



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

2023

INTERIM REPORT

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTOR

Mr. Cheng Li-Yen

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUTHORISED REPRESENTATIVES

Mr. Cheng Li-Yu
Mr. Tsui Yung Kwok

COMPANY SECRETARY

Ms. Cheung Lai Yin

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

CORPORATE GOVERNANCE COMMITTEE

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

LEGAL ADVISERS AS TO HONG KONG LAWS

Chiu & Partners

AUDITORS

Ernst & Young
Registered Public Interest Entity Auditor

PRINCIPAL BANKERS

Agricultural Bank of China
Bank of China
Bank SinoPac
Cathay United Bank
China Citic Bank
CTBC Bank
DBS Bank
E. Sun Bank
Fubon Bank
Industrial and Commercial Bank of China
KGI Bank
Mega International Commercial Bank
OCBC Wing Hang Bank
Standard Chartered Bank
Taishin Bank
United Overseas 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. 666 Yin Jia Road
Wujiang Economic Development District
Wujiang District, Suzhou City,
Jiangsu Province The PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A
Block 3, Building D
P.O. Box 1586
Gardenia Court, Camana Bay
Grand Cayman KY1-1100
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

WEBSITE

www.irasia.com/listco/hk/juteng

STOCK CODE

3336.HK and 9136.TT

FINANCIAL HIGHLIGHTS

	Notes	For the six months ended 30 June		Changes
		2023 (Unaudited)	2022 (Unaudited)	
Operating Results:				
Revenue (HK\$ million)		3,463	4,736	-26.9%
Profit/(loss) attributable to equity holders of the Company (HK\$ million)		(57)	115	-149.8%
Earnings/(loss) per share				
Basic (HK cents)		(6.7)	13.6	-149.3%
Diluted (HK cents)		(6.7)	13.6	-149.3%
Profitability Ratio:				
Gross profit margin		3.1%	10.5%	-7.4%
Operating profit/(loss) margin	1	-6.3%	1.8%	-8.1%
Net profit/(loss) margin	2	-1.6%	2.4%	-4.0%
EBITDA (HK\$ million)		452	790	-42.9%
Return on equity	3	-2.0%	3.5%	-5.5%
Liquidity and Capital Ratio:				
Inventory turnover days	4	89	109	-18.3%
Trade receivables turnover days	5	132	135	-2.2%
Trade and bills payables turnover days	6	43	42	+2.4%
Interest coverage	7	11.2%	603.5%	-592.3%
Net debt to equity	8	34.3%	45.6%	-11.3%
Net cash flows from operating activities (HK\$ million)		178	764	-76.7%

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 profit/(loss) margin equals profit/(loss) attributable to equity holders of the Company divided by revenue.
- (3) Return on equity equals profit/(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 and other 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 2023 (the “**Period**”) as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

		For the six months ended 30 June	
	Notes	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
REVENUE	3	3,463,474	4,735,642
Cost of sales		(3,355,613)	(4,240,392)
Gross profit		107,861	495,250
Other income and gains	3	266,452	252,440
Selling and distribution expenses		(71,588)	(87,904)
Administrative expenses		(252,988)	(324,208)
Other expenses		(37,544)	(81,892)
Finance costs	4	(108,584)	(42,035)
Share of loss of an associate		(16)	–
PROFIT/(LOSS) BEFORE TAX	5	(96,407)	211,651
Income tax expense	6	(24,309)	(106,555)
PROFIT/(LOSS) FOR THE PERIOD		(120,716)	105,096
Attributable to:			
Equity holders of the Company		(57,073)	114,657
Non-controlling interests		(63,643)	(9,561)
		(120,716)	105,096
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	8		
– Basic (HK cents)		(6.7)	13.6
– Diluted (HK cents)		(6.7)	13.6

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	For the six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
PROFIT/(LOSS) FOR THE PERIOD	(120,716)	105,096
OTHER COMPREHENSIVE INCOME/(EXPENSES)		
Other comprehensive expenses that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(524,882)	(617,379)
Release of exchange fluctuation reserve upon disposal of a subsidiary	(15,958)	–
	(540,840)	(617,379)
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	12,068	(5,818)
Income tax effect	(1,484)	–
	10,584	(5,818)
OTHER COMPREHENSIVE EXPENSES FOR THE PERIOD, NET OF TAX	(530,256)	(623,197)
TOTAL COMPREHENSIVE EXPENSES FOR THE PERIOD	(650,972)	(518,101)
Attributable to:		
Equity holders of the Company	(531,436)	(407,399)
Non-controlling interests	(119,536)	(110,702)
	(650,972)	(518,101)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	Notes	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	5,962,694	6,587,803
Right-of-use assets		837,372	887,421
Deferred tax assets		7,077	14,210
Prepayments for acquisition of property, plant and equipment		12,095	30,356
Investment in an associate		12,645	12,654
Equity investment designated at fair value through other comprehensive income		25,600	13,489
Total non-current assets		<u>6,857,483</u>	<u>7,545,933</u>
CURRENT ASSETS			
Inventories		1,653,100	2,193,695
Trade receivables	10	2,516,377	2,420,946
Prepayments, deposits and other receivables		176,396	193,690
Pledged and restricted bank balances		115,174	102,659
Cash and cash equivalents		1,358,847	1,706,797
Non-current assets classified as held for sale		5,819,894	6,617,787
		–	26,210
Total current assets		<u>5,819,894</u>	<u>6,643,997</u>
CURRENT LIABILITIES			
Trade and bills payables	11	797,596	822,603
Other payables and accruals		1,105,731	1,445,517
Lease liabilities		159,623	244,513
Tax payable		49,513	51,245
Derivative financial instruments		18,593	1,676
Interest-bearing bank and other borrowings		2,872,325	3,048,744
Total current liabilities		<u>5,003,381</u>	<u>5,614,298</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

