



**JU TENG INTERNATIONAL HOLDINGS LIMITED**

**巨騰國際控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 3336

**2019**

**INTERIM  
REPORT**

## CORPORATE INFORMATION

### EXECUTIVE DIRECTORS

Mr. Cheng Li-Yu (*Chairman*)  
Mr. Chiu Hui-Chin (*Chief Executive Officer*)  
Mr. Huang Kuo-Kuang  
Mr. Lin Feng-Chieh  
Mr. Tsui Yung Kwok

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cherng Chia-Jiun  
Mr. Tsai Wen-Yu  
Mr. Yip Wai Ming

### AUTHORISED REPRESENTATIVES

Mr. Cheng Li-Yu  
Mr. Tsui Yung Kwok

### COMPANY SECRETARY

Mr. Leung Ka Shing (Resigned on 31 January 2019)  
Ms. Cheung Lai Yin (Appointed on 31 January 2019)

### AUDIT COMMITTEE

Mr. Cherng Chia-Jiun (*Chairman*)  
Mr. Tsai Wen-Yu  
Mr. Yip Wai Ming

### REMUNERATION COMMITTEE

Mr. Cherng Chia-Jiun (*Chairman*)  
Mr. Cheng Li-Yu  
Mr. Huang Kuo-Kuang  
Mr. Tsai Wen-Yu  
Mr. Yip Wai Ming

### NOMINATION COMMITTEE

Mr. Cheng Li-Yu (*Chairman*)  
Mr. Huang Kuo-Kuang  
Mr. Cherng Chia-Jiun  
Mr. Tsai Wen-Yu  
Mr. Yip Wai Ming

### CORPORATE GOVERNANCE COMMITTEE

Mr. Yip Wai Ming (*Chairman*)  
Mr. Cheng Li-Yu  
Mr. Huang Kuo-Kuang  
Mr. Cherng Chia-Jiun  
Mr. Tsai Wen-Yu

### LEGAL ADVISERS AS TO HONG KONG LAWS

Chiu & Partners

### AUDITORS

Ernst & Young

### PRINCIPAL BANKERS

Bank of China  
Bank SinoPac  
CTBC Bank  
DBS Bank  
Fubon Bank  
KGI Bank  
OCBC Wing Hang Bank  
Standard Chartered Bank  
Sumitomo Mitsui Banking Corporation  
Taishin International Bank

### REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
PO Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 3311-3312, Jardine House  
1 Connaught Place, Central  
Hong Kong

## **CORPORATE INFORMATION**

### **PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA**

No.2 Gua Jing Road  
Song Ling Town Economic Development District  
Wu Jiang City, Jiang Su  
The PRC

### **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

SMP Partners (Cayman) Limited  
Royal Bank House – 3rd Floor  
24 Shedden Road  
PO Box 1586  
Grand Cayman KY1-1110  
Cayman Islands

### **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### **WEBSITE**

[www.irasia.com/listco/hk/juteng](http://www.irasia.com/listco/hk/juteng)

### **STOCK CODE**

3336.HK and 9136.TT

# FINANCIAL HIGHLIGHTS

	Notes	For the six months ended 30 June		Changes
		2019 (Unaudited)	2018 (Unaudited)	
<b>Operating Results:</b>				
Revenue (HK\$ million)		<b>4,341</b>	3,946	+10.0%
Loss attributable to equity holders of the Company (HK\$ million)		<b>(47)</b>	(154)	-69.3%
Loss per share				
Basic (HK cents)		<b>(5.1)</b>	(15.5)	-67.1%
Diluted (HK cents)		<b>(5.1)</b>	(15.5)	-67.1%
<b>Profitability Ratio:</b>				
Gross profit margin		<b>10.2%</b>	6.6%	+3.6%
Operating profit/(loss) margin	1	<b>0.7%</b>	-3.6%	+4.3%
Net loss margin	2	<b>-1.1%</b>	-3.9%	+2.8%
EBITDA (HK\$ million)		<b>596</b>	534	+11.6%
Return on equity	3	<b>-1.6%</b>	-4.7%	+3.1%
<b>Liquidity and Capital Ratio:</b>				
Inventory turnover days	4	<b>70</b>	69	+1.4%
Trade receivables turnover days	5	<b>112</b>	125	-10.4%
Trade and bills payables turnover days	6	<b>43</b>	41	+4.9%
Interest coverage	7	<b>79.8%</b>	-78.1%	+157.9%
Net debt to equity	8	<b>36.0%</b>	40.0%	-4.0%
Cash flows from operating activities (HK\$ million)		<b>691</b>	172	+300.4%

