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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 2019

Financial Highlights

- Revenue for the six months ended 30 June 2019 was approximately HK$4,341 million, representing an increase of approximately 10.0%.
- Gross profit for the six months ended 30 June 2019 was approximately HK$442 million, representing a substantial increase of approximately 69.8%.
- Gross profit margin for the six months ended 30 June 2019 increased to approximately 10.2% from approximately 6.6% for the six months ended 30 June 2018.
- Loss attributable to equity holders of the Company for the six months ended 30 June 2019 was approximately HK$47 million, representing a substantial decrease of approximately 69.3%.
- Basic loss per share attributable to equity holders of the Company for the six months ended 30 June 2019 was approximately HK5.1 cents, representing a substantial decrease of approximately 67.1%.
- Net asset value per share attributable to equity holders of the Company as at 30 June 2019 was approximately HK$5.1 as compared with approximately HK$5.2 as at 31 December 2018.

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 2019 (the "**Period**") as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2019

		For the six months ended 30 June	
		2019	2018
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	3	**4,341,454**	3,945,778
Cost of sales		**(3,899,449)**	(3,685,467)
Gross profit		**442,005**	260,311
Other income and gains	3	**38,568**	102,007
Selling and distribution expenses		**(66,685)**	(58,894)
Administrative expenses		**(346,246)**	(344,153)
Other expenses		**(8,801)**	(14,023)
Finance costs	4	**(73,753)**	(70,115)
LOSS BEFORE TAX	5	**(14,912)**	(124,867)
Income tax expense	6	**(16,298)**	(20,968)
LOSS FOR THE PERIOD		**(31,210)**	(145,835)
Attributable to:			
Equity holders of the Company		**(47,355)**	(154,478)
Non-controlling interests		**16,145**	8,643
		(31,210)	(145,835)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	8		
- Basic (HK cents)		**(5.1)**	(15.5)
- Diluted (HK cents)		**(5.1)**	(15.5)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2019

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
LOSS FOR THE PERIOD	**(31,210)**	(145,835)
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	**(22,437)**	(161,010)
Release of exchange fluctuation reserve upon disposal of a subsidiary	**(962)**	-
Net other comprehensive expenses that may be reclassified to profit or loss in subsequent periods	**(23,399)**	(161,010)
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	**4,233**	(9,130)
Income tax effect	**-**	1,162
	4,233	(7,968)
OTHER COMPREHENSIVE EXPENSES FOR THE PERIOD, NET OF TAX	**(19,166)**	(168,978)
TOTAL COMPREHENSIVE EXPENSES FOR THE PERIOD	**(50,376)**	(314,813)
Attributable to:		
Equity holders of the Company	**(59,693)**	(297,385)
Non-controlling interests	**9,317**	(17,428)
	(50,376)	(314,813)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2019

	Notes	**30 June 2019 (Unaudited) *HK$'000***	31 December 2018 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**7,414,881**	7,728,064
Right-of-use assets		**557,213**	-
Lease premium for land		**-**	552,232
Goodwill		**52,488**	53,985
Deferred tax assets		**71,980**	70,658
Prepayments for acquisition of property, plant and equipment		**45,967**	12,489
Equity investment designated at fair value through other comprehensive income		**15,011**	10,826
Total non-current assets		**8,157,540**	8,428,254
CURRENT ASSETS			
Inventories		**1,501,785**	1,589,528
Trade receivables	9	**2,695,046**	3,261,538
Prepayments, deposits and other receivables		**221,367**	307,248
Pledged and restricted bank balances		**61,622**	66,400
Cash and cash equivalents		**1,166,154**	1,157,244
Total current assets		**5,645,974**	6,381,958
CURRENT LIABILITIES			
Trade and bills payables	10	**932,260**	1,099,014
Other payables and accruals		**1,405,280**	1,635,675
Lease liabilities		**111**	-
Tax payable		**72,693**	202,795
Interest-bearing bank borrowings		**2,959,101**	2,958,305
Total current liabilities		**5,369,445**	5,895,789
NET CURRENT ASSETS		**276,529**	486,169
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,434,069**	8,914,423

