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巨騰國際控股有限公司

JU TENG INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3336)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

Financial Highlights

- Revenue for the six months ended 30 June 2020 was approximately HK\$4,572 million, representing an increase of approximately 5.3%.
- Gross profit for the six months ended 30 June 2020 was approximately HK\$693 million, representing a substantial increase of approximately 56.7%.
- Gross profit margin for the six months ended 30 June 2020 increased to approximately 15.1% from approximately 10.2% for the six months ended 30 June 2019.
- Profit attributable to equity holders of the Company for the six months ended 30 June 2020 was approximately HK\$227 million, as compared to a loss attributable to equity holders of the Company of approximately HK\$47 million for the six months ended 30 June 2019.
- Basic earnings per share attributable to equity holders of the Company for the six months ended 30 June 2020 was approximately HK25.9 cents, as compared to basic loss per share attributable to equity holders of the Company of approximately HK5.1 cents for the six months ended 30 June 2019.
- Net asset value per share attributable to equity holders of the Company as at 30 June 2020 was approximately HK\$5.0 as compared with approximately HK\$5.0 as at 31 December 2019.

The board (the “**Board**”) of directors (the “**Directors**”) of Ju Teng International Holdings Limited (the “**Company**” or “**Ju Teng**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2020 (the “**Period**”) as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

		For the six months ended 30 June	
	<i>Notes</i>	2020	2019
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
REVENUE	3	4,572,242	4,341,454
Cost of sales		<u>(3,879,557)</u>	<u>(3,899,449)</u>
Gross profit		692,685	442,005
Other income and gains	3	111,234	38,568
Selling and distribution expenses		(61,692)	(66,685)
Administrative expenses		(308,284)	(346,246)
Other expenses		(14,815)	(8,801)
Finance costs	4	<u>(56,276)</u>	<u>(73,753)</u>
PROFIT/(LOSS) BEFORE TAX	5	362,852	(14,912)
Income tax expense	6	<u>(100,382)</u>	<u>(16,298)</u>
PROFIT/(LOSS) FOR THE PERIOD		<u>262,470</u>	<u>(31,210)</u>
Attributable to:			
Equity holders of the Company		227,420	(47,355)
Non-controlling interests		<u>35,050</u>	<u>16,145</u>
		<u>262,470</u>	<u>(31,210)</u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	8		
- Basic (HK cents)		<u>25.9</u>	<u>(5.1)</u>
- Diluted (HK cents)		<u>25.6</u>	<u>(5.1)</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the six months ended 30 June 2020*

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT/(LOSS) FOR THE PERIOD	<u>262,470</u>	<u>(31,210)</u>
OTHER COMPREHENSIVE INCOME/(EXPENSES)		
Other comprehensive expenses that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(193,374)</u>	<u>(22,437)</u>
Other comprehensive income/(expenses) that will not be reclassified to profit or loss in subsequent periods:		
Equity investment designated at fair value through other comprehensive income:		
Change in fair value	(2,080)	4,233
Income tax effect	<u>422</u>	<u>-</u>
	<u>(1,658)</u>	<u>4,233</u>
Release of exchange fluctuation reserve upon disposal of a subsidiary	<u>-</u>	<u>(962)</u>
Net other comprehensive income/(expenses) that will not be reclassified to profit or loss in subsequent periods	<u>(1,658)</u>	<u>3,271</u>
OTHER COMPREHENSIVE EXPENSES FOR THE PERIOD, NET OF TAX	<u>(195,032)</u>	<u>(19,166)</u>
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE PERIOD	<u>67,438</u>	<u>(50,376)</u>
Attributable to:		
Equity holders of the Company	70,021	(59,693)
Non-controlling interests	<u>(2,583)</u>	<u>9,317</u>
	<u>67,438</u>	<u>(50,376)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