## Notes:

- (1) Operating profit/(loss) margin equals operating profit/(loss) divided by revenue. Operating profit/(loss) includes gross profit, net of selling and distribution expenses and administrative expenses.
- (2) Net loss margin equals loss attributable to equity holders of the Company divided by revenue.
- (3) Return on equity equals loss attributable to equity holders of the Company divided by the average of the beginning and closing balance of equity attributable to equity holders of the Company, and is calculated on an annualized basis.
- (4) Inventory turnover days is equal to the closing balance of inventories divided by cost of sales and multiplied by the number of days in the period.
- (5) Trade receivables turnover days is equal to the closing balance of trade receivables divided by revenue and multiplied by the number of days in the period.
- (6) Trade and bills payables turnover days is equal to the closing balance of trade and bills payables divided by cost of sales and multiplied by the number of days in the period.
- (7) Interest coverage ratio equals profit/(loss) before tax and finance costs divided by finance costs.
- (8) Net debt to equity equals net debt divided by net assets. Net debt includes all interest-bearing bank borrowings, net of cash and cash equivalents.

The board (the “Board”) of directors (the “Directors”) of Ju Teng International Holdings Limited (the “Company” or “Ju Teng”) is pleased to present 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	
	Notes	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
<b>REVENUE</b>	3	<b>4,341,454</b>	3,945,778
Cost of sales		<b>(3,899,449)</b>	(3,685,467)
Gross profit		<b>442,005</b>	260,311
Other income and gains	3	<b>38,568</b>	102,007
Selling and distribution expenses		<b>(66,685)</b>	(58,894)
Administrative expenses		<b>(346,246)</b>	(344,153)
Other expenses		<b>(8,801)</b>	(14,023)
Finance costs	4	<b>(73,753)</b>	(70,115)
<b>LOSS BEFORE TAX</b>	5	<b>(14,912)</b>	(124,867)
Income tax expense	6	<b>(16,298)</b>	(20,968)
<b>LOSS FOR THE PERIOD</b>		<b>(31,210)</b>	(145,835)
Attributable to:			
Equity holders of the Company		<b>(47,355)</b>	(154,478)
Non-controlling interests		<b>16,145</b>	8,643
		<b>(31,210)</b>	(145,835)
<b>LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>	8		
– Basic (HK cents)		<b>(5.1)</b>	(15.5)
– Diluted (HK cents)		<b>(5.1)</b>	(15.5)

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	For the six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
<b>LOSS FOR THE PERIOD</b>	<b>(31,210)</b>	(145,835)
<b>OTHER COMPREHENSIVE INCOME/(EXPENSES)</b>		
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)
<b>OTHER COMPREHENSIVE EXPENSES FOR THE PERIOD, NET OF TAX</b>	<b>(19,166)</b>	(168,978)
<b>TOTAL COMPREHENSIVE EXPENSES FOR THE PERIOD</b>	<b>(50,376)</b>	(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
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	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		<u>8,157,540</u>	<u>8,428,254</u>
<b>CURRENT ASSETS</b>			
Inventories		1,501,785	1,589,528
Trade receivables	10	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		<u>5,645,974</u>	<u>6,381,958</u>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	11	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		<u>5,369,445</u>	<u>5,895,789</u>
<b>NET CURRENT ASSETS</b>		<u>276,529</u>	<u>486,169</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>8,434,069</u>	<u>8,914,423</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