30 June 2023

Notes	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
NET CURRENT ASSETS	816,513	1,029,699
TOTAL ASSETS LESS CURRENT LIABILITIES	7,673,996	8,575,632
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	801,342	994,384
Deferred income	40,734	42,625
Lease liabilities	10,158	21,764
Deferred tax liabilities	71,730	73,572
Total non-current liabilities	923,964	1,132,345
Net assets	6,750,032	7,443,287
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	120,001	120,001
Reserves	5,344,663	5,918,382
	5,464,664	6,038,383
Non-controlling interests	1,285,368	1,404,904
Total equity	6,750,032	7,443,287

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	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 2022	120,001	187,919	(745,831)	57,971	520,715	501,669	5,871,491	4,235	323,963	6,842,133	1,705,568	8,547,701
Profit/loss for the Period	-	-	-	-	-	-	114,657	-	-	114,657	(9,561)	105,096
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	-	-	-	-	-	-	-	(5,818)	-	(5,818)	-	(5,818)
Exchange differences on translation of foreign operations	-	-	-	-	-	(516,238)	-	-	-	(516,238)	(101,141)	(617,379)
Total comprehensive income/expenses for the Period	-	-	-	-	-	(516,238)	114,657	(5,818)	-	(407,399)	(110,702)	(518,101)
Dividend received under the share award plan	-	-	28,347	-	-	-	-	-	-	28,347	-	28,347
Share-based compensation arrangements	-	-	-	1,469	-	-	-	-	-	1,469	-	1,469
Transfer from retained profits	-	-	-	-	8,891	-	(8,891)	-	-	-	-	-
2021 final dividend	-	-	-	-	-	-	(96,001)	-	-	(96,001)	-	(96,001)
At 30 June 2022	120,001	187,919	(717,484)	59,440	529,606	(14,569)	5,881,256	(1,583)	323,963	6,368,549	1,594,866	7,963,415
(Unaudited)												
At 1 January 2023	120,001	187,919	(717,483)	60,247	549,742	(403,404)	5,918,612	(1,194)	323,963	6,038,383	1,404,904	7,443,287
Loss for the Period	-	-	-	-	-	-	(57,073)	-	-	(57,073)	(63,643)	(120,716)
Other comprehensive income/expenses for the Period												
Change in fair value of an equity investment designated at fair value through other comprehensive expenses, net of tax	-	-	-	-	-	-	-	10,584	-	10,584	-	10,584
Exchange differences on translation of foreign operations	-	-	-	-	-	(468,989)	-	-	-	(468,989)	(55,893)	(524,882)
Release of exchange fluctuation reserve upon disposal of a subsidiary	-	-	-	-	-	(15,958)	-	-	-	(15,958)	-	(15,958)
Total comprehensive income/expenses for the Period	-	-	-	-	-	(484,947)	(57,073)	10,584	-	(531,436)	(119,536)	(650,972)
Dividend received under the share award plan	-	-	17,717	-	-	-	-	-	-	17,717	-	17,717
Transfer of employee share-based compensation reserve upon the forfeiture of share options	-	-	-	(5,774)	-	-	5,774	-	-	-	-	-
Transfer from retained profits	-	-	-	-	6,851	-	(6,851)	-	-	-	-	-
2022 final dividend	-	-	-	-	-	-	(60,000)	-	-	(60,000)	-	(60,000)
At 30 June 2023	120,001	187,919	(699,766)	54,473	556,593	(888,371)	5,800,462	9,390	323,963	5,464,664	1,285,368	6,750,032

* These reserve accounts comprise the consolidated reserves of HK\$5,344,663,000 (31 December 2022: HK\$5,918,382,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	For the six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	306,401	887,672
Income tax paid	(29,339)	(78,751)
Income tax refunded	946	513
Interest received	13,404	2,147
Interest paid	(113,065)	(47,451)
	<u>178,347</u>	<u>764,130</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(46,044)	(256,188)
Proceeds from disposal of items of property, plant and equipment and non-current assets classified as held for sale	34,419	7,037
Disposal of a subsidiary	26,514	–
Increase in pledged and restricted bank balances	(13,753)	(38,758)
Increase in prepayments for acquisition of property, plant and equipment	(12,095)	(38,077)
	<u>(10,959)</u>	<u>(325,986)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans and other borrowings	1,623,258	2,046,901
Repayment of bank loans	(1,993,531)	(2,117,243)
Dividend paid	(60,000)	(96,001)
Dividend received under the share award plan	17,717	28,347
Principal portion of lease payments	(82,500)	(994)
	<u>(495,056)</u>	<u>(138,990)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(327,668)	299,154
Cash and cash equivalents at beginning of Period	1,706,797	848,600
Effect of foreign exchange rate changes, net	(20,282)	(8,533)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>1,358,847</u>	<u>1,139,221</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u>1,358,847</u>	<u>1,139,221</u>

NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2023

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 2022. The accounting policies and basis of preparation adopted in the preparation of the condensed consolidated interim financial information are the same as those used in the annual financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”), which also include HKASs and Interpretations) for the first time for the current period’s financial information:

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKFRS 17	<i>Insurance Contracts</i>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

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

NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2023

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	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
The People's Republic of China (the "PRC" or "Mainland China"), excluding Hong Kong	3,302,124	4,603,801
The Republic of China (the "ROC")	40,020	51,370
Others	121,330	80,471
	<u>3,463,474</u>	<u>4,735,642</u>

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

NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2023

3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Revenue from contracts with customers		
Sale of casings for notebook computer and handheld devices	<u>3,463,474</u>	<u>4,735,642</u>

Revenue from contracts with customers

(i) Disaggregated revenue information

	For the six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Geographical markets		
The PRC, excluding Hong Kong	3,302,124	4,603,801
The ROC	40,020	51,370
Others	<u>121,330</u>	<u>80,471</u>
	<u>3,463,474</u>	<u>4,735,642</u>
Timing of revenue recognition		
Goods transferred at a point in time	<u>3,463,474</u>	<u>4,735,642</u>

(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.

NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2023

3. REVENUE, OTHER INCOME AND GAINS (continued)

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Other income and gains		
Interest income	13,404	2,147
Subsidy income [#]	4,491	5,649
Compensation income	2,781	3,559
Gross rental income	11,550	13,621
Write-back of trade receivables	–	465
Reversal of impairment of trade receivables	288	–
Write-off of long outstanding other payables and accruals	37	754
Write-off of long outstanding trade payables	–	857
Gain on disposal of a subsidiary	42,507	–
Foreign exchange gains, net	190,417	225,001
Others	977	387
	266,452	252,440

[#] 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.

NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2023

4. FINANCE COSTS

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

	For the six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Interest on bank and other borrowings	112,787	47,428
Interest on lease liabilities	278	23
Total interest expense on financial liabilities not at fair value through profit or loss	113,065	47,451
Less: Interest capitalised	(4,481)	(5,416)
	108,584	42,035

5. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Cost of inventories sold	3,355,613	4,240,392
Depreciation of property, plant and equipment	427,927	525,336
Depreciation of right-of-use assets	11,406	11,316
Provision for inventories, net	42,760	18,251
Impairment/(reversal of impairment) of trade receivables	(288)	78
Write-off/(write-back) of trade receivables	2,325	(465)
Loss on disposal of items of property, plant and equipment, net	6,531	30,825
Gain on disposal of a subsidiary	(42,507)	–
Foreign exchange gains, net	(190,417)	(225,001)
Fair value losses on derivative financial instruments, net		
– Realised losses	6,182	40,700
– Unrealised losses	16,920	8,382

NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2023

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 2022: 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	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Provision for the Period		
Current – The PRC, excluding Hong Kong		
Charge for the Period	21,261	77,401
Underprovision in prior years	573	19,873
Current – Overseas		
Charge for the Period	11,831	16,729
Overprovision in prior years	(12,853)	(7,525)
Deferred tax	3,497	77
Total tax charge for the Period	<u>24,309</u>	<u>106,555</u>

7. INTERIM DIVIDEND

The Directors did not propose to declare any interim dividend for the Period (six months ended 30 June 2022: Nil).

During the six months ended 30 June 2023, the Company approved and paid a final dividend of HK5 cents (six months ended 30 June 2022: HK8 cents) per ordinary share, amounting to approximately HK\$60,000,000 (six months ended 30 June 2022: approximately HK\$96,001,000) in respect of the previous financial year.

NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2023

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

The calculation of the basic earnings/(loss) per share amounts is based on the loss for the Period attributable to equity holders of the Company of HK\$57,073,000 (six months ended 30 June 2022: profit attributable to equity holders of the Company of HK\$114,657,000) and the weighted average number of 845,662,671 (six months ended 30 June 2022: 845,662,671) ordinary shares in issue excluding shares held under the share award plan during the Period.

For the six months ended 30 June 2023 and six months ended 30 June 2022, no adjustment has been made to the basic earnings/(loss) per share amounts presented in respect of a dilution as the impact of share options outstanding had no dilutive effect on the basic earnings/(loss) per share amounts presented.

9. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired property, plant and equipment of approximately HK\$80,881,000 (six months ended 30 June 2022: approximately HK\$304,919,000) and disposed of property, plant and equipment with an aggregate net book value of approximately HK\$15,787,000 (six months ended 30 June 2022: approximately HK\$37,862,000).

The amount of borrowing costs capitalised during the Period was approximately HK\$4,481,000 (six months ended 30 June 2022: approximately HK\$5,416,000).

10. TRADE RECEIVABLES

	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
Trade receivables	2,521,255	2,426,112
Impairment	(4,878)	(5,166)
	<u>2,516,377</u>	<u>2,420,946</u>

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

NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2023

10. 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 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
Within 3 months	1,488,768	1,295,835
4 to 6 months	931,164	1,064,992
7 to 12 months	96,445	60,119
	<u>2,516,377</u>	<u>2,420,946</u>

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 and issuance date, respectively, is as follows:

	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
Within 3 months	550,276	532,780
4 to 6 months	216,780	254,025
7 to 12 months	22,238	29,030
Over 1 year	8,302	6,768
	<u>797,596</u>	<u>822,603</u>

NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2023

12. SHARE CAPITAL

	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
Authorised: 2,000,000,000 shares of HK\$0.1 each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid: 1,200,008,445 shares of HK\$0.1 each	<u>120,001</u>	<u>120,001</u>

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.