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
30 June 2019

	Notes	30 June 2019 (Unaudited) HK$'000	31 December 2018 (Audited) HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**889,012**	1,185,962
Deferred income		**37,765**	44,220
Lease liabilities		**116**	-
Deferred tax liabilities		**60,199**	60,439
Total non-current liabilities		**987,092**	1,290,621
Net assets		**7,446,977**	7,623,802
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	11	**116,634**	116,634
Reserves		**5,774,573**	5,960,714
		5,891,207	6,077,348
Non-controlling interests		**1,555,770**	1,546,454
Total equity		**7,446,977**	7,623,802

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 2018. 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 2018, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**", which also include HKASs and Interpretations) that affect the Group and has adopted for the first time for the current period's financial information:

<u>New and revised HKFRSs</u>

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	Amendments to the following standards: – HKFRS 3 *Business Combinations* – HKFRS 11 *Joint Arrangements* – HKAS 12 *Income Taxes* – HKAS 23 *Borrowing Costs*

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the above new and revised HKFRSs have no significant financial effect on the Group's condensed consolidated interim financial information.

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating leases or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16
The Group has lease contracts for certain of its office properties and motor vehicles. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., photocopiers); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition
Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019.

The right-of-use assets were recognised based on the carrying amount as if the standard had always been applied, except for the incremental borrowing rate where the Group applied the incremental borrowing rate at 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. This includes prepaid lease payments in respect of the land use rights of HK$566,727,000 that were reclassified from lease premium for land and prepayments, deposits and other receivables.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application;
- Used hindsight in determining the lease term where the contract contains options to terminate the lease; and
- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/(decrease) (Unaudited) *HK$'000*
Assets	
Increase in right-of-use assets	567,012
Decrease in lease premium for land	(552,232)
Decrease in prepayments, deposits and other receivables	(14,495)
Increase in total assets	285
Liabilities	
Increase in lease liabilities (current portion)	111
Increase in lease liabilities (non-current portion)	176
Increase in total liabilities	287
Equity	
Increase in exchange fluctuation reserve	1
Decrease in retained profits	(2)
Decrease in non-controlling interests	(1)
Decrease in total equity	(2)

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	(Unaudited) *HK$'000*
Operating lease commitments as at 31 December 2018	1,739
Incremental borrowing rate as at 1 January 2019	4.02%
Discounted operating lease commitments as at 1 January 2019	1,705
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(1,349)
Commitments relating to leases of low-value assets	(69)
Lease liabilities as at 1 January 2019	287

Summary of new accounting policies

The accounting policy for operating leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets
Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities
Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Amounts recognised in the condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the Period are as follows:

	Right-of-use assets				
	Lease premium for land	Office properties	Motor vehicles	Total	Lease liabilities
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2019	**566,727**	**13**	**272**	**567,012**	**287**
Disposal of a subsidiary	**(1,420)**	**-**	**-**	**(1,420)**	**-**
Depreciation charge	**(7,060)**	**(4)**	**(53)**	**(7,117)**	**-**
Interest expenses	**-**	**-**	**-**	**-**	**5**
Payments	**-**	**-**	**-**	**-**	**(59)**
Exchange realignment	**(1,257)**	**(1)**	**(4)**	**(1,262)**	**(6)**
As at 30 June 2019	**556,990**	**8**	**215**	**557,213**	**227**

The Group recognised rental expenses from short-term leases of HK$1,633,000 and leases of low-value assets of HK$21,000 for the six months ended 30 June 2019.

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.

Geographical information

Revenue from external customers:

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
The People's Republic of China (the "**PRC**" or "**Mainland China**"), excluding Hong Kong	**4,261,934**	3,873,419
The Republic of China (the "**ROC**")	**54,024**	60,715
Others	**25,496**	11,644
	4,341,454	3,945,778

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	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Sale of goods	**4,341,454**	3,945,778

(i) Disaggregated revenue information

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Geographical markets		
The PRC, excluding Hong Kong	**4,261,934**	3,873,419
The ROC	**54,024**	60,715
Others	**25,496**	11,644
	4,341,454	3,945,778

(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.