30 June 2019

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

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to equity holders of the Company											
	Issued capital	Share premium account*	Shares held under share award plan*	Employee share-based compensation reserve*	Statutory reserve fund*	Exchange fluctuation reserve*	Retained profits*	Fair value reserve*	Other reserves*	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Unaudited)												
At 1 January 2018	114,755	25,571	(308,818)	86,298	216,125	226,960	6,048,217	9,103	329,465	6,747,676	1,600,709	8,348,385
Profit/(loss) for the Period	-	-	-	-	-	-	(154,478)	-	-	(154,478)	8,643	(145,835)
Other comprehensive expenses for the Period:												
Change in fair value of an equity investment designated at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	-	(7,968)	-	(7,968)	-	(7,968)
Exchange differences on translation of foreign operations	-	-	-	-	-	(134,939)	-	-	-	(134,939)	(26,071)	(161,010)
Total comprehensive expenses for the Period	-	-	-	-	-	(134,939)	(154,478)	(7,968)	-	(297,385)	(17,428)	(314,813)
Purchase of shares under the share award plan	-	-	(111,749)	-	-	-	-	-	-	(111,749)	-	(111,749)
Dividend received under the share award plan	-	-	12,309	-	-	-	-	-	-	12,309	-	12,309
Share-based compensation arrangements	-	-	-	10,216	-	-	-	-	-	10,216	-	10,216
2017 final dividend	-	-	-	-	-	-	(91,804)	-	-	(91,804)	-	(91,804)
At 30 June 2018	114,755	25,571	(408,238)	96,514	216,125	92,021	5,801,935	1,135	329,465	6,269,263	1,583,281	7,852,544
(Unaudited)												
At 1 January 2019	116,634	85,267	(556,223)	81,763	216,125	(278,279)	6,092,058	(3,960)	323,963	6,077,348	1,546,454	7,623,802
Effect of adoption of HKFRS 16	-	-	-	-	-	1	(2)	-	-	(1)	(1)	(2)
At 1 January 2019 (restated)	116,634	85,267	(556,223)	81,763	216,125	(278,278)	6,092,056	(3,960)	323,963	6,077,347	1,546,453	7,623,800
Profit/(loss) for the Period	-	-	-	-	-	-	(47,355)	-	-	(47,355)	16,145	(31,210)
Other comprehensive income/(expenses) for the Period:												
Change in fair value of an equity investment designated at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	-	4,233	-	4,233	-	4,233
Exchange differences on translation of foreign operations	-	-	-	-	-	(15,609)	-	-	-	(15,609)	(6,828)	(22,437)
Release of exchange fluctuation reserve upon disposal of a subsidiary	-	-	-	-	-	(962)	-	-	-	(962)	-	(962)
Total comprehensive income/(expenses) for the Period	-	-	-	-	-	(16,571)	(47,355)	4,233	-	(59,693)	9,317	(50,376)
Purchase of shares under the share award plan	-	-	(44,070)	-	-	-	-	-	-	(44,070)	-	(44,070)
Disposal of a subsidiary	-	-	-	-	(1,521)	-	-	-	-	(1,521)	-	(1,521)
Dividend received under the share award plan	-	-	24,246	-	-	-	-	-	-	24,246	-	24,246
Share-based compensation arrangements	-	-	-	11,532	-	-	-	-	-	11,532	-	11,532
2018 final dividend	-	-	-	-	-	-	(116,634)	-	-	(116,634)	-	(116,634)
At 30 June 2019	116,634	85,267	(576,047)	93,295	214,604	(294,849)	5,928,067	273	323,963	5,891,207	1,555,770	7,446,977

\* These reserve accounts comprise the consolidated reserves of HK\$5,774,573,000 (31 December 2018: HK\$5,960,714,000) in the condensed consolidated statement of financial position.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	For the six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash generated from operations	908,209	335,373
Income tax paid	(146,056)	(97,402)
Withholding tax paid	(314)	(5,049)
Interest received	6,934	14,557
Interest paid	(78,030)	(74,987)
	<u>690,743</u>	<u>172,492</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of items of property, plant and equipment	(322,084)	(581,633)
Proceeds from disposal of items of property, plant and equipment	68,722	312,231
Disposal of a subsidiary	32,586	–
Decrease/(increase) in pledged and restricted bank balances	4,778	(34,250)
Increase in prepayments for acquisition of property, plant and equipment	(45,967)	(73,477)
	<u>(261,965)</u>	<u>(377,129)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
New bank loans	683,711	972,596
Repayment of bank loans	(964,871)	(1,648,816)
Dividend paid	(116,634)	(91,804)
Dividend paid to a non-controlling interest	–	(13,625)
Purchase of shares held under the share award plan	(44,070)	(111,749)
Dividend received under the share award plan	24,246	12,309
Principal portion of lease payments	(59)	–
	<u>(417,677)</u>	<u>(881,089)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>11,101</b>	<b>(1,085,726)</b>
Cash and cash equivalents at beginning of Period	1,157,244	1,750,770
Effect of foreign exchange rate changes, net	(2,191)	5,903
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b><u>1,166,154</u></b>	<b><u>670,947</u></b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<u>1,166,154</u>	<u>670,947</u>

# NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2019

## 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:

### NEW AND REVISED HKFRSs

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*

Amendments to the following standards:

*2015-2017 Cycle*

– 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.

# NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2019

## 1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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.

# NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2019

## 1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

### 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.

# NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2019

## 1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

AS A LESSEE – LEASES PREVIOUSLY CLASSIFIED AS OPERATING LEASES (continued)

IMPACTS ON TRANSITION (continued)

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

	<b>Increase/(decrease) (Unaudited) HK\$'000</b>
<b>Assets</b>	
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)
	<hr/>
Increase in total assets	<u>285</u>
<b>Liabilities</b>	
Increase in lease liabilities (current portion)	111
Increase in lease liabilities (non-current portion)	176
	<hr/>
Increase in total liabilities	<u>287</u>
<b>Equity</b>	
Increase in exchange fluctuation reserve	1
Decrease in retained profits	(2)
Decrease in non-controlling interests	(1)
	<hr/>
Decrease in total equity	<u>(2)</u>

# NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2019

## 1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

**AS A LESSEE – LEASES PREVIOUSLY CLASSIFIED AS OPERATING LEASES** (continued)

**IMPACTS ON TRANSITION** (continued)

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

	<b>(Unaudited)</b> <b>HK\$'000</b>
<b>Operating lease commitments as at 31 December 2018</b>	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)
<b>Lease liabilities as at 1 January 2019</b>	<b>287</b>

### 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.

# NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2019

## 1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

### SUMMARY OF NEW ACCOUNTING POLICIES (continued)

#### 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 liabilities HK\$'000
	Lease premium for land HK\$'000	Office properties HK\$'000	Motor vehicles HK\$'000	Total 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	<u>556,990</u>	<u>8</u>	<u>215</u>	<u>557,213</u>	<u>227</u>

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.

# NOTES TO INTERIM FINANCIAL INFORMATION

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 (Unaudited) HK\$'000	2018 (Unaudited) 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
	<u>4,341,454</u>	<u>3,945,778</u>

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

## NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2019

### 3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
<i>Revenue from contracts with customers</i>		
Sale of goods	<u>4,341,454</u>	<u>3,945,778</u>

#### (i) DISAGGREGATED REVENUE INFORMATION

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

## NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2019

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

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Interest income	6,934	14,557
Subsidy income <sup>#</sup>	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
	<b>38,568</b>	<b>102,007</b>

<sup>#</sup> 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 (Unaudited) HK\$'000	2018 (Unaudited) 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)
	<b>73,753</b>	<b>70,115</b>

## NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2019

### 5. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) 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 (Unaudited) HK\$'000	2018 (Unaudited) 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

# NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2019

## 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. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired property, plant and equipment of HK\$338,855,000 (six months ended 30 June 2018: HK\$595,295,000), disposed of property, plant and equipment with an aggregate net book value of HK\$73,426,000 (six months ended 30 June 2018: HK\$311,275,000) and disposed of property, plant and equipment upon the disposal of a subsidiary with an aggregate net book value of HK\$34,570,000 (six months ended 30 June 2018: Nil).

The amount of borrowing costs capitalised during the Period was approximately HK\$4,282,000 (six months ended 30 June 2018: HK\$4,872,000). The weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was approximately 3.82% (six months ended 30 June 2018: 3.20%), which is the effective interest rate of the borrowings.

## NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2019

### 10. 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	<b>(3,482)</b>	<b>(1,400)</b>
	<b>2,695,046</b>	<b>3,261,538</b>

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	<b>12,858</b>	<b>10,347</b>
	<b>2,695,046</b>	<b>3,261,538</b>

## NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2019

### 11. 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:

	<b>As at 30 June 2019 (Unaudited) HK\$'000</b>	As at 31 December 2018 (Audited) HK\$'000
Within 3 months	<b>758,568</b>	882,588
4 to 6 months	<b>154,218</b>	204,382
7 to 12 months	<b>12,311</b>	5,620
Over 1 year	<b>7,163</b>	6,424
	<b>932,260</b>	1,099,014

### 12. SHARE CAPITAL

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

#### SHARE OPTIONS

Details of the Company's share option scheme and the share options granted are included in note 13 to the interim financial information.

## NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2019

### 13. SHARE-BASED COMPENSATION

#### (a) SHARE OPTION SCHEME

A share option scheme (the "Scheme") was adopted by the Company on 11 May 2015. Details of the terms of the Scheme were disclosed in the Group's annual financial statements as at 31 December 2018.

The following share options were outstanding under the Scheme during the current and prior periods:

	2019		2018	
	Weighted average exercise price HK\$ per share	Number of options	Weighted average exercise price HK\$ per share	Number of options
At 1 January	1.48	78,286,000	3.29	57,376,000
Lapsed/forfeited	1.48	<u>(2,218,000)</u>	3.29	<u>(3,684,000)</u>
At 30 June	1.48	<u>76,068,000</u>	3.29	<u>53,692,000</u>

No share options were granted, exercised or cancelled under the Scheme during the current and prior periods.

