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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 2021

Financial Highlights

- Revenue for the six months ended 30 June 2021 was approximately HK$5,222 million, representing an increase of approximately 14.2%.

- Gross profit for the six months ended 30 June 2021 was approximately HK$621 million, representing a decline of approximately 10.4%.

- Gross profit margin for the six months ended 30 June 2021 decreased to approximately 11.9% from approximately 15.1% for the six months ended 30 June 2020.

- Profit attributable to equity holders of the Company for the six months ended 30 June 2021 was approximately HK$37 million, representing a decline of approximately 83.9%.

- Basic earnings per share attributable to equity holders of the Company for the six months ended 30 June 2021 was approximately HK4.3 cents, representing a decline of approximately 83.4%.

- Net asset value per share attributable to equity holders of the Company as at 30 June 2021 was approximately HK$5.4 as compared with approximately HK$5.4 as at 31 December 2020.

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 2021 (the "**Period**") as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the six months ended 30 June 2021*

| | *Notes* | **For the six months ended 30 June** **2021** **(Unaudited)** ***HK$'000*** | 2020 (Unaudited) *HK$'000* |
|---|---|---|---|
| **REVENUE** | 3 | **5,222,430** | 4,572,242 |
| Cost of sales | | **(4,601,733)** | (3,879,557) |
| Gross profit | | **620,697** | 692,685 |
| Other income and gains | 3 | **53,678** | 111,234 |
| Selling and distribution expenses | | **(110,840)** | (61,692) |
| Administrative expenses | | **(369,974)** | (308,284) |
| Other expenses | | **(91,929)** | (14,815) |
| Finance costs | 4 | **(34,417)** | (56,276) |
| **PROFIT BEFORE TAX** | 5 | **67,215** | 362,852 |
| Income tax expense | 6 | **(57,858)** | (100,382) |
| **PROFIT FOR THE PERIOD** | | **9,357** | 262,470 |
| Attributable to: | | | |
| Equity holders of the Company | | **36,533** | 227,420 |
| Non-controlling interests | | **(27,176)** | 35,050 |
| | | **9,357** | 262,470 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY** | 8 | | |
| - Basic (HK cents) | | **4.3** | 25.9 |
| - Diluted (HK cents) | | **4.3** | 25.6 |

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 June 2021*

| | For the six months ended 30 June | |
|---|---|---|
| | **2021** | 2020 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| **PROFIT FOR THE PERIOD** | **9,357** | 262,470 |
| **OTHER COMPREHENSIVE INCOME/(EXPENSES)** | | |
| Other comprehensive income/(expenses) that may be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of foreign operations | **138,097** | (193,374) |
| Other comprehensive 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 | **(4,150)** | (2,080) |
| Income tax effect | **830** | 422 |
| | **(3,320)** | (1,658) |
| **OTHER COMPREHENSIVE INCOME/(EXPENSES) FOR THE PERIOD, NET OF TAX** | **134,777** | (195,032) |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | **144,134** | 67,438 |
| Attributable to: | | |
| Equity holders of the Company | **142,988** | 70,021 |
| Non-controlling interests | **1,146** | (2,583) |
| | **144,134** | 67,438 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*30 June 2021*

| | Notes | **30 June 2021 (Unaudited) *HK$'000*** | 31 December 2020 (Audited) *HK$'000* |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **7,967,715** | 7,858,301 |
| Right-of-use assets | | **663,223** | 664,566 |
| Goodwill | | **52,488** | 52,488 |
| Deferred tax assets | | **68,659** | 68,091 |
| Prepayments for acquisition of property, plant and equipment | | **112,769** | 183,072 |
| Equity investment designated at fair value through other comprehensive income | | **19,692** | 24,218 |
| Total non-current assets | | **8,884,546** | 8,850,736 |
| **CURRENT ASSETS** | | | |
| Inventories | | **2,919,643** | 2,292,404 |
| Trade receivables | 9 | **2,930,016** | 3,975,767 |
| Prepayments, deposits and other receivables | | **380,494** | 370,295 |
| Pledged and restricted bank balances | | **74,061** | 38,311 |
| Cash and cash equivalents | | **741,060** | 928,674 |
| Total current assets | | **7,045,274** | 7,605,451 |
| **CURRENT LIABILITIES** | | | |
| Trade and bills payables | 10 | **1,223,959** | 1,399,513 |
| Other payables and accruals | | **2,060,301** | 2,106,296 |
| Lease liabilities | | **2,174** | 2,155 |
| Tax payable | | **52,111** | 128,023 |
| Interest-bearing bank borrowings | | **2,920,533** | 3,061,696 |
| Derivative financial instruments | | **11,681** | - |
| Total current liabilities | | **6,270,759** | 6,697,683 |
| **NET CURRENT ASSETS** | | **774,515** | 907,768 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **9,659,061** | 9,758,504 |
| **NON-CURRENT LIABILITIES** | | | |
| Interest-bearing bank borrowings | | **1,306,456** | 1,430,951 |
| Deferred income | | **46,953** | 46,894 |
| Lease liabilities | | **986** | 1,180 |
| Deferred tax liabilities | | **25,450** | 61,696 |
| Total non-current liabilities | | **1,379,845** | 1,540,721 |
| **Net assets** | | **8,279,216** | 8,217,783 |
| **EQUITY** | | | |
| **Equity attributable to equity holders of the Company** | | | |
| Issued capital | 11 | **120,001** | 120,001 |
| Reserves | | **6,411,480** | 6,351,193 |
| | | **6,531,481** | 6,471,194 |
| **Non-controlling interests** | | **1,747,735** | 1,746,589 |
| **Total equity** | | **8,279,216** | 8,217,783 |