	Notes	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		6,984,659	7,174,534
Right-of-use assets		619,482	546,196
Goodwill		52,488	52,488
Deferred tax assets		48,013	61,654
Prepayments for acquisition of property, plant and equipment		64,051	66,764
Equity investment designated at fair value through other comprehensive income		24,648	26,841
Total non-current assets		<u>7,793,341</u>	<u>7,928,477</u>
CURRENT ASSETS			
Inventories		1,789,751	1,657,535
Trade receivables	9	3,603,183	3,146,961
Prepayments, deposits and other receivables		335,562	205,047
Pledged and restricted bank balances		54,442	33,824
Cash and cash equivalents		787,098	1,142,072
Total current assets		<u>6,570,036</u>	<u>6,185,439</u>
CURRENT LIABILITIES			
Trade and bills payables	10	1,166,241	1,064,696
Other payables and accruals		1,609,722	1,566,366
Lease liabilities		2,183	1,764
Tax payable		117,579	156,929
Interest-bearing bank borrowings		3,331,731	2,869,848
Total current liabilities		<u>6,227,456</u>	<u>5,659,603</u>
NET CURRENT ASSETS		<u>342,580</u>	<u>525,836</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>8,135,921</u>	<u>8,454,313</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		687,173	904,999
Deferred income		34,687	35,646
Lease liabilities		2,214	2,960
Deferred tax liabilities		61,783	62,205
Total non-current liabilities		<u>785,857</u>	<u>1,005,810</u>
Net assets		<u>7,350,064</u>	<u>7,448,503</u>
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	11	116,634	116,634
Reserves		5,664,108	5,759,964
		<u>5,780,742</u>	<u>5,876,598</u>
Non-controlling interests		<u>1,569,322</u>	<u>1,571,905</u>
Total equity		<u>7,350,064</u>	<u>7,448,503</u>

NOTES

1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The condensed consolidated interim financial information has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

The condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 December 2019. The accounting policies and basis of preparation adopted in the preparation of the interim financial information are the same as those used in the annual financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“**HKFRSs**”, which also include HKASs and Interpretations) for the first time for the current period’s financial information:

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The adoption of the above revised HKFRSs has had no significant financial effect on the Group’s condensed consolidated interim financial information.

2. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the business of manufacture and sale of casings for notebook computer and handheld devices. For management purposes, the Group operates in one business unit based on its casing products, and has one reportable operating segment.

No operating segments have been aggregated to form the above reportable operating segment.

2. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

Revenue from external customers:

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
The People's Republic of China (the "PRC" or "Mainland China"), excluding Hong Kong	4,495,641	4,261,934
The Republic of China (the "ROC")	42,862	54,024
Others	33,739	25,496
	<u>4,572,242</u>	<u>4,341,454</u>

The revenue information above is based on the locations of the products delivered to the customers.

3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<i>Revenue from contracts with customers</i>		
Sale of goods	<u>4,572,242</u>	<u>4,341,454</u>

Revenue from contracts with customers

(i) Disaggregated revenue information

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<i>Geographical markets</i>		
The PRC, excluding Hong Kong	4,495,641	4,261,934
The ROC	42,862	54,024
Others	33,739	25,496
	<u>4,572,242</u>	<u>4,341,454</u>

(ii) Performance obligation

Sale of goods

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 60 to 120 days from delivery.

3. REVENUE, OTHER INCOME AND GAINS *(continued)*

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income	5,858	6,934
Subsidy income [#]	16,736	7,895
Compensation income	5,835	6,670
Gross rental income	12,640	13,241
Write-off of long outstanding other payables and accruals	2,245	799
Foreign exchange gains, net	67,556	2,371
Others	364	658
	111,234	38,568

[#] Various government subsidies have been received for enterprises engaged business in Mainland China for promoting the manufacturing industry. There are no unfulfilled conditions or contingencies relating to these subsidies.

4. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans	60,493	78,030
Interest on lease liabilities	91	5
Total interest expense on financial liabilities not at fair value through profit or loss	60,584	78,035
Less: Interest capitalised	(4,308)	(4,282)
	56,276	73,753

5. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold	3,879,557	3,899,449
Depreciation of property, plant and equipment	455,539	530,150
Depreciation of right-of-use assets	7,673	7,117
Provision/(reversal of provision) for inventories, net	145,869	(4,334)
Impairment of trade receivables	8,546	2,082
Write-back of trade receivables	(1,094)	(1,981)
Loss on disposal of items of property, plant and equipment, net	4,101	4,704
Loss on disposal of a subsidiary	-	2,048
Foreign exchange gains, net	(67,556)	(2,371)

6. INCOME TAX

Hong Kong profits tax has not been provided as the Group did not have any assessable profits arising in Hong Kong during the Period (six months ended 30 June 2019: Nil). Taxes on assessable profits have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Provision for the Period:		
Current – The PRC, excluding Hong Kong		
Charge for the Period	101,763	21,789
Underprovision in prior years	2,154	9,526
Current – Overseas		
Charge for the Period	6,180	1,104
Overprovision in prior years	(22,250)	(14,425)
Deferred tax	12,535	(1,696)
Total tax charge for the Period	100,382	16,298

7. INTERIM DIVIDEND

The Directors did not propose to declare any interim dividend for the Period (six months ended 30 June 2019: Nil).