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income	**6,934**	14,557
Subsidy income#	**7,895**	29,050
Compensation income	**6,670**	7,964
Gross rental income	**13,241**	12,329
Write-back of long outstanding trade payables, other payables and accruals	**799**	7,444
Foreign exchange gains, net	**2,371**	28,376
Others	**658**	2,287
	38,568	102,007

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	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans	**78,030**	74,987
Interest on lease liabilities	**5**	-
Total interest expense on financial liabilities not at fair value through profit or loss	**78,035**	74,987
Less: Interest capitalised	**(4,282)**	(4,872)
	73,753	70,115

5. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold	**3,899,449**	3,685,467
Depreciation of property, plant and equipment	**530,150**	580,926
Depreciation of right-of-use assets	**7,117**	-
Amortisation of lease premium for land	**-**	7,505
Provision/(reversal of provision) for inventories, net	**(4,334)**	51,507
Impairment of trade receivables, net	**2,082**	10,287
Loss on disposal of items of property, plant and equipment, net	**4,704**	-
Loss on disposal of a subsidiary	**2,048**	-
Foreign exchange gains, net	**(2,371)**	(28,376)

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 2018: 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	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Provision for the Period:		
Current – The PRC, excluding Hong Kong		
Charge for the Period	**21,789**	33,635
Underprovision in prior years	**9,526**	8,681
Current – Overseas		
Charge for the Period	**1,104**	2,460
Overprovision in prior years	**(14,425)**	(6,637)
Deferred tax	**(1,696)**	(17,171)
Total tax charge for the Period	**16,298**	20,968

7. INTERIM DIVIDEND

The Directors did not propose to declare any interim dividend for the Period (six months ended 30 June 2018: Nil).

During the six months ended 30 June 2019, the Company approved and paid a final dividend of HK10 cents (six months ended 30 June 2018: HK8 cents) per ordinary share, amounting to approximately HK$116,634,000 (six months ended 30 June 2018: approximately HK$91,804,000) in respect of the previous financial year.

8. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share amounts is based on the loss for the Period attributable to equity holders of the Company of HK$47,355,000 (six months ended 30 June 2018: HK$154,478,000) and the weighted average number of 931,450,317 (six months ended 30 June 2018: 995,098,240) ordinary shares in issue excluding shares held under the share award plan during the Period.

The calculation of diluted loss per share amounts is based on the loss for the Period attributable to equity holders of the Company of HK$47,355,000. The weighted average number of ordinary shares used in the calculation is 931,450,317 ordinary shares in issue excluding shares held under the share award plan during the Period, as used in the basic loss per share calculation, and the weighted average number of 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.

No adjustment has been made to the basic loss per share amount presented for the six months ended 30 June 2018 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amount presented.

9. TRADE RECEIVABLES

	As at 30 June 2019 (Unaudited) ***HK$'000***	As at 31 December 2018 (Audited) *HK$'000*
Trade receivables	**2,698,528**	3,262,938
Impairment	**(3,482)**	(1,400)
	2,695,046	3,261,538

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.

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 2019 (Unaudited) *HK$'000*	As at 31 December 2018 (Audited) *HK$'000*
Within 3 months	**1,968,465**	2,288,051
4 to 6 months	**713,723**	963,140
7 to 12 months	**12,858**	10,347
	2,695,046	3,261,538

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 2019 (Unaudited) *HK$'000*	As at 31 December 2018 (Audited) *HK$'000*
Within 3 months	**758,568**	882,588
4 to 6 months	**154,218**	204,382
7 to 12 months	**12,311**	5,620
Over 1 year	**7,163**	6,424
	932,260	1,099,014

11. SHARE CAPITAL

	As at 30 June 2019 (Unaudited) *HK$'000*	As at 31 December 2018 (Audited) *HK$'000*
Authorised:		
2,000,000,000 shares of HK$0.1 each	**200,000**	200,000
Issued and fully paid:		
1,166,342,445 shares of HK$0.1 each	**116,634**	116,634

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review & Prospects

The unresolved U.S.-China trade tensions, together with Brexit, have led to business confidence continue to dwindle. The momentum of global economic activity remained soft in the first half of 2019. According to the "World Economic Outlook" released by the International Monetary Fund, global economic growth is forecasted at 3.2% in 2019. An international research and advisory company, Gartner, indicated that the worldwide PC (including desktop, notebook and ultra-mobile computer) shipments fell by 4.6% year-on-year in the first quarter of 2019, but grew by 1.5% to 63 million units in the second quarter of 2019, following two quarters of decline. As one of the world's leading manufacturers of notebook computer casings, Ju Teng is striving to seize every opportunity in the PC market. During the Period, Ju Teng recorded an increase in revenue and the Group's gross profit margin benefited from the weakened Renminbi ("**RMB**") since the second quarter of 2019.