## 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 2020. 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 2020, 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 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 | *Interest Rate Benchmark Reform – Phase 2* |

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.

**Geographical information**

*Revenue from external customers:*

| | **For the six months ended 30 June** | |
|---|---|---|
| | **2021** | 2020 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| The People's Republic of China (the "**PRC**" or "**Mainland China**"), excluding Hong Kong | **5,135,304** | 4,495,641 |
| The Republic of China (the "**ROC**") | **47,090** | 42,862 |
| Others | **40,036** | 33,739 |
| | **5,222,430** | 4,572,242 |

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

## 3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

| | For the six months ended 30 June | |
|---|---|---|
| | **2021** | 2020 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| **Revenue from contracts with customers** | | |
| Sale of casings for notebook computer and handheld devices | **5,222,430** | 4,572,242 |

**Revenue from contracts with customers**

**(i) *Disaggregated revenue information***

| | For the six months ended 30 June | |
|---|---|---|
| | **2021** | 2020 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| **Geographical markets** | | |
| The PRC, excluding Hong Kong | **5,135,304** | 4,495,641 |
| The ROC | **47,090** | 42,862 |
| Others | **40,036** | 33,739 |
| | **5,222,430** | 4,572,242 |
| **Timing of revenue recognition** | | |
| Goods transferred at a point in time | **5,222,430** | 4,572,242 |

**(ii) *Performance obligation***

**Sale of casings for notebook computer and handheld devices**

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 | |
|---|---|---|
| | **2021** | 2020 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Interest income | **3,611** | 5,858 |
| Subsidy income[#] | **28,299** | 16,736 |
| Compensation income | **223** | 5,835 |
| Gross rental income | **13,204** | 12,640 |
| Reversal of impairment of trade receivables | **2,411** | - |
| Write-off of long outstanding other payables and accrual | **5,909** | 2,245 |
| Foreign exchange gains, net | **-** | 67,556 |
| Others | **21** | 364 |
| | **53,678** | 111,234 |

[#] Various government subsidies have been received for enterprises engaged in businesses 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 | |
|---|---|---|
| | **2021** | 2020 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Interest on bank loans | **38,909** | 60,493 |
| Interest on lease liabilities | **60** | 91 |
| Total interest expense on financial liabilities not at fair value through profit or loss | **38,969** | 60,584 |
| Less: Interest capitalised | **(4,552)** | (4,308) |
| | **34,417** | 56,276 |

## 5. PROFIT BEFORE TAX

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

| | For the six months ended 30 June | |
|---|---|---|
| | **2021** | 2020 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Cost of inventories sold | **4,601,733** | 3,879,557 |
| Depreciation of property, plant and equipment | **493,126** | 455,539 |
| Depreciation of right-of-use assets | **8,872** | 7,673 |
| Provision/(reversal of provision) for inventories, net | **(1,356)** | 145,869 |
| Impairment/(reversal of impairment) of trade receivables | **(2,411)** | 8,546 |
| Write-off/(write-back) of trade receivables | **452** | (1,094) |
| Loss on disposal of items of property, plant and equipment, net | **5,069** | 4,101 |
| Foreign exchange losses/(gains), net | **73,256** | (67,556) |
| Fair value losses on derivative financial instruments, net | **11,674** | - |

## 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 2020: 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 | |
|---|---|---|
| | **2021** | 2020 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Provision for the Period: | | |
| Current – The PRC, excluding Hong Kong | | |
| Charge for the Period | **52,482** | 101,763 |
| Underprovision in prior years | **11,397** | 2,154 |
| Current – Overseas | | |
| Charge for the Period | **10,860** | 6,180 |
| Overprovision in prior years | **(16,957)** | (22,250) |
| Deferred tax | **76** | 12,535 |
| Total tax charge for the Period | **57,858** | 100,382 |

## 7. INTERIM DIVIDEND

The Directors did not propose to declare any interim dividend for the Period (six months ended 30 June 2020: Nil).

