		Share capital	
	As at 30 June 2023	As at 31 December 2022	**As at 30 June 2023**	As at 31 December 2022
			HK$	*HK$*
Issued and fully paid				
Ordinary shares of HK$0.01 each	**930,000,000**	930,000,000	**9,300,000**	9,300,000

17. CAPITAL 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 2023	As at 31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Property, plant and equipment	**8,483**	8,483

18. RELATED PARTY TRANSACTIONS

(a) The directors of the Company are of the view that the following parties that had transactions or balances with the Group are related parties:

Name	**Relationship**
Mr. Xu and Ms. Huang	The Controlling Shareholders and directors of the Company
Mr. Choi Sio Peng	Shareholder and director of the Company

(b) Transactions with related parties

The Group had entered into a lease agreement with the Controlling Shareholders to lease a piece of land and office building located in Guangzhou City, Guangdong Province with annual rental fee of RMB360,000 from 1 April 2017 to 31 March 2037.

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest expenses on lease liabilities		
— The Controlling Shareholders	**89**	93

(c) Balances with related parties

The balances with related parties were lease liabilities and non-trade in nature.

	As at 30 June 2023	As at 31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Lease liabilities		
— The Controlling Shareholders	**3,581**	3,672

(d) Key management compensations

Key management includes directors (executive and non-executive), managers of key operating departments and the company secretary. Compensation for key management is as follows:

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Salaries, wages, welfare and other benefits	**1,225**	1,294
Contributions to employee social security plans	**78**	97
	1,303	1,391

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 oil and other petrochemical products.

However, since December 2022, the PRC government has been removing various COVID-19 restrictions. Since the relaxation of restrictions, there was a sudden wave of COVID-19 infections all across China which temporarily affected productivity from late 2022 to January 2023. In February 2023, the PRC government declared that the country has successfully brought the COVID-19 Pandemic under control. As the general business and market environment resumes to normal, our business also gradually improved.

During the first half of 2023, the decrease in average selling price compared with same period in 2022 was due to the fluctuation of oil price and the conservative sentiments in the market which made customers and suppliers acted more prudently in negotiation. As a result, the gross profit margin for through-port trades (i.e. excluding service income) decrease from approximately 4.2% during the six months ended 30 June 2022 to approximately 2.7% in the same period in 2023. Despite the decrease in average selling price and gross profit margin, the increase in sales volume caused the turnover increased to approximately RMB749,480,000, or by 87.3% by comparing with the corresponding period in 2022.

RESULTS OF OPERATIONS

Revenue

Our Group derived our revenue from sales of refined oil, fuel oil and other petrochemical products for the six months ended 30 June 2023. Revenue principally represents the net value of goods sold after deduction of value-added tax of the PRC.

For the six months ended 30 June 2023, the Group's total revenue amounted to approximately RMB749,480,000, representing an increase of approximately 87.3% over the six months ended 30 June 2022. The increase was mainly attributable to the reasons stated in the subsection headed "Business Review" above.

The following table sets forth, for the six months ended 30 June 2023 and 2022, the breakdown of the Group's revenue by products in total revenue, volume and average selling price:

	For the six months ended 30 June					
	2023			2022		
	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	**331,413**	**50,003**	**6,628**	365,995	46,184	7,925
Fuel oil	**–**	**–**	**N/A**	–	–	N/A
Other petrochemical products	**400,470**	**60,959**	**6,569**	33,083	4,824	6,858
Subtotal — sales of goods	**731,883**	**110,962**		399,078	51,008	
2. Service income						
Refined oil	**7,294**	**11,458**	**637**	–	–	N/A
Fuel oil	**10,303**	**36,100**	**285**	–	–	N/A
Other petrochemical products	**–**	**–**	**N/A**	1,048	10,331	101
Subtotal — service income	**17,597**	**47,558**		1,048	10,331	
Total	**749,480**	**158,520**		400,126	61,339	

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

Cost of sales

Our Group's cost of sales for the six months ended 30 June 2023 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 2023 and 2022 were approximately RMB711,789,000 and RMB382,396,000, 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 increase of our cost of sales during the six months ended 30 June 2023 was in line with our increase in revenue during the period.