#### (b) SHARE AWARD PLAN

The Board approved the adoption of the new share award plan (the "Share Award Plan") with effect from 19 May 2017. The purpose of the Share Award Plan is to (i) recognise and reward the contribution of certain eligible participants to the growth and development of the Group through an award of shares and to give incentives thereto in order to retain them for the continual operation and development of the Group; and (ii) attract suitable personnel for further development of the Group. The vesting period of the awarded shares is determined by the Board.

As at 30 June 2019, a total of 247,367,774 shares (31 December 2018: 227,063,774 shares) were held by Bank of Communications Trustee Limited under the Share Award Plan.

## NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2019

### 14. CONTINGENT LIABILITIES

At the end of the Period, the Group did not have any significant contingent liabilities.

### 15. PLEDGE OF ASSETS

As at 30 June 2019, certain land and buildings of the Group with a net carrying amount of approximately HK\$20,709,000 (31 December 2018: HK\$20,778,000) were pledged to secure banking facilities granted to the Group.

### 16. OPERATING LEASE COMMITMENTS

#### AS LESSOR

The Group leases certain part of its factory and machinery under operating lease arrangements, with leases negotiated for terms ranging from one to fifteen years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the end of the Period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	<b>As at 30 June 2019 (Unaudited) HK\$'000</b>	As at 31 December 2018 (Audited) HK\$'000
Within one year	<b>24,148</b>	19,854
In the second to fifth years, inclusive	<b>79,987</b>	75,999
Over five years	<b>139,474</b>	148,868
	<b>243,609</b>	244,721

## NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2019

### 16. OPERATING LEASE COMMITMENTS (continued)

#### AS LESSEE

The Group leases certain of its office properties and motor vehicles under operating lease arrangements, with leases negotiated for terms ranging from one to five years.

At the end of the Period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>As at 30 June 2019 (Unaudited) HK\$'000</b>	As at 31 December 2018 (Audited) HK\$'000
Within one year	<b>836</b>	1,530
In the second to fifth years, inclusive	<b>11</b>	209
	<b>847</b>	1,739

### 17. COMMITMENTS

In addition to the operating lease commitments detailed in note 16 above, the Group had the following capital commitments at the end of the Period:

	<b>As at 30 June 2019 (Unaudited) HK\$'000</b>	As at 31 December 2018 (Audited) HK\$'000
Contracted, but not provided for:		
Land and buildings	<b>85,641</b>	61,476
Machinery and office equipment	<b>98,518</b>	86,902
Total capital commitments	<b>184,159</b>	148,378

## NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2019

### 18. RELATED PARTY TRANSACTIONS

- (a) The Group had the following material related party transactions during the Period:

	For the six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Rental expenses paid to: Ms. Lin Mei-Li	<u>31</u>	<u>32</u>

Ms. Lin Mei-Li is the spouse of Mr. Cheng Li-Yu, a director of the Company. The rentals were determined at rates mutually agreed between the relevant parties.

- (b) Outstanding balances with related parties:

As at 30 June 2019 and 31 December 2018, the Group did not have any balances with the related companies.

- (c) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Short term employee benefits	6,904	7,710
Employee share-based compensation expenses	<u>3,782</u>	<u>4,776</u>
Total compensation paid to key management personnel	<u>10,686</u>	<u>12,486</u>

### 19. FAIR VALUE AND FAIR VALUE HIERARCHY

The carrying amounts of the Group's financial instruments as at 30 June 2019 and 31 December 2018 approximate to their fair values. The Group uses fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities for determining and disclosing the fair value of financial instruments. As at 30 June 2019, the Group's financial instruments which comprise an equity investment designated at fair value through other comprehensive income, which was measured at fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 under the fair value hierarchy).

# 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 HK\$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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW (continued)

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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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.