During the six months ended 30 June 2021, the Company approved and paid a final dividend of HK10 cents (six months ended 30 June 2020: HK10 cents) per ordinary share, amounting to approximately HK$120,001,000 (six months ended 30 June 2020: approximately HK$116,634,000) in respect of the previous financial year.

## 8. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the Period attributable to equity holders of the Company of HK$36,533,000 (six months ended 30 June 2020: HK$227,420,000) and the weighted average number of 845,662,671 (six months ended 30 June 2020: 877,038,517) ordinary shares in issue excluding shares held under the share award plan during the Period.

The calculation of diluted earnings per share amounts is based on the profit for the Period attributable to equity holders of the Company of HK$36,533,000 (six months ended 30 June 2020: HK$227,420,000). The weighted average number of ordinary shares used in the calculation is 845,662,671 (six months ended 30 June 2020: 877,038,517) ordinary shares in issue excluding shares held under the share award plan during the Period, as used in the basic earnings per share calculation, and the weighted average number of 7,458,960 (six months ended 30 June 2020: 10,293,827) 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 2021 (Unaudited)** ***HK$'000*** | As at 31 December 2020 (Audited) *HK$'000* |
|---|---|---|
| Trade receivables | **2,932,688** | 3,980,850 |
| Impairment | **(2,672)** | (5,083) |
| | **2,930,016** | 3,975,767 |

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 2021 (Unaudited)** ***HK$'000*** | As at 31 December 2020 (Audited) *HK$'000* |
|---|---|---|
| Within 3 months | **2,121,234** | 2,704,435 |
| 4 to 6 months | **773,144** | 1,078,759 |
| 7 to 12 months | **35,638** | 192,573 |
| | **2,930,016** | 3,975,767 |

## 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 2021 (Unaudited)** ***HK$'000*** | As at 31 December 2020 (Audited) *HK$'000* |
|---|---|---|
| Within 3 months | **976,047** | 1,144,505 |
| 4 to 6 months | **232,098** | 238,825 |
| 7 to 12 months | **8,197** | 10,047 |
| Over 1 year | **7,617** | 6,136 |
| | **1,223,959** | 1,399,513 |

## 11. SHARE CAPITAL

| | **As at 30 June 2021 (Unaudited)** ***HK$'000*** | As at 31 December 2020 (Audited) *HK$'000* |
|---|---|---|
| Authorised: | | |
| 2,000,000,000 shares of HK$0.1 each | **200,000** | 200,000 |
| Issued and fully paid: | | |
| 1,200,008,445 shares of HK$0.1 each | **120,001** | 120,001 |

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review & Prospects

During the outbreak of 2019 new coronavirus pneumonia epidemic (the "**Epidemic**"), the global market of personal computers ("**PC**") ushered in a stronger-than-expected momentum last year. The consumers' demand for remote learning and home office continued to increase. In particular, various countries have brought out some lifestyle changes after the Epidemic, including the one-PC-per-person trend. In the first half of 2021, with the Epidemic gradually brought under control all over the world, local communities began to enter the recovery period of the post-epidemic era and gradually resumed to their lifestyle before the outbreak of the Epidemic. According to the latest survey results released by International Data Corporation ("**IDC**"), a market research organization, contributed by the demand for distance office and learning driven by the Epidemic, although the global PC shipments (including desktop and notebook computers) in the first quarter of 2021 dropped by approximately 8% as compared with the fourth quarter of last year to 84 million units, they increased significantly by approximately 55.2% year-on-year. Meanwhile, according to the latest survey results released by Canalys, an independent market analysis agency, Chromebook computers continued to dominate the education market, especially the demand for Chromebook computers in the developed market is still strong. In the first quarter of 2021, Chromebook computers achieved an increase of approximately 275% year-on-year.