The following table sets forth, for the six months ended 30 June 2023 and 2022, the components of our cost of sales by product type:

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Refined oil	**326,093**	352,269
Fuel oil	**–**	–
Other petrochemical products	**385,696**	30,127
Total	**711,789**	382,396

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 2023 and 2022:

	For the six months ended 30 June			
	2023		2022	
	Gross profit *RMB'000*	**Gross profit margin**	Gross profit *RMB'000*	Gross profit margin
1. Sales of goods				
Refined oil	**5,320**	**1.6%**	13,726	3.8%
Fuel oil	**–**	**N/A**	–	N/A
Other petrochemical products	**14,774**	**3.7%**	2,956	8.9%
Subtotal — sales of goods	**20,094**	**2.7%**	16,682	4.2%
2. Service income	**17,597**	**N/A**	1,048	N/A
Total	**37,691**	**5.0%**	17,730	4.4%

The Group's gross profit margin (excluding service income) decreased from approximately 4.2% for the six months ended 30 June 2022 to approximately 2.7% for the six months ended 30 June 2023. The decrease was mainly attributable to the reasons stated in the sub-section headed "Business Review" above.

Other losses — net

Other losses — net increased by approximately RMB12,043,000 to approximately RMB12,263,000 for the six months ended 30 June 2023 from approximately RMB220,000 for the six months ended 30 June 2022 due to the loss provision provided for the Litigation in current period.

Distribution expenses

Distribution expenses increased by approximately RMB9,666,000 or 130.1% to approximately RMB17,097,000 for the six months ended 30 June 2023 from approximately RMB7,431,000 for the six months ended 30 June 2022 mainly due to the increase in (i) transportation expenses as a result of increase in through-port trades; and (ii) expenses relating to short term leases and handling charges in current period.

Administrative expenses

Administrative expenses increased by approximately RMB8,553,000 or 143.7% to approximately RMB14,505,000 for the six months ended 30 June 2023 from approximately RMB5,952,000 for the six months ended 30 June 2022. This was mainly attributable to the increase in the professional fees and other expenses associated with the application of transfer of listing from GEM to Main Board of the Stock Exchange recognised in current period.

Finance income — net

Finance income — net increased by approximately RMB187,000 to approximately RMB715,000 for the six months ended 30 June 2023 from approximately RMB528,000 for the six months ended 30 June 2022 mainly due to the increase in interest income on bank deposits.

(Loss)/profit before income tax

The Group's (loss)/profit before income tax turnaround from a profit of approximately RMB4,655,000 for the six months ended 30 June 2022 to a loss of approximately RMB5,459,000 for the six months ended 30 June 2023 primarily due to the loss provision provided for the Litigation, and the increase in professional fees and other expenses associated with the application of transfer of listing from GEM to Main Board of the Stock Exchange, partially offset by the increase in revenue and gross profit in current period.

Income tax expense

Income tax expense increased by approximately RMB874,000 to approximately RMB3,040,000 for the six months ended 30 June 2023 from approximately RMB2,166,000 for the six months ended 30 June 2022, mainly due to the increase in taxable profit from the Group's operation in the PRC.

(Loss)/profit for the period

The Group's (loss)/profit for the period turnaround from a profit of approximately RMB2,489,000 for the six months ended 30 June 2022 to a loss of approximately RMB8,499,000 for the six months ended 30 June 2023 primarily due to the loss provision provided for the Litigation, and the increase in professional fees and other expenses associated with the application of transfer of listing from GEM to Main Board of the Stock Exchange, partially offset by the increase in revenue and gross profit 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	
	2023	2022
	RMB'000	*RMB'000*
Net cash (used in)/generated from operating activities	**(2,413)**	98,627
Net cash generated from investing activities	**653**	511
Net cash used in financing activities	**(379)**	(380)
Net (decrease)/increase in cash and cash equivalents	**(2,139)**	98,758

For the six months ended 30 June 2023, the Group had net cash used in operating activities of approximately RMB2,413,000, which was mainly attributable to the payment of income tax, partially offset by the decrease in net working capital (excluding cash and cash equivalent) used in the business.

For the six months ended 30 June 2023, the Group had net cash generated from investing activities of approximately RMB653,000, which consisted mainly of interest income on bank deposits during the period.

For the six months ended 30 June 2023, the Group had net cash used in financing activities of approximately RMB379,000, which was primarily attributable to the lease payments during the period.

As at 30 June 2023 and 31 December 2022, the Group had cash and cash equivalents of approximately RMB104,466,000 and RMB106,445,000, respectively.

Net current assets

As at 30 June 2023, the Group's net current assets amounted to approximately RMB406,901,000, a decrease of approximately RMB9,723,000 as compared with approximately RMB416,624,000 as at 31 December 2022. The decrease was primarily due to the decrease in prepayments and the loss provision provided for the Litigation, partially offset by the increase in inventories in current period.