13. SHARE-BASED COMPENSATION

(a) Share option scheme

A share option scheme (the "Share Option Scheme") was adopted by the Company on 11 May 2015. Details of the terms of the Share Option Scheme were disclosed in the Group's annual financial statements as at 31 December 2022.

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

	2023		2022	
	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	31,976,000	1.48	33,512,000
Forfeited	1.48	<u>(3,212,000)</u>	1.48	<u>(744,000)</u>
At 30 June	1.48	<u>28,764,000</u>	1.48	<u>32,768,000</u>

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

NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2023

13. SHARE-BASED COMPENSATION (continued)

(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 2023 and 31 December 2022, a total of 354,345,774 shares were held by Bank of Communications Trustee Limited, the trustee under the Share Award Plan.

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 2023, certain land and buildings of the Group with a net carrying amount of approximately HK\$20,350,000 (31 December 2022: approximately HK\$20,223,000) were pledged to secure banking facilities granted to the Group.

16. COMMITMENTS

The Group had the following capital commitments at the end of the Period:

	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
Contracted, but not provided for:		
Buildings	16,582	11,242
Machinery and office equipment	47,118	82,162
Total capital commitments	63,700	93,404

NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2023

17. RELATED PARTY TRANSACTIONS

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

		For the six months ended 30 June	
	Notes	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Lease payments paid to:			
Ms. Cheng Shao-Wen	(i)	72	75
Mr. Cheng Yung-Kang	(ii)	30	31
禾澁股份有限公司(“禾澁”)	(iii)	153	159
Ms. Lin Mei-Li	(iv)	31	33

Notes:

- (i) Ms. Cheng Shao-Wen is the daughter of Mr. Cheng Li-Yu, a director of the Company. The rentals were determined at rates mutually agreed between the relevant parties.
- (ii) Mr. Cheng Yung-Kang is the son of Mr. Cheng Li-Yu, a director of the Company. The rentals were determined at rates mutually agreed between the relevant parties.
- (iii) Ms. Cheng Shao-Wen and Mr. Cheng Yung-Kang are the directors of 禾澁. Ms. Lin Mei-Li, the spouse of Mr. Cheng Li-Yu, a director of the Company, Ms. Cheng Shao-Wen and Mr. Cheng Yung-Kang are the shareholders of 禾澁. The rentals were determined at rates mutually agreed between the relevant parties.
- (iv) 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.

NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2023

17. RELATED PARTY TRANSACTIONS (continued)

(b) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Short term employee benefits	5,993	7,224
Employee share-based compensation expenses	—	614
Total compensation paid to key management personnel	<u>5,993</u>	<u>7,838</u>

18. FAIR VALUE AND FAIR VALUE HIERARCHY

The carrying amounts of the Group's financial instruments as at 30 June 2023 and 31 December 2022 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 values of an equity investment designated at fair value through other comprehensive income and derivative financial instruments. As at 30 June 2023, the Group's financial instruments which comprise an equity investment designated at fair value through other comprehensive income and derivative financial instruments, which were measured at fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 under the fair value hierarchy) and based on significant observations inputs (Level 2 under the fair value hierarchy), respectively.

During the Period, there were no transfers of fair value measurements between Level 1 and Level 2, and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW & PROSPECTS

Looking back at the first half of 2023, the global personal computer (“PC”) market was still in a downturn, mainly due to the recovery of business, working and learning activities after the global pandemic subsided which led to a reduced demand for PCs, as well as the longer-than-expected high inventory levels which adversely affect the global PC sales performance. According to the survey report released by Canalys, a market research organization, the total global PC shipments decreased by 33% to 54 million units in the first quarter of 2023, marking a double-digit decline for four consecutive quarters. However, in the second quarter of 2023, some data showed a slowdown in the market decline, with the total PC shipments decreasing by 11.5% to 62.1 million units as compared with the same period of last year. Despite improvement of the global PC market in the second quarter of 2023, the overall PC shipments in the first half of the year remained weak, leading to a significant decrease in demands for the computer casings. Furthermore, affected by the uncertain economic environment, heightened global inflation and rising loan interest rates, many companies delayed their PC purchase plans, and the consumers reduced their expenses on PC, bringing tremendous challenges to the recovery of the PC market.

As one of the world’s leading notebook computer casing manufacturers, the sales of notebook computer casing and 2-in-1 computer casing remained as the Group’s major source of revenue for the Period. For the Period, the Group recorded revenue of approximately HK\$3,463 million (2022: approximately HK\$4,736 million). Due to the sluggish global demand for notebook computers, the downstream manufacturers strived to reduce their inventories, resulting in a decrease in demand for the Group’s products and a significant decrease in sales revenue. Despite the Group recording a net foreign exchange gain of approximately HK\$190 million during the Period due to the heightened US dollar exchange rate, it was not sufficient to offset the impact of the decrease in revenue and gross profit during the Period. The Group recorded a loss attributable to equity holders of the Company of approximately HK\$57 million (2022: profit of approximately HK\$115 million) for the Period.