As one of the world's leading notebook computer casing manufacturers, Ju Teng International Holdings Limited (the "**Company**" or "**Ju Teng**", and together with its subsidiaries, the "**Group**") has grasped market opportunities. The sale of notebook computer casing and 2-in-1 computer casing remained the Group's major source of revenue. Driven by the booming PC market, the Group's shipments have also recorded substantial growth, among which the shipments of plastic casings recorded a significant increase. For the six months ended 30 June 2021 (the "**Period**"), the Group's revenue increased by approximately 14.2% to HK$5,222 million (2020: approximately HK$4,572 million). However, plastic casings, which have lower profit margin than metal casings, accounted for a higher proportion of the Group's sales in the first half of 2021. In addition, most of the Group's revenue is denominated in United States dollar ("**USD**"), while production costs and labor costs are denominated in Renminbi ("**RMB**"). During the period, the significant appreciation of RMB against USD was observed; and the market continued to be affected by issues such as shortage of parts and logistics. In the first half of 2021, the Group recorded an increase in production costs and operating costs, causing the profit attributable to equity holders of the Company to decrease to HK$37 million (2020: approximately HK$227 million).

Affected by various factors such as the unsynchronized global epidemic prevention and control, unbalanced economic recovery, intensified political and economic conflicts, and currency policies of different countries, the Group recorded significant exchange losses due to the appreciation of RMB against USD. In view of this, the Group has implemented currency hedging measures to reduce possible exchange losses caused by the fluctuations of USD against RMB.

Looking ahead to the second half of 2021, the market demand for PC and notebook computers is generally expected to develop steadily. With the world gradually returning to normal, and the corporate commercial demands also increasing, the Group expects that the proportion of its metal casings mainly used in business computer models will increase in the second half of 2021, reversing the trend of higher proportion of plastic casings in the first half of 2021. In addition, the Windows 11 operating system will be launched by Microsoft, which is expected to usher in a new round of personal and business users replacing their computers in the market in the second half of 2021 and next year. Ju Teng will continue to exert further effort on the technology and marketing relating to metal casings, which command higher unit prices than plastic casings, to seize new opportunities in the second half of 2021.

Ju Teng remains prudently optimistic about its development prospects of this industry. While maintaining the sound development of its main business, Ju Teng will continue to closely monitor and keep up the market trends, improve its product portfolio and seize future opportunities to increase its market share, maintain business development and enhance its profitability, and strive to create better investment value for its shareholders.

**Financial Review**

During the Period, the demand for notebook computer used for work from home and online learning remained high, resulting in the increase in shipment. As a result, the Group's revenue increased by approximately 14.2% as compared with the corresponding period of last year to approximately HK$5,222 million (2020: approximately HK$4,572 million). The Group's gross profit margin during the Period decreased to approximately 11.9% (2020: approximately 15.1%), which was mainly attributable to the higher proportion of shipment for plastic casing products which have relatively lower gross profit margin as compared with that of the metal casing products, and the appreciation of RMB against HKD during the Period by approximately 8.9% as compared with that of the corresponding period of last year. Appreciation of RMB against HKD during the Period led to an increase 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 USD.

During the Period, other income and gains of the Group mainly consisted of subsidy income of approximately HK$28 million (2020: approximately HK$17 million), interest income of approximately HK$4 million (2020: approximately HK$6 million) and gross rental income of approximately HK$13 million (2020: approximately HK$13 million). Since there was no foreign exchange gains recorded during the Period (2020: approximately HK$68 million), the Group recorded a significant decrease of approximately 51.7% in other income and gains as compared with the corresponding period of last year to approximately HK$54 million (2020: approximately HK$111 million) during the Period, accounting for approximately 1.0% (2020: approximately 2.4%) of the Group's revenue.

During the Period, the Group recorded an increase of approximately 30.0% in operating costs, including administrative expenses and selling and distribution expenses, as compared with the corresponding period of last year to approximately HK$481 million (2020: approximately HK$370 million). The increase in the operating costs were mainly attributable to the increase in staff costs and transportation expenses. The percentage of operating costs of the Group increased to approximately 9.2% (2020: approximately 8.1%) of the Group's revenue.

During the Period, other expenses of the Group mainly consisted of foreign exchange losses (mainly resulting from the translation of trade receivables denominated in USD) of approximately HK$73 million (2020: NIL) arising from the appreciation of the RMB against USD, fair value losses on derivative financial instruments (i.e. the forward foreign exchange contracts) of approximately HK$12 million (2020: NIL) and loss on disposal of items of property, plant and equipment, net of approximately HK$5 million (2020: HK$4 million). Since there were foreign exchange losses and fair value losses on derivative financial instruments recorded during the Period, the Group recorded a substantial increase of approximately 520.5% in other expenses as compared with the corresponding period of last year to approximately HK$92 million (2020: approximately HK$15 million), accounting for approximately 1.8% (2020: approximately 0.3%) of the Group's revenue.