During the six months ended 30 June 2020, the Company approved and paid a final dividend of HK10 cents (six months ended 30 June 2019: HK10 cents) per ordinary share, amounting to approximately HK\$116,634,000 (six months ended 30 June 2019: approximately HK\$116,634,000) in respect of the previous financial year.

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share amounts is based on the profit for the Period attributable to equity holders of the Company of HK\$227,420,000 (six months ended 30 June 2019: loss of HK\$47,355,000) and the weighted average number of 877,038,517 (six months ended 30 June 2019: 931,450,317) ordinary shares in issue excluding shares held under the share award plan during the Period.

The calculation of diluted earnings/(loss) per share amounts is based on the profit for the Period attributable to equity holders of the Company of HK\$227,420,000 (six months ended 30 June 2019: loss of HK\$47,355,000). The weighted average number of ordinary shares used in the calculation is 877,038,517 (six months ended 30 June 2019: 931,450,317) ordinary shares in issue excluding shares held under the share award plan during the Period, as used in the basic earnings/(loss) per share calculation, and the weighted average number of 10,293,827 (six months ended 30 June 2019: 4,043,110) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

9. TRADE RECEIVABLES

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Trade receivables	3,613,638	3,148,870
Impairment	(10,455)	(1,909)
	<u>3,603,183</u>	<u>3,146,961</u>

The general credit terms of the Group range from 60 to 120 days. Trade receivables are non-interest-bearing. The Group does not hold any collateral or other credit enhancements over these balances.

9. TRADE RECEIVABLES *(continued)*

An ageing analysis of the Group's trade receivables as at the end of the Period, based on the invoice date and net of loss allowance, is as follows:

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Within 3 months	2,572,236	2,317,879
4 to 6 months	921,779	818,294
7 to 12 months	109,168	10,788
	<u>3,603,183</u>	<u>3,146,961</u>

10. TRADE AND BILLS PAYABLES

The trade payables are non-interest-bearing and are normally settled on terms of 60 to 120 days.

An ageing analysis of the Group's trade and bills payables as at the end of the Period, based on the invoice date, is as follows:

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Within 3 months	973,532	862,024
4 to 6 months	177,799	186,652
7 to 12 months	7,900	9,465
Over 1 year	7,010	6,555
	<u>1,166,241</u>	<u>1,064,696</u>

11. SHARE CAPITAL

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Authorised: 2,000,000,000 shares of HK\$0.1 each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid: 1,166,342,445 shares of HK\$0.1 each	<u>116,634</u>	<u>116,634</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review & Prospects

In the first half of 2020, the Coronavirus Disease 2019 (COVID-19) outbreak (the “**Epidemic**”) resulted in a recession of the global economy. According to the World Economic Outlook released by the International Monetary Fund, the global growth rate in 2020 is expected to be negative 4.9%, representing 1.9 percentage points lower than the forecast in the World Economic Outlook issued in April 2020. According to the latest survey results released by Gartner, Inc. (“**Gartner**”), a market research and advisory organisation, given the impact of the Epidemic on the supply and demand chain, the global personal computer (“**PC**”) shipments, which includes desktop, notebook, super mobile computers, for the first quarter of 2020 were 51.6 million units, dropped by 12.3% year-on-year. In the second quarter, contributed by the demand for PCs driven by work-from-home and distance learning amidst the Epidemic, coupled with suppliers' replenishment of inventory, the global PC shipments increased by 2.8% to 64.8 million units as compared to that of the corresponding period of last year. Such rebound momentum was mainly driven by notebook computers, which have become crucial for companies and students who are adapting themselves to the new work and learning environment under the Epidemic. As one of the world's leading notebook computer casing manufacturers, the business of Ju Teng International Holdings Limited (the “**Company**” or “**Ju Teng**”) and its subsidiaries (collectively referred to as the “**Group**”) has benefited from the increasing market demand for PCs as a result of the Epidemic. The Group recorded an increase in revenue and turned losses into profit attributable to equity holders during the Period as compared to that of the corresponding period of last year.