During the Period, the demand from global consumers for non-necessity goods has decreased, putting the business environment to the test. In view of this, the Group has kept abreast of market changes, and actively adjusted its operation strategies. During the Period, the Group has taken various measures to reduce its operating costs, completed the integration of production plants in Mainland China, slowed down the investment progress of production plants in Vietnam, and further improved its resource allocation to achieve cost-effectiveness. With the development of technologies and the continuous updating and upgrading of PC products, the Group aims to more effectively improve its product quality and production efficiency by optimizing the production system, so as to prepare itself for capturing potential growth in the PC market in the future.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW & PROSPECTS (continued)

Looking ahead to the second half of the year, it is expected that the inventory levels of the global PC market will gradually return to normal. The expected launch of the Windows 11 operating system update in the fourth quarter of 2023, together with the demand for hardware performance updates, will improve the consumers' demands, and push the market towards restoring its stability. With the advancement of AI technology, PC products with high computing performance may become new growth factors to PC casing products. It is expected that the global PC market will further improve in the second half of 2023, and according to the forecast of International Data Corporation, a market research organization, the PC market is expected to rebound in 2024. In anticipation of the further recovery of market demand, the Group will also gradually make an improvement in its business and financial performance.

Although the PC industry remains full of challenges in the tough global economic environment, the Group remains prudently optimistic about its development prospects in this industry. The Group will closely monitor the development trends of the market, adjust its market strategies accordingly, continuously improve its product portfolios to meet various market demands, and implement the integration of capacity allocation through a mode of operation focused on cost reduction and efficiency enhancement, so as to enhance the Group's competitiveness. During the time of computer upgrades and consumer demands yet to be explored, the Group actively leverages its advantages in the industry and continuously improves product quality, so as to seize the opportunities from the future market recovery and fortify its leading position in the market. Looking ahead, the Group will continue to actively respond to various challenges and changes in the industry, and strive to create more development opportunities to provide better returns for its shareholders and achieve sustainable development.

FINANCIAL REVIEW

During the Period, due to the subsiding global pandemic in various countries, the previous surge in demand for the PC brought by remote work and online classrooms has been greatly reduced, and because inventory levels have been higher than normal for longer than expected, demand for the Group's computer casings product was reduced. Therefore, the Group's revenue for the Period declined by approximately 26.9% as compared with the corresponding period of last year to approximately HK\$3,463 million (2022: approximately HK\$4,736 million). The Group's gross profit margin during the Period decreased to approximately 3.1% (2022: approximately 10.5%), which was mainly due to the sharp decrease in market demand for notebook computers, and downstream manufacturers' active destocking, resulting in a decrease in the Group's product sales price and lower utilization rates of the Group's production capacity.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (continued)

During the Period, other income and gains of the Group mainly consisted of foreign exchange gains, mainly resulting from the translation of trade receivables denominated in USD, of approximately HK\$190 million (2022: approximately HK\$225 million) arising from the depreciation of RMB against USD, gain on disposal of a subsidiary of approximately HK\$43 million (2022: Nil), interest income of approximately HK\$13 million (2022: approximately HK\$2 million), gross rental income of approximately HK\$12 million (2022: approximately HK\$14 million) and subsidy income of approximately HK\$4 million (2022: approximately HK\$6 million). The Group recorded an increase of approximately 5.6% in other income and gains as compared with the corresponding period of last year to approximately HK\$266 million (2022: approximately HK\$252 million) during the Period, accounting for approximately 7.7% (2022: approximately 5.3%) of the Group's revenue.

During the Period, the Group recorded a decrease of approximately 21.2% in operating costs, including administrative expenses and selling and distribution expenses, as compared with the corresponding period of last year to approximately HK\$325 million (2022: approximately HK\$412 million). The decrease in the operating costs were mainly attributable to the decrease in exports, staff costs and transportation expenses. The percentage of operating costs of the Group accounted for approximately 9.4% (2022: approximately 8.7%) of the Group's revenue.

During the Period, other expenses of the Group mainly consisted of fair value losses on derivative financial instruments (i.e. the forward foreign exchange contracts) of approximately HK\$23 million (2022: approximately HK\$49 million) and loss on disposal of items of property, plant and equipment, net of approximately HK\$7 million (2022: approximately HK\$31 million). The Group recorded a decrease of approximately 54.2% in other expenses as compared with the corresponding period of last year to approximately HK\$38 million (2022: approximately HK\$82 million), accounting for approximately 1.1% (2022: approximately 1.7%) of the Group's revenue.

Finance costs of the Group increased by approximately 158.3% as compared with the corresponding period of last year to approximately HK\$109 million (2022: approximately HK\$42 million) for the Period, which was mainly attributable to the increase in USD loan interest rates. Interest capitalised during the Period was approximately HK\$4 million (2022: approximately HK\$5 million).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (continued)

As a loss before tax was recorded during the Period, the Group's income tax expense decreased to approximately HK\$24 million (2022: approximately HK\$107 million) for the Period. Despite the fact that the Group incurred loss before tax on consolidated basis, income tax credits have not been recognized in respect of tax losses incurred by certain subsidiaries and income tax expense has been provided for in respect of the assessable profits generated by certain subsidiaries during the Period.