Borrowings and gearing ratio

The Group did not have any borrowings for the six months ended 30 June 2023 (31 December 2022: Nil).

The Group monitors 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 unaudited condensed consolidated statement of financial position.

No gearing ratio is presented as the Group had net cash surplus as at 30 June 2023 (31 December 2022: same).

Capital commitment

The Group did not incur any capital expenditure for the six months ended 30 June 2023.

Capital commitments contracted for but not incurred by the Group as at 30 June 2023 amounted to approximately RMB8,483,000, which mainly related to wharf infrastructures (31 December 2022: 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 2023.

Capital structure

As at 30 June 2023 and 31 December 2022, 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 2023 (31 December 2022: Nil).

Contingent liabilities

The Group did not have any material contingent liabilities as at 30 June 2023.

Save as the disclosure in Note 26 of the Group's consolidated financial statements for the year ended 31 December 2022 contained in the Group's Annual Report 2022 dated 28 February 2023, the Group did not have any other material contingent liabilities as at 31 December 2022.

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 2023, 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 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, did not carry out any financial instruments such as forward currency exchange contracts to hedge the risks.

HUMAN RESOURCE

As at 30 June 2023, the Group had 32 full time employees who were directly employed by the Group. For the six months ended 30 June 2023, our total staff costs (including the directors' remuneration) were approximately RMB2,706,000 (Six months ended 30 June 2022: approximately RMB2,913,000).

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

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

In 2022, Guangzhou, Dongguan, Huizhou, Zhuhai cities have issued their "Gasoline Retail Market for the 14th Five-Year Plan" (成品油分銷體系「十四五」發展規劃) pursuant to 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) issued by The Energy Bureau of Guangdong Province (廣東省能源局), which the gasoline stations are to be increased and optimised, with adequate coverage in major highways and remote areas. The Traffic and Transportation Department of Guangdong Province (廣東省交通運輸廳) also issued 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) in January 2022, 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 more important role in the local supply chain and be able to capture a bigger market share in the future.

The Group did not have specific plans for material investments or capital assets in the coming year as at 30 June 2023.

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 and its listing was successfully transferred to the Main Board of the Stock Exchange on 17 May 2023. The Company intends that the net proceeds of the Company's placing and public offering of a total of 105,000,000 shares from GEM Listing (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 2023 is set out below:

Business strategies as stated in the Prospectus	Implementation plan	Implementation progress as at 30 June 2023
(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.

Business strategies as stated in the Prospectus	Implementation plan	Implementation progress as at 30 June 2023
	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 second half of 2023.
(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.

Use of the net proceeds of the Share Offer up to 30 June 2023 was as follows:

	Net proceeds to be applied in the percentage allocation stated in the Prospectus	Amount of net proceeds used as at 30 June 2023	Unutilised net proceeds as at 30 June 2023
	RMB'000	*RMB'000*	*RMB'000*
(1) Upgrading of the wharf berth capability at Zengcheng Oil Depot	11,038	7,564	3,474
(2) Refurbishment of oil tanks, pipelines and other oil depot facilities at Zhencheng Oil Depot	9,765	9,765	–
Total	20,803	17,329	3,474

The remaining unutilised net proceeds of the Share Offer as at 30 June 2023 were placed in bank accounts with licensed banks maintained by the Group in Hong Kong and in the PRC and are currently intended to be applied in the manner consistent with the proposed allocations as set out in the Prospectus dated 29 December 2017. The remaining unutilised net proceeds are expected to be utilised by 31 December 2023.

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

INTERIM DIVIDEND

The directors do not recommend the payment of any dividend for the six months ended 30 June 2023 (Six months ended 30 June 2022: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S 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 2023.

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 14 of the Listing Rules during the six months ended 30 June 2023.

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 2023.

INTERESTS OF THE COMPLIANCE ADVISER

In accordance with rule 3A.19 of the Listing Rules, the Company has appointed Honestum International Limited as its compliance adviser (the "**Compliance Adviser**"). Except for the compliance adviser agreement entered into between the Company and the Compliance Adviser, neither the Compliance Adviser nor its directors, employees or close associates had any interests in relation to the Company which is required to be notified to the Company.

CHANGES IN THE DIRECTORS' INFORMATION

There is no change in directors' information since the date of the Group's annual financial statements for the year ended 31 December 2022 and up to the date of this announcement, which are required to be disclosed under Rule 13.51B(1) of the Listing Rules:

AUDIT COMMITTEE

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

The Audit Committee of the Company has reviewed the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2023 and this announcement.

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

Hong Kong, 22 August 2023

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.