During the Period, designed to facilitate work-from-home and online learning arrangements, both commercial and educational versions of notebook computers recorded growth in shipments. The Group's sales of plastic and metal casings during the Period achieved good performance, with sales revenue increased by approximately 5.3% to approximately HK\$4,572 million. In addition, given that the Group's production plants are based in Mainland China, the depreciation of Renminbi (“**RMB**”) against Hong Kong dollar (“**HKD**”) reduced the Group's production costs, pushing the Group's gross profit margin to a relatively high level during the Period. The Group's gross profit margin and net profit margin increased during the Period. The profit attributable to equity holders of the Company also increased to HK\$227 million.

Looking ahead to the second half of the year, the Group will continue to focus on the production of casings for notebook computers, 2-in-1 computers and tablet computers, and Ju Teng will continue to develop technology and marketing of metal casings, which command higher unit prices than plastic casings. Gartner forecasts that one billion PCs will be upgraded to Windows 10 in 2020, accounting for 80% of the total number of PCs currently in use. The Group remains cautiously optimistic about operations in the second half of the year, and will actively keep track on industry trends, capitalise on the economic development situation and focus on the introduction of new materials and technology research and development, so as to stay competitive in the international market.

The Epidemic may have changed the work and study modes, rather than creating a short-term demand growth to the PC market. New trends emerging under the Epidemic, such as remote work and online education, shall be facilitated by powerful productivity tools. Therefore, strong demand for notebook computers, being a representative of the best productivity tool, is expected to continue for several quarters. While taking into account the dynamic changes in market forecasts, the Group will also remain cautious amidst risks and uncertainties and proactively adjust production strategies to achieve sound financial development.

In addition, according to the assessment of the International Monetary Fund, the negative impact of the Epidemic on economic activities in the first half of 2020 was more serious than expected, and the recovery is expected to be slower than previously predicted. Drawing upon its years of experience in the PC casing market, the Group will continue to respond to challenges with a flexible market strategy. The Group remains confident in the development prospects, and will aggressively seize market opportunities alongside the economic recovery, achieve quality, sustainable and stable development, therefore creating better returns for shareholders.

Financial Review

During the Period, due to the outbreak of Epidemic, countries around the world have adopted varying degrees of restrictions on the movement of their citizens, resulting in the increase in the shipments of commercial and educational versions of notebook computer to facilitate work from home and online learning, the Group's revenue increased by approximately 5.3% to approximately HK\$4,572 million (2019: approximately HK\$4,341million). The Group's gross profit margin during the Period also increased to approximately 15.1% (2019: approximately 10.2%), which was mainly attributable to the increase in sales and the depreciation of RMB against HKD during the Period by approximately 4.5% as compared to that of the corresponding period of last year. Depreciation of RMB against HKD during the Period caused a decrease in the Group's production costs as most of the Group's production costs are denominated in RMB while most of the Group's revenue is denominated in United States dollar ("**USD**").

During the Period, other income and gains of the Group mainly consisted of subsidy income of approximately HK\$17 million (2019: approximately HK\$8 million), interest income of approximately HK\$6 million (2019: approximately HK\$7 million), gross rental income of approximately HK\$13 million (2019: approximately HK\$13 million) and foreign exchange gains, net of approximately HK\$68 million (2019: approximately HK\$2 million) which was mainly resulting from the translation of trade receivables denominated in USD. Due to the increase in subsidy income and foreign exchange gains, net, the Group recorded a substantial increase of approximately 188.4% in other income and gains to approximately HK\$111 million (2019: approximately HK\$39 million) during the Period, accounting for approximately 2.4% (2019: approximately 0.9%) of the Group's revenue.

As a result of the depreciation of RMB against HKD during the Period, the Group recorded a decrease of approximately 10.4% in operating costs, including administrative expenses and selling and distribution expenses, to approximately HK\$370 million (2019: approximately HK\$413 million). The percentage of operating costs of the Group decreased to approximately 8.1% (2019: approximately 9.5%) of the Group's revenue.