## OTHER INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2019, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules") were as follows:

		Long positions Number of ordinary shares of HK\$0.1 each (the "Shares") and underlying Shares held under equity derivatives				Approximate percentage of the Company's issued share capital
		Personal interests	Interests of spouse	Other interests	Total interests	
Mr. Cheng Li-Yu	Shares	20,000,000	7,064,046	303,240,986 (Note 1)	330,305,032	28.32%
Mr. Cheng Chia-Jiun	Shares	210,000	-	-	210,000	0.01%
	Equity Derivatives: Share Options (Note 2)	360,000	-	-	360,000	0.04%
					570,000	0.05%
Mr. Chiu Hui-Chin	Shares	5,300,000	-	-	5,300,000	0.46%
	Equity Derivatives: Share Options (Note 2)	1,200,000	-	-	1,200,000	0.10%
					6,500,000	0.56%
Mr. Huang Kuo-Kuang	Shares	7,781,866	2,300,631	-	10,082,497	0.86%
	Equity Derivatives: Share Options (Note 2)	1,008,000	-	-	1,008,000	0.09%
					11,090,497	0.95%

## OTHER INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY (continued)

Long positions  
Number of ordinary shares  
of HK\$0.1 each (the "Shares") and  
underlying Shares held under equity derivatives

Name of Directors		Personal interests	Interests of spouse	Other interests	Total interests	Approximate percentage of the Company's issued share capital
Mr. Lin Feng-Chieh	Shares	1,224,000	–	–	1,224,000	0.11%
	Equity Derivatives: Share Options (Note 2)	1,200,000	–	–	<u>1,200,000</u>	<u>0.10%</u>
					<u>2,424,000</u>	<u>0.21%</u>
Mr. Tsai Wen-Yu	Shares	176,000	–	–	176,000	0.01%
	Equity Derivatives: Share Options (Note 2)	360,000	–	–	<u>360,000</u>	<u>0.04%</u>
					<u>536,000</u>	<u>0.05%</u>
Mr. Tsui Yung Kwok	Shares	6,156,000	–	–	6,156,000	0.52%
	Equity Derivatives: Share Options (Note 2)	1,008,000	–	–	<u>1,008,000</u>	<u>0.09%</u>
					<u>7,164,000</u>	<u>0.61%</u>
Mr. Yip Wai Ming	Shares	248,000	–	–	248,000	0.02%
	Equity Derivatives: Share Options (Note 2)	288,000	–	–	<u>288,000</u>	<u>0.03%</u>
					<u>536,000</u>	<u>0.05%</u>

*Notes:*

- The Shares and the underlying Shares were registered in the name of Southern Asia Management Limited ("Southern Asia"), which was wholly owned by Shine Century Assets Corp., the entire issued share capital of which was beneficially owned by the Cheng Family Trust which was founded by Mr. Cheng Li-Yu. The beneficiaries of the Cheng Family Trust include Mr. Cheng Li-Yu. Mr. Cheng Li-Yu was deemed to be interested in all the Shares in which Shine Century Assets Corp. was interested by virtue of the SFO.
- The share options granted by the Company (the "Share Options") are regarded for the time being as unlisted physically settled equity derivatives. Details of the Share Options are set out in the section headed "Share Option Scheme" below and note 13 to the interim financial information.

## OTHER INFORMATION

### **DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY** (continued)

Save as disclosed above, as at 30 June 2019, none of the Directors or chief executive of the Company had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save as disclosed in note 13 to the interim financial information, at no time during the Period were there rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or minor (natural or adopted), or were such rights exercised by them; nor was the Company or any of the Subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

### **SHARE OPTION SCHEME**

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details are disclosed in note 13 to the interim financial information.

## OTHER INFORMATION

### SHARE OPTION SCHEME (continued)

The following Share Options were outstanding under the Scheme during the Period:

Name or category of participant	Number of Share Options					At 30 June 2019	Grant date	Exercise period	Exercise price per Share (Note 2)	Closing price per Share immediately before the grant date
	At 1 January 2019	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period					
<b>Directors</b>										
Mr. Cheng Chia-Jun	72,000	-	-	-	-	72,000	3-9-2018	7-11-2018 to 31-8-2024	HK\$1.48	HK\$1.48
	72,000	-	-	-	-	72,000	3-9-2018	7-11-2019 to 31-8-2024	HK\$1.48	HK\$1.48
	72,000	-	-	-	-	72,000	3-9-2018	7-11-2020 to 31-8-2024	HK\$1.48	HK\$1.48
	72,000	-	-	-	-	72,000	3-9-2018	7-11-2021 to 31-8-2024	HK\$1.48	HK\$1.48
	72,000	-	-	-	-	72,000	3-9-2018	7-11-2022 to 31-8-2024	HK\$1.48	HK\$1.48
	360,000	-	-	-	-	360,000				
Mr. Chiu Hui-Chin	300,000	-	-	-	-	300,000	3-9-2018	7-11-2019 to 31-8-2024	HK\$1.48	HK\$1.48
	300,000	-	-	-	-	300,000	3-9-2018	7-11-2020 to 31-8-2024	HK\$1.48	HK\$1.48
	300,000	-	-	-	-	300,000	3-9-2018	7-11-2021 to 31-8-2024	HK\$1.48	HK\$1.48
	300,000	-	-	-	-	300,000	3-9-2018	7-11-2022 to 31-8-2024	HK\$1.48	HK\$1.48
	1,200,000	-	-	-	-	1,200,000				
Mr. Huang Kuo-Kuang	252,000	-	-	-	-	252,000	3-9-2018	7-11-2019 to 31-8-2024	HK\$1.48	HK\$1.48
	252,000	-	-	-	-	252,000	3-9-2018	7-11-2020 to 31-8-2024	HK\$1.48	HK\$1.48
	252,000	-	-	-	-	252,000	3-9-2018	7-11-2021 to 31-8-2024	HK\$1.48	HK\$1.48
	252,000	-	-	-	-	252,000	3-9-2018	7-11-2022 to 31-8-2024	HK\$1.48	HK\$1.48
	1,008,000	-	-	-	-	1,008,000				
Mr. Lin Feng-Chieh	300,000	-	-	-	-	300,000	3-9-2018	7-11-2019 to 31-8-2024	HK\$1.48	HK\$1.48
	300,000	-	-	-	-	300,000	3-9-2018	7-11-2020 to 31-8-2024	HK\$1.48	HK\$1.48
	300,000	-	-	-	-	300,000	3-9-2018	7-11-2021 to 31-8-2024	HK\$1.48	HK\$1.48
	300,000	-	-	-	-	300,000	3-9-2018	7-11-2022 to 31-8-2024	HK\$1.48	HK\$1.48
	1,200,000	-	-	-	-	1,200,000				

## OTHER INFORMATION

### SHARE OPTION SCHEME (continued)

Name or category of participant	Number of Share Options					At 30 June 2019	Grant date (Note 1)	Exercise period	Exercise price per Share (Note 2)	Closing price per Share immediately before the grant date
	At 1 January 2019	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period					
Mr. Tsai Wen-Yu	72,000	-	-	-	-	72,000	3-9-2018	7-11-2018 to 31-8-2024	HK\$1.48	HK\$1.48
	72,000	-	-	-	-	72,000	3-9-2018	7-11-2019 to 31-8-2024	HK\$1.48	HK\$1.48
	72,000	-	-	-	-	72,000	3-9-2018	7-11-2020 to 31-8-2024	HK\$1.48	HK\$1.48
	72,000	-	-	-	-	72,000	3-9-2018	7-11-2021 to 31-8-2024	HK\$1.48	HK\$1.48
	72,000	-	-	-	-	72,000	3-9-2018	7-11-2022 to 31-8-2024	HK\$1.48	HK\$1.48
	<u>360,000</u>	-	-	-	-	<u>360,000</u>				
Mr. Tsui Yung Kwok	252,000	-	-	-	-	252,000	3-9-2018	7-11-2019 to 31-8-2024	HK\$1.48	HK\$1.48
	252,000	-	-	-	-	252,000	3-9-2018	7-11-2020 to 31-8-2024	HK\$1.48	HK\$1.48
	252,000	-	-	-	-	252,000	3-9-2018	7-11-2021 to 31-8-2024	HK\$1.48	HK\$1.48
	252,000	-	-	-	-	252,000	3-9-2018	7-11-2022 to 31-8-2024	HK\$1.48	HK\$1.48
	<u>1,008,000</u>	-	-	-	-	<u>1,008,000</u>				
Mr. Yip Wai Ming	72,000	-	-	-	-	72,000	3-9-2018	7-11-2019 to 31-8-2024	HK\$1.48	HK\$1.48
	72,000	-	-	-	-	72,000	3-9-2018	7-11-2020 to 31-8-2024	HK\$1.48	HK\$1.48
	72,000	-	-	-	-	72,000	3-9-2018	7-11-2021 to 31-8-2024	HK\$1.48	HK\$1.48
	72,000	-	-	-	-	72,000	3-9-2018	7-11-2022 to 31-8-2024	HK\$1.48	HK\$1.48
	<u>288,000</u>	-	-	-	-	<u>288,000</u>				
<b>Other employees</b>										
In aggregate	479,600	-	-	-	(181,200)	298,400	3-9-2018	7-11-2018 to 31-8-2024	HK\$1.48	HK\$1.48
	18,095,600	-	-	-	(509,200)	17,586,400	3-9-2018	7-11-2019 to 31-8-2024	HK\$1.48	HK\$1.48
	18,095,600	-	-	-	(509,200)	17,586,400	3-9-2018	7-11-2020 to 31-8-2024	HK\$1.48	HK\$1.48
	18,095,600	-	-	-	(509,200)	17,586,400	3-9-2018	7-11-2021 to 31-8-2024	HK\$1.48	HK\$1.48
	18,095,600	-	-	-	(509,200)	17,586,400	3-9-2018	7-11-2022 to 31-8-2024	HK\$1.48	HK\$1.48
	<u>72,862,000</u>	-	-	-	(2,218,000)	<u>70,644,000</u>				
	<u>78,286,000</u>	-	-	-	(2,218,000)	<u>76,068,000</u>				