Despite the measures adopted by the Group to lower the operating costs, the Group recorded a loss attributable to equity holders of the Company for the Period amounted to approximately HK\$57 million (2022: profit of approximately HK\$115 million), mainly due to the decrease in the sales revenue and gross profit, and increase in finance costs.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2023, total bank and other borrowings of the Group amounted to approximately HK\$3,674 million (31 December 2022: approximately HK\$4,043 million), representing a decrease of approximately 9.1% as compared with that of 31 December 2022. The Group's bank and other borrowings were at floating interest rates and included short-term loans with 1-year maturity, 2-year term loans, 3-year term loans and 5-year syndicated loans. As at 30 June 2023, the Group's bank and other loans denominated in USD, New Taiwan dollars and RMB were approximately HK\$3,432 million (31 December 2022: approximately HK\$3,728 million), approximately HK\$20 million (31 December 2022: approximately HK\$21 million) and approximately HK\$222 million (31 December 2022: approximately HK\$294 million), respectively.

During the Period, the Group's net cash flows from operating activities decreased to approximately HK\$178 million from approximately HK\$764 million in the corresponding period of last year, which was mainly attributable to the Group recording loss before tax, increase in trade receivables and decrease in other payables. Due to the completion of the installation of new manufacturing facilities at the new production plant in Suzhou last year, the Group only recorded a net cash outflow from investing activities of approximately HK\$11 million (2022: approximately HK\$326 million) during the Period. During the Period, due to the repayment of bank borrowings and settlement of certain lease payables, the Group recorded a net cash outflow from financing activities of approximately HK\$495 million (2022: approximately HK\$139 million). As at 30 June 2023, the Group had cash and bank balances of approximately HK\$1,359 million (31 December 2022: approximately HK\$1,707 million).

As at 30 June 2023, the Group's gearing ratio, calculated as total bank and other borrowings of approximately HK\$3,674 million (31 December 2022: approximately HK\$4,043 million) divided by total assets of approximately HK\$12,677 million (31 December 2022: approximately HK\$14,190 million), slightly increased to approximately 29.0% (31 December 2022: approximately 28.5%), which was mainly due to the decrease in total assets as at 30 June 2023 as compared with that as at 31 December 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RATIOS

Due to the decline in sales and the Group's tightened inventory control policies, the inventory turnover days of the Group during the Period decreased to approximately 89 days (2022: approximately 109 days). As at 30 June 2023, there was a decrease in the Group's inventories of approximately 24.6% to approximately HK\$1,653 million (31 December 2022: approximately HK\$2,194 million).

Trade receivables turnover days of the Group during the Period decreased to approximately 132 days (2022: approximately 135 days) due to faster settlement by customers of the Group. Trade receivables as at 30 June 2023 increased by approximately 3.9% to approximately HK\$2,516 million, as compared with approximately HK\$2,421 million as at 31 December 2022.

Trade and bills payables turnover days of the Group during the Period slightly increased to approximately 43 days (2022: approximately 42 days).

PLEDGE OF ASSETS

As at 30 June 2023, certain land and buildings of the Group with a net carrying amount of approximately HK\$20 million (31 December 2022: approximately HK\$20 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, an appreciation of RMB against USD will have adverse effect on the Group's profitability and vice versa. 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. During the Period, the Group recorded foreign exchange gains, net of approximately HK\$190 million (2022: approximately HK\$225 million) and fair value losses on derivative financial instruments, net of approximately HK\$23 million (2022: approximately HK\$49 million). 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.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES

During the Period, the Group had approximately 23,000 employees (2022: approximately 34,000 employees) and recorded staff costs of approximately HK\$987 million (2022: approximately HK\$1,520 million).

The Group's employees are remunerated in line with prevailing market terms and individual performance, with the remuneration package and policies being 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 2023, 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\$64 million (31 December 2022: approximately HK\$93 million).

CONTINGENT LIABILITIES

As at 30 June 2023, 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 2023, 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:

Name of Directors		Long positions Number of ordinary shares of the Company of HK\$0.1 each (the "Shares") and underlying Shares held under equity derivatives			Total interests	Approximate percentage of the Company's issued share capital (Note 3)
		Personal interests	Interests of spouse	Other interests		
Mr. Cheng Li-Yen	Shares	-	-	303,240,986 (Note 1)	303,240,986	25.27%
Mr. Cheng Li-Yu	Shares	23,408,000	7,064,046	303,240,986 (Note 1)	333,713,032	27.81%
Mr. Cheng Chia-Jiun	Shares	210,000	-	-	210,000	0.02%
	Equity Derivatives: Share Options (Note 2)	360,000	-	-	360,000	0.03%
					570,000	0.05%
Mr. Chiu Hui-Chin	Shares	5,900,000	-	-	5,900,000	0.49%
	Equity Derivatives: Share Options (Note 2)	600,000	-	-	600,000	0.05%
					6,500,000	0.54%
Mr. Huang Kuo-Kuang	Shares	8,285,866	2,300,631	-	10,586,497	0.88%
	Equity Derivatives: Share Options (Note 2)	504,000	-	-	504,000	0.04%
					11,090,497	0.92%
Mr. Lin Feng-Chieh	Shares	1,824,000	-	-	1,824,000	0.15%
	Equity Derivatives: Share Options (Note 2)	600,000	-	-	600,000	0.05%
					2,424,000	0.20%