During the Period, other expenses of the Group mainly consisted of impairment of trade receivables of approximately HK\$9 million (2019: approximately HK\$2 million) and loss on disposal of items of property, plant and equipment, net of approximately HK\$4 million (2019: HK\$5 million). Loss on disposal of a subsidiary which was engaged in mould production of approximately HK\$2 million was recorded in the corresponding period of last year. Due to a substantial increase in impairment of trade receivables, the Group recorded a substantial increase of approximately 68.3% in other expenses to approximately HK\$15 million (2019: approximately HK\$9 million), accounting for approximately 0.3% (2019: approximately 0.2%) of the Group's revenue.

Finance costs of the Group decreased by approximately 23.7% to approximately HK\$56 million (2019: approximately HK\$74 million) for the Period as compared to that of the corresponding period of last year, which was mainly attributable to the decrease in loan interest rate. Interest capitalised during the Period was approximately HK\$4 million (2019: approximately HK\$4 million).

As there was a profit before tax recorded during the Period, as compared to a loss before tax recorded in the corresponding period of last year, the Group's income tax expense increased substantially to approximately HK\$100 million (2019: approximately HK\$16 million) for the Period. As deferred tax assets have not been recognised for certain tax losses incurred by certain subsidiaries, the Group's effective tax rate for the Period remained at a higher level of approximately 27.7%.

The profit attributable to equity holders of the Company for the Period amounted to approximately HK\$227 million (2019: loss of approximately HK\$47 million). The change from loss to profit attributable to equity holders of the Company was mainly attributable to the increase in the Group's revenue, gross profit and other income and gains.

Liquidity and Financial Resources

As at 30 June 2020, total bank borrowings of the Group amounted to approximately HK\$4,019 million (31 December 2019: approximately HK\$3,775 million), representing an increase of approximately 6.5% as compared to that of 31 December 2019. The Group's bank borrowings were at floating interest rates and included short-term loans with 1-year maturity, 2-year term loans and 5-year syndicated loans. As at 30 June 2020, the Group's bank loans denominated in USD, New Taiwan dollars and RMB were approximately HK\$3,707 million (31 December 2019: approximately HK\$3,663 million), approximately HK\$33 million (31 December 2019: approximately HK\$33 million) and HK\$279 million (31 December 2019: HK\$79 million), respectively.

During the Period, the Group's net cash flows from operating activities decreased to approximately HK\$68 million from approximately HK\$691 million in 2019, which was mainly due to the increase in inventories, trade receivables and prepayments, deposits and other receivables. As a result of the purchase of production machineries in order to expand its production in products with higher profit margin which include metal casings, the Group recorded a net cash outflow from investing activities of approximately HK\$506 million (2019: approximately HK\$262 million). During the Period, due to the drawdown of new bank borrowings, the Group recorded a net cash inflow from financing activities of approximately HK\$95 million (2019: net cash outflow of approximately HK\$418 million). As at 30 June 2020, the Group had cash and bank balances of approximately HK\$787 million (31 December 2019: approximately HK\$1,142 million).

As at 30 June 2020, the Group's gearing ratio calculated as total bank borrowings of approximately HK\$4,019 million (31 December 2019: approximately HK\$3,775 million) divided by total assets of approximately HK\$14,363 million (31 December 2019: approximately HK\$14,114 million) slightly increased to approximately 28.0% (31 December 2019: approximately 26.7%), which was mainly due to the increase in total bank borrowings as at 30 June 2020 as compared with 31 December 2019.

Financial Ratios

Due to the increase in inventory level to meet customers' demand in the second half of 2020, inventory turnover days of the Group during the Period increased significantly to approximately 84 days (2019: approximately 70 days). During the Period, a relatively large inventory provision of approximately HK\$146 million (2019: reversal of provision of approximately HK\$4 million) was provided for slow-moving and ageing inventory. As at 30 June 2020, there was an increase in the Group's inventories of approximately 8.0% to approximately HK\$1,790 million (31 December 2019: approximately HK\$1,658 million).

Trade receivables turnover days of the Group during the Period increased significantly to approximately 143 days (2019: approximately 112 days) as most of the sales for the Period was generated in the second quarter of 2020, resulting in a significant increase in the trade receivables. Trade receivables as at 30 June 2020 increased by approximately 14.5% to approximately HK\$3,603 million, compared to approximately HK\$3,147 million as at 31 December 2019.