During the Period, the Group's total revenue increased by approximately 10.0% to approximately HK$4,341 million. Gartner suggested that the growth in PC sales is driven by the demand for Windows 10, while the CPU shortage problem that had affected the market for the past 18 months shows signs of easing. The growth in PC market, which is mainly dominated by the thin and light ultra-mobile computer, in turn encourages the growth of metal casing which has higher gross profit margin. Coupled with the Group's technological and market share advantages, and given that the Group's production plants are based in Mainland China, the depreciation of RMB against Hong Kong dollar ("**HKD**") in the second quarter of 2019 indirectly led to a decrease in production costs. Thus, the Group's gross profit for the Period increased by approximately 69.8% year-on-year to approximately HK$442 million and the gross profit margin increased by approximately 3.6% to approximately 10.2%.

Looking ahead to the second half of the year, the Group will continue its focus on the production of notebook and 2-in-1 PC casing. Following the application of Intel's Project Athena on the new model of notebook PC to be released in fall of 2019, it is expected to bring a new wave of demand for mobile PC, as Project Athena is bringing technological breakthrough in terms of battery life, performance, responsiveness, connectivity as well as the form factor. Furthermore, the rising PC price caused by some electronic components shortage last year have also been eased with the increase in the supply of those electronic components.

It is expected that factors such as individual market developments, downward trend of RMB, and the current U.S.-China trade dispute will continue to affect the PC market. Gartner suggested that the U.S.-China trade dispute may impact the PC market in the second half of 2019, as most of notebook and tablets PC are still manufactured in Mainland China and sales of these devices to the U.S. could face punitive tariffs if the manufacturers do not take quick action to respond, which will then bring some uncertainty to the PC market.

As one of the world's leading manufacturers of notebook computer casings, the Group, with years of experience in the PC casing market, will continue to closely monitor the development of 5G technology. Once 5G technology is mature in the PC industry, the Group will grasp the market opportunities and strive for the greatest benefit of Ju Teng's shareholders. We believe with its unlimited potential and flexible market strategy, the Group is able to develop steadily in a challenging environment.

Financial Review

During the Period, due to the sales growth of metal casings which have higher unit selling price, the Group's revenue increased by approximately 10.0% to approximately HK$4,341 million (2018: approximately HK$3,946 million). The Group's gross profit margin during the Period also increased substantially to approximately 10.2% (2018: approximately 6.6%), which was mainly attributable to the depreciation of RMB against HKD during the Period by approximately 6.3% as compared to that of 2018. 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$8 million (2018: approximately HK$29 million), interest income of approximately HK$7 million (2018: approximately HK$15 million), gross rental income of approximately HK$13 million (2018: approximately HK$12 million) and foreign exchange gains, net of approximately HK$2 million (2018: approximately HK$28 million) which was mainly resulting from the translation of trade receivables denominated in USD. Due to a decrease in subsidy income and foreign exchange gains, net, the Group recorded a substantial decrease of approximately 62.2% in other income and gains to approximately HK$39 million (2018: approximately HK$102 million) during the Period, accounting for approximately 0.9% (2018: approximately 2.6%) of the Group's revenue.

As a result of the increase in transportation expenses and environmental protection expenditures during the Period, the Group recorded an increase of approximately 2.5% in operating costs, including administrative expenses, and selling and distribution expenses, to approximately HK$413 million (2018: approximately HK$403 million). The percentage of operating costs of the Group decreased to approximately 9.5% (2018: approximately 10.2%) of the Group's revenue.

During the Period, other expenses of the Group mainly consisted of impairment of trade receivables of approximately HK$2 million (2018: approximately 10 million), loss on disposal of items of property, plant and equipment, net of approximately HK$5 million (2018: Nil) and loss on disposal of a subsidiary which was engaged in mould production of approximately HK$2 million (2018: Nil). Due to a decrease in impairment of trade receivables, the Group recorded a decrease of approximately 37.2% in other expenses to approximately HK$9 million (2018: approximately HK$14 million), accounting for approximately 0.2% (2018: approximately 0.4%) of the Group's revenue.