OTHER INFORMATION

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

Name of Directors		Long positions Number of ordinary shares of the Company of HK\$0.1 each (the "Shares") and underlying Shares held under equity derivatives			Total interests	Approximate percentage of the Company's issued share capital (Note 3)
		Personal interests	Interests of spouse	Other interests		
Mr. Tsai Wen-Yu	Equity Derivatives: Share Options (Note 2)	360,000	-	-	360,000	0.03%
Mr. Tsui Yung Kwok	Shares	6,156,000	-	-	6,156,000	0.51%
	Equity Derivatives: Share Options (Note 2)	1,008,000	-	-	1,008,000	0.09%
					7,164,000	0.60%
Mr. Yip Wai Ming	Shares	248,000	-	-	248,000	0.02%
	Equity Derivatives: Share Options (Note 2)	288,000	-	-	288,000	0.02%
					536,000	0.04%

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 held in the name of East Asia International Trustees Limited as trustee for the Cheng Family Trust which was founded by Mr. Cheng Li-Yu. The beneficiaries of the Cheng Family Trust include Mr. Cheng Li-Yu and Mr. Cheng Li-Yen. Mr. Cheng Li-Yu and Mr. Cheng Li-Yen were deemed to be interested in all the Shares in which Southern Asia 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.
- These percentages are calculated on the basis of 1,200,008,445 Shares of the Company in issue as at 30 June 2023.

Save as disclosed above, as at 30 June 2023, 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.

OTHER INFORMATION

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "Share Option Scheme" and "Share Award Scheme" and in note 13 to the interim financial information, at no time during or at the end of the period ended 30 June 2023 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 child (natural or adopted), or were such rights exercised by them; nor was the Company or any of the Subsidiaries a party to any subsisted arrangement to enable the Directors to acquire such rights in the Company or any other body corporate.

SHARE OPTION SCHEME

The Company operates the Share Option Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

The Share Option Scheme will remain in force for a period of 10 years commencing from the date of adoption, i.e. 11 May 2015, with a remaining life of approximately two years.

The period during which an option may be exercised in accordance with the terms of the Share Option Scheme shall be the period set out in the relevant offer letter, provided that such period must expire on the date falling on the tenth anniversary of the date of the grant.

Further details are disclosed in note 13 to the interim financial information.

During the six months ended 30 June 2023, no Share Options were granted under the Share Option Scheme. The following Share Options were outstanding under the Share Option Scheme as at 1 January 2023 and as at 30 June 2023:

Name or category of participant	Number of Share Options						Grant date (Note 1)	Exercise period	Exercise price per Share (Note 2)	Closing price per Share immediately before the grant date
	At 1 January 2023	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	At 30 June 2023				
Directors										
Mr. Cheng Chia-lun	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>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>360,000</u>				

OTHER INFORMATION

SHARE OPTION SCHEME (continued)

Name or category of participant	Number of Share Options					At 30 June 2023	Grant date (Note 1)	Exercise period	Exercise price per Share (Note 2)	Closing price per Share immediately before the grant date
	At 1 January 2023	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period					
Mr. Chiu Hui-Chin	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
	600,000	-	-	-	-	600,000				
Mr. Huang Kuo-Kuang	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
	504,000	-	-	-	-	504,000				
Mr. Lin Feng-Chieh	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
	600,000	-	-	-	-	600,000				
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
360,000	-	-	-	-	360,000					
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
1,008,000	-	-	-	-	1,008,000					
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
288,000	-	-	-	-	288,000					

OTHER INFORMATION

SHARE OPTION SCHEME (continued)

Name or category of participant	Number of Share Options						Grant date (Note 1)	Exercise period	Exercise price per Share (Note 2)	Closing price per Share immediately before the grant date
	At 1 January 2023	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	At 30 June 2023				
Other employees										
In aggregate	40,400	-	-	-	-	40,400	3-9-2018	7-11-2018 to 31-8-2024	HK\$1.48	HK\$1.48
	66,400	-	-	-	-	66,400	3-9-2018	7-11-2019 to 31-8-2024	HK\$1.48	HK\$1.48
	70,400	-	-	-	-	70,400	3-9-2018	7-11-2020 to 31-8-2024	HK\$1.48	HK\$1.48
	14,040,400	-	-	-	(1,606,000)	12,434,400	3-9-2018	7-11-2021 to 31-8-2024	HK\$1.48	HK\$1.48
	14,038,400	-	-	-	(1,606,000)	12,432,400	3-9-2018	7-11-2022 to 31-8-2024	HK\$1.48	HK\$1.48
	<u>28,256,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,212,000)</u>	<u>25,044,000</u>				
	<u>31,976,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,212,000)</u>	<u>28,764,000</u>				

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 Share Option Scheme.

The number of Share Options available for grant under the scheme mandate as at 1 January 2023 and as at 30 June 2023 remained at 116,634,244.

As at the date of this report, the total number of Shares available for allotment and issue pursuant to the exercise of share options to be granted under the Share Option Scheme is 10% of the total number of Shares in issue on the date of refreshment of scheme limit i.e. 15 May 2019, which is 116,634,244 Shares, representing approximately 9.7% of the issued share capital of the Company.