Trade and bills payables turnover days of the Group during the Period increased to approximately 55 days (2019: approximately 43 days) due to the increase in purchases of materials in the second quarter of 2020 in order to cope with the increase in sales.

Pledge of Assets

As at 30 June 2020, certain land and buildings of the Group with a net carrying amount of approximately HK\$21 million (31 December 2019: approximately HK\$21 million) were pledged to secure banking facilities granted to the Group.

Foreign Exchange Exposure

Since most of the Group's revenue is denominated in USD and most of the Group's expenses are denominated in RMB, the appreciation of RMB will have adverse effect on the Group's profitability and vice versa. During the Period, the Group recorded exchange gains of approximately HK\$68 million (2019: approximately HK\$2 million). The management of the Group will, nonetheless, continue to monitor the Group's foreign currency risk exposures and adopt prudent measures as appropriate to minimise the adverse effects arising from the foreign currency fluctuations.

Employees

During the Period, the Group had approximately 37,000 employees (2019: approximately 38,000 employees). During the Period, the Group recorded staff costs of approximately HK\$1,343 million (2019: approximately HK\$1,402 million).

The Group's employees are remunerated in line with prevailing market terms and individual performance, with the remuneration package and policies reviewed on a regular basis. Discretionary bonuses may be rewarded to employees after assessment of the performance of the Group and that of the individual employee. The Group also operates a defined contribution Mandatory Provident Fund retirement benefits scheme for its employees in Hong Kong, and provides its PRC and ROC employees with welfare schemes as required by the applicable laws and regulations of the PRC and ROC.

Capital Commitment

As at 30 June 2020, the capital commitments which the Group had contracted for but were not provided for in the financial information in respect of the acquisition of land, buildings, machinery and office equipment amounted to approximately HK\$762 million (31 December 2019: approximately HK\$293 million). The increase in capital commitments was mainly attributable to the construction agreement in relation to the construction of new production plant in Suzhou, PRC for relocation purpose.

Contingent Liabilities

As at 30 June 2020, the Group did not have any significant contingent liabilities.

Events after the Reporting Period

The ongoing development and spread of the Epidemic continued to affect the business and economic activities around the world. However, the overall financial effect of the Epidemic to the Group cannot be reliably estimated as of the date of this announcement. The Group will continue to monitor closely the development of the Epidemic and evaluate its impact on the financial position and operating results of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Period.

INTERIM DIVIDEND

The Directors do not recommend the payment of interim dividend for the Period.

CORPORATE GOVERNANCE PRACTICES

The Company continues to devote much effort on formulating and implementing sufficient corporate governance practices which it believes is crucial to its healthy growth and its business needs.

The Company has adopted the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**"). The Company and the corporate governance committee of the Company periodically review its corporate governance practices to ensure its continuous compliance with the CG Code. The Company had complied with the code provisions of the CG Code throughout the Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted and applied a code of conduct regarding the Directors' securities transaction on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Company is satisfied that all the Directors have fully complied with the required standards set out in the Model Code and the code of conduct of the Company for the Period.

AUDIT COMMITTEE

The audit committee of the Board has reviewed the accounting policies, accounting standards and practices adopted by the Group and the unaudited condensed consolidated interim financial information and results of the Group for the Period.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the Company's website (<http://www.irasia.com/listco/hk/juteng>) and the Hong Kong Stock Exchange's website (<http://www.hkexnews.hk>). The 2020 interim report will be despatched to the shareholders of the Company and will be made available on the websites of the Company and the Hong Kong Stock Exchange in due course in accordance with the Listing Rules.

By order of the Board
Ju Teng International Holdings Limited
Cheng Li-Yu
Chairman

Hong Kong, 18 August 2020

As at the date of this announcement, the executive Directors are Mr. Cheng Li-Yu, Mr. Chiu Hui-Chin, Mr. Huang Kuo-Kuang, Mr. Lin Feng-Chieh and Mr. Tsui Yung Kwok, and the independent non-executive Directors are Mr. Cherng Chia-Jiun, Mr. Tsai Wen-Yu and Mr. Yip Wai Ming.