## OTHER INFORMATION

### SHARE OPTION SCHEME (continued)

Notes:

1. The vesting period of the Share Options is from the date of grant until the commencement of the exercise period.
2. The exercise price of the Share Options is subject to adjustment in the event of a capitalisation issue, rights issue, subdivision or consolidation of Shares or reduction of capital of the Company in accordance with the rules of the Scheme.

### SHARE AWARD PLAN

On 19 May 2017, a trust deed (the "Trust Deed") was entered into between the Company as settlor and Bank of Communications Trustee Limited as trustee (the "Trustee") in relation to the establishment of a trust (the "Trust") and adoption of a share award plan (the "Plan"). The purpose of the Plan is to recognize the contribution by eligible participants under the Plan and to attract suitable personnel for further development of the Group. The Company may make contribution to the Trust for the purpose of vesting awarded Shares to the selected participants. Pursuant to the Plan, the Company may from time to time at its sole discretion subject to requirements under this Plan, cause to be paid any sums of money to the Trustee and instruct the Trustee to purchase Shares in the market at prevailing market price. The Trustee will hold the awarded shares on trust for all or one or more of the selected participants until such awarded shares are vested with the relevant selected participants in accordance with the rules of the Plan.

The Plan is a discretionary scheme of the Company and shall be subject to the administration of the Board and the Trustee in accordance with the rules of the Plan and the Trust Deed. The Plan does not constitute a share option scheme within the meaning of Chapter 17 of the Listing Rules.

The Plan will remain in force for a period of 30 years since the date of adoption of the Plan. Early termination may be done by the Board.

During the Period, no share award has been granted by the Board to any selected participants.

## OTHER INFORMATION

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2019, the interests or short positions of the persons (other than a Director or chief executive of the Company) in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

#### LONG POSITIONS

Name of shareholders	Capacity and nature of interest	Number of Shares	Approximate percentage of the Company's issued share capital
Southern Asia	Beneficial owner	303,240,986	26.00%
Shine Century Assets Corp. (Note 1)	Interest of controlled corporations	303,240,986	26.00%
East Asia International Trustee Limited (Note 1)	Trustee (other than a bare trustee)	303,240,986	26.00%
Ms. Lin Mei-Li (Note 2)	Beneficial owner	7,064,046	0.61%
	Interest of spouse	<u>323,240,986</u>	<u>27.71%</u>
		<u>330,305,032</u>	<u>28.32%</u>
Bank of Communications Trustee Limited	Trustee	<u>247,367,774</u>	<u>21.21%</u>

#### Notes:

- The Shares and underlying Shares were held by Southern Asia, which was wholly owned by Shine Century Assets Corp. The entire issued share capital of Shine Century Assets Corp. was owned by the Cheng Family Trust, the trustee of which was East Asia International Trustees Limited. Shine Century Assets Corp. was deemed to be interested in all the Shares in which Southern Asia is interested by virtue of the SFO. East Asia International Trustee Limited was deemed to be interested in all the Shares in which Shine Century Assets Corp. was interested by virtue of the SFO. The Shares registered in the name of Southern Asia was also disclosed as the interest of Mr. Cheng Li-Yu in the section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company" above.
- Ms. Lin Mei-Li is the wife of Mr. Cheng Li-Yu and she was deemed to be interested in all the Shares in which Mr. Cheng Li-Yu was interested by virtue of the SFO.

Save as disclosed above, as at 30 June 2019, no person (other than a Director or chief executive of the Company) had registered an interest or short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

## **OTHER INFORMATION**

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

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

### **INTERIM DIVIDEND**

The Directors did 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 Listing Rules. The Company and its corporate governance committee 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. 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 during 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 consolidated interim financial information and results of the Group for the Period.

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

Hong Kong, 21 August 2019