Finance costs of the Group decreased by approximately 38.8% as compared with the corresponding period of last year to approximately HK$34 million (2020: approximately HK$56 million) for the Period, which was mainly attributable to the decrease in loan interest rate. Interest capitalised during the Period was approximately HK$5 million (2020: approximately HK$4 million).

As lower profit before tax was recorded during the Period as compared with that of the corresponding period of last year, the Group's income tax expenses decreased to approximately HK$58 million (2020: approximately HK$100 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.

The profit attributable to equity holders of the Company for the Period amounted to approximately HK$37 million (2020: approximately HK$227 million). The substantial decrease in profit attributable to equity holders of the Company was mainly attributable to the decrease in the Group's gross profit and increase in other expenses as discussed above.

**Liquidity and Financial Resources**

As at 30 June 2021, total bank borrowings of the Group amounted to approximately HK$4,227 million (31 December 2020: approximately HK$4,493 million), representing a decrease of approximately 5.9% as compared with that of 31 December 2020. 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 2021, the Group's bank loans denominated in USD, New Taiwan dollars and RMB were approximately HK$3,879 million (31 December 2020: approximately HK$4,043 million), approximately HK$25 million (31 December 2020: approximately HK$25 million) and approximately HK$323 million (31 December 2020: HK$425 million), respectively.

During the Period, the Group's net cash flows from operating activities increased to approximately HK$720 million from approximately HK$68 million in the corresponding period of last year, which was mainly attributable to the decrease in trade receivables. As a result of the purchase of new manufacturing facility for installation in the new production plant in Suzhou, PRC and the purchase of production machineries to strengthen the environmental protection measures as well as to improve production efficiency, the Group recorded a net cash outflow from investing activities of approximately HK$563 million (2020: approximately HK$506 million). During the Period, due to the repayment of bank borrowings, the Group recorded a net cash outflow from financing activities of approximately HK$350 million (2020: net cash inflow of approximately HK$95 million). As at 30 June 2021, the Group had cash and bank balances of approximately HK$741 million (31 December 2020: approximately HK$929 million).

As at 30 June 2021, the Group's gearing ratio calculated as total bank borrowings of approximately HK$4,227 million (31 December 2020: approximately HK$4,493 million) divided by total assets of approximately HK$15,930 million (31 December 2020: approximately HK$16,456 million) decreased to approximately 26.5% (31 December 2020: approximately 27.3%), which was mainly due to the decrease in total bank borrowings as at 30 June 2021 as compared with that of 31 December 2020.

**Financial Ratios**

Due to the increase in inventory level to meet customers' demand expected in the second half of 2021, inventory turnover days of the Group during the Period increased significantly to approximately 115 days (2020: approximately 84 days). As at 30 June 2021, there was an increase in the Group's inventories of approximately 27.4% to approximately HK$2,920 million (31 December 2020: approximately HK$2,292 million).

Trade receivables turnover days of the Group during the Period decreased significantly to approximately 102 days (2020: approximately 143 days) due to faster settlements from customers. Trade receivables as at 30 June 2021 decreased by approximately 26.3% to approximately HK$2,930 million, as compared with approximately HK$3,976 million as at 31 December 2020.

Trade and bills payables turnover days of the Group during the Period decreased to approximately 48 days (2020: approximately 55 days) due to the decrease in purchases of materials in the second quarter of 2021 in order to strengthen the control of inventory level.

**Pledge of Assets**

As at 30 June 2021, certain land and buildings of the Group with a net carrying amount of approximately HK$22 million (31 December 2020: 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 foreign exchange losses of approximately HK$73 million (2020: foreign exchange gains of approximately HK$68 million). Accordingly, the Group has entered into forward foreign exchange contracts to mitigate possible exchange losses arising from the fluctuations in the values of the USD and RMB. The management of the Group will 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 41,000 employees (2020: approximately 37,000 employees). During the Period, the Group recorded staff costs of approximately HK$1,921 million (2020: approximately HK$1,343 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 2021, the capital commitments which the Group had contracted for but were not provided for in the financial information in respect of the acquisition of buildings, machinery and office equipment amounted to approximately HK$382 million (31 December 2020: approximately HK$578 million).

### Contingent Liabilities

As at 30 June 2021, 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 2021 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, 17 August 2021

*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.*