OTHER INFORMATION

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 Board may from time to time at its sole discretion subject to requirements under the 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 scheme within the meaning of Chapter 17 of the Listing Rules.

On 5 December 2022, the Board resolved to make certain amendments (the “Amendments”) to the Plan effective on the same date, to the effect that: (1) the Trustee will not be instructed to subscribe for any new Shares for the purpose of satisfying awards to be granted following the effective date of the Amendments such that all awards to be granted shall be satisfied by existing Shares only; (2) the Trustee shall abstain from voting on matters that require Shareholders’ approval under the Listing Rules in respect of any Shares held under the Trust unless required by law to vote in accordance with the beneficial owner’s direction and such a direction is given; and (3) other house-keeping amendments are made for the purpose of making consequential amendments in line with the above amendments and to clarify the existing practice. Save for the Amendments disclosed in the announcement of the Company dated 5 December 2022 and other cosmetic changes, no other changes have been made to the Plan and all other terms of the Plan remain effective.

Eligible participants and maximum entitlement

Eligible participants include any employee (whether full time or part time, including any executive director but excluding any non-executive director) and any non-executive director (including independent non-executive director) of the Company, any Subsidiary or any Invested Entity. There is no maximum entitlement applicable to an individual participant of the Plan.

Vesting period

The vesting period of an award of Shares commences on the date on which such Shares have been provisionally set aside by the Trustee to such the grantee and ends on the date on which the legal and beneficial title to the Shares awarded are transferred to the grantee, which shall be within ten business days after the latest of (a) such date as determined by the Board; and (b) where applicable, the date on which the condition(s) or performance target(s) (if any) to be attained by such grantee have been attained.

Determination of purchase price

Where the Trustee effects a purchase of Shares by off-market transactions for satisfying an award under the Plan, the purchase price shall not be higher than the lower of (a) the closing market price per Share on the trading day immediately prior to such purchase on which the Shares were traded on the Stock Exchange, and (b) the average closing market price per Share for the five preceding trading days on which the Shares were traded on the Stock Exchange.

OTHER INFORMATION

SHARE AWARD PLAN (continued)

Term

The Plan will remain in force for a period of 30 years since the date of adoption of the Plan, i.e. 19 May 2017, with a remaining life of approximately 24 years. Early termination may be done by the Board.

During the six months ended 30 June 2023, (i) there were no unvested awards under the Plan; (ii) no share award was granted by the Board to any selected participants; and (iii) no awards were vested, cancelled nor lapsed.

The Plan does not constitute a share scheme within the meaning of Chapter 17 of the Listing Rules. Accordingly, the scheme mandate limit does not apply. However, in any given financial year, the Trustee shall not purchase more than 10% of the total number of issued Shares as at the beginning of such financial year for the purpose of the Plan. During the period ended 30 June 2023, no Share was purchased by the Trustee.

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

As at 30 June 2023, 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 (Note 3)
Southern Asia	Beneficial owner	303,240,986	25.27%
Shine Century Assets Corp. (Note 1)	Interest of controlled corporations	303,240,986	25.27%
East Asia International Trustees Limited (Note 1)	Trustee	303,240,986	25.27%
Ms. Lin Mei-Li (Note 2)	Beneficial owner	7,064,046	0.59%
	Interest of spouse	<u>326,648,986</u>	<u>27.22%</u>
		<u>333,713,032</u>	<u>27.81%</u>
Bank of Communications Trustee Limited	Trustee	354,345,774	29.53%

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY (continued)

Notes:

1. 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 held in the name of East Asia International Trustees Limited as trustee for the Cheng Family Trust. 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 Trustees 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 and Mr. Cheng Li-Yen in the section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company" above.
2. 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.
3. These percentages are calculated on the basis of 1,200,008,445 Shares of the Company in issue as at 30 June 2023.

Save as disclosed above, as at 30 June 2023, 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.

CHANGES IN DIRECTOR'S BIOGRAPHICAL DETAILS

Changes in Director's biographical details for the Period and up to the date of this interim report, which are required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules, are set out below:

Name of Director	Details of change
Mr. Tsai Wen-Yu	Due to the expiration of term of office, Mr. Tsai Wen-Yu ceased to serve as the independent director of Maywufa Company Ltd., a company listed on the Taiwan Stock Exchange Corporation (stock code: 1731.TT), with effect from 26 May 2023.

Save as disclosed above, there are no other matters required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules or required to be brought to the attention of the shareholders of the Company.

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.

OTHER INFORMATION

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 Part 2 of Appendix 14 to the Listing Rules. 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. Save as disclosed below, the Company had complied with the code provisions of the CG Code throughout the Period.

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. With effect from 16 March 2022, Mr. Cheng Li-Yu assumed both roles as the chairman of the Board and the chief executive officer of the Company. The Board believes that having the same individual serving both roles as chairman of the Board and the chief executive officer of the Company would allow the Group to be managed under a consistent leadership and the overall strategy of the Group could be more effectively formulated and executed.

The Board will continue to review the management structure from time to time and shall make necessary changes when appropriate and inform the shareholders of the Company accordingly.

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, the unaudited condensed consolidated interim financial information and results of the Group for the Period and this interim report and has no disagreement.

By order of the Board
Ju Teng International Holdings Limited
Cheng Li-Yu
Chairman and Chief Executive Officer

Hong Kong, 16 August 2023