Finance costs of the Group increased by approximately 5.2% to approximately HK$74 million (2018: approximately HK$70 million) for the Period as compared to that of 2018, which was mainly attributable to the increase in loan interest rate. Interest capitalised during the Period was approximately HK$4 million (2018: approximately HK$5 million).

Income tax expense of the Group decreased by approximately 22.3% to approximately HK$16 million (2018: approximately HK$21 million) for the Period as compared to that of 2018. During the Period, despite the fact that the Group incurred loss before tax on consolidated basis, income tax expenses have been provided for in respect of the assessable profits generated by certain subsidiaries during the Period and the deferred tax assets have not been recognized for certain tax losses incurred by certain subsidiaries.

The loss attributable to equity holders of the Company for the Period amounted to approximately HK$47 million (2018: approximately HK$154 million), representing a substantial decrease of approximately 69.3% when compared to that of 2018. The decrease in the loss attributable to equity holders of the Company was mainly attributable to the increase in the Group's revenue and gross profit but the effect of which was partly offset by the decline in other income and gains.

Liquidity and Financial Resources

As at 30 June 2019, total bank borrowings of the Group amounted to approximately HK$3,848 million (31 December 2018: approximately HK$4,144 million), representing a decrease of approximately 7.1% as compared to that of 31 December 2018. The Group's bank borrowings were at floating interest rate and included short-term loans with 1-year maturity, 2-year term loans and 5-year revolving syndicated loans. As at 30 June 2019, the Group's bank loans denominated in USD, New Taiwan dollars and RMB were approximately HK$3,723 million (31 December 2018: approximately HK$4,109 million), approximately HK$34 million (31 December 2018: approximately HK$35 million) and HK$91 million (31 December 2018: Nil) respectively.

During the Period, the Group's cash flows from operating activities increased to approximately HK$691 million from approximately HK$172 million in 2018, which was mainly due to the decrease in trade receivables. As a result of the purchase of production machinery in order to strengthen the environmental protection measures as well as to improve the production efficiency, the Group recorded a net cash outflow from investing activities of approximately HK$262 million (2018: approximately HK$377 million). During the Period, due to the repayment of bank borrowings and payment of 2018 final dividend, the Group recorded a net cash outflow from financing activities of approximately HK$418 million (2018: approximately HK$881 million). As at 30 June 2019, the Group had cash and bank balances of approximately HK$1,166 million (31 December 2018: approximately HK$1,157 million).

As at 30 June 2019, the Group's gearing ratio calculated as total bank borrowings of approximately HK$3,848 million (31 December 2018: approximately HK$4,144 million) divided by total assets of approximately HK$13,804 million (31 December 2018: approximately HK$14,810 million). The gearing ratio as at 30 June 2019 remained relatively stable at approximately 27.9% (31 December 2018: approximately 28.0%).

Financial Ratios

Inventory turnover days of the Group during the Period of approximately 70 days (2018: approximately 69 days) remained stable. There was a decrease in the Group's inventories of approximately 5.5% to approximately HK$1,502 million as at 30 June 2019 from approximately HK$1,590 million as at 31 December 2018.

Trade receivables turnover days of the Group during the Period decreased to approximately 112 days (2018: approximately 125 days) which implied that the Group imposed a more effective credit control and working capital management. Trade receivables as at 30 June 2019 decreased by approximately 17.4% to approximately HK$2,695 million from approximately HK$3,262 million as at 31 December 2018.

Trade and bills payables turnover days of the Group during the Period increased slightly to approximately 43 days (2018: approximately 41 days) due to slower payments to the suppliers.

Pledge of Assets

As at 30 June 2019, certain land and buildings of the Group with a net carrying amount of approximately HK$21 million (31 December 2018: 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$2 million (2018: approximately HK$28 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 minimize the adverse effects arising from the foreign currency fluctuations.

Employees

During the Period, the Group had approximately 38,000 employees (2018: approximately 35,000 employees). During the Period, the Group recorded staff costs of approximately HK$1,402 million (2018: approximately HK$1,224 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 2019, 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$184 million (31 December 2018: approximately HK$148 million).

Contingent Liabilities

As at 30 June 2019, the Group did not have any significant contingent liabilities.

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 2019 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, 21 August 2019

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.