巨騰國際控股有限公司

JU TENG INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3336)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

Financial Highlights

- Revenue for the year ended 31 December 2018 was approximately HK$9,072 million, representing an increase of approximately 17.0%.
- Gross profit for the year ended 31 December 2018 was approximately HK$1,081 million, representing a decrease of approximately 2.1%.
- Gross profit margin for the year ended 31 December 2018 decreased to approximately 11.9% from approximately 14.2% for the year ended 31 December 2017.
- Profit attributable to equity holders of the Company for the year ended 31 December 2018 was approximately HK$139 million, representing a substantial increase of approximately 80.2%.
- Basic earnings per share attributable to equity holders of the Company for the year ended 31 December 2018 increased to approximately HK14.1 cents, representing a substantial increase of approximately 101.4%.
- Net asset value per share attributable to equity holders of the Company as at 31 December 2018 was approximately HK$5.2 as compared with approximately HK$5.9 as at 31 December 2017.

The board (the "**Board**") of directors (the "**Directors**") of Ju Teng International Holdings Limited (the "**Company**" or "**Ju Teng**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2018

	Notes	**2018** **HK$'000**	2017 HK$'000
REVENUE	3	**9,072,101**	7,751,797
Cost of sales		**(7,990,787)**	(6,647,762)
Gross profit		**1,081,314**	1,104,035
Other income and gains	3	**270,292**	212,988
Selling and distribution expenses		**(125,531)**	(109,333)
Administrative expenses		**(711,675)**	(702,063)
Other expenses		**(15,334)**	(134,451)
Finance costs	4	**(161,153)**	(108,661)
PROFIT BEFORE TAX	5	**337,913**	262,515
Income tax expense	6	**(137,569)**	(95,163)
PROFIT FOR THE YEAR		**200,344**	167,352
Attributable to:			
Equity holders of the Company		**138,660**	76,929
Non-controlling interests		**61,684**	90,423
		200,344	167,352
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	8		
- Basic (HK cents)		**14.1**	7.0
- Diluted (HK cents)		**14.1**	6.9

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2018

	2018	2017
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**200,344**	167,352
OTHER COMPREHENSIVE INCOME/(EXPENSES)		
Other comprehensive income/(expenses) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(610,699)**	812,617
Available-for-sale investment:		
Change in fair value	**-**	10,265
Income tax effect	**-**	(1,162)
	-	9,103
Net other comprehensive income/(expenses) that may be reclassified to profit or loss in subsequent periods	**(610,699)**	821,720
Other comprehensive expenses that will not be reclassified to profit or loss in subsequent periods:		
Equity investment designated at fair value through other comprehensive income:		
Change in fair value	**(14,225)**	-
Income tax effect	**1,162**	-
	(13,063)	-
OTHER COMPREHENSIVE INCOME/(EXPENSES) FOR THE YEAR, NET OF TAX	**(623,762)**	821,720
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE YEAR	**(423,418)**	989,072
Attributable to:		
Equity holders of the Company	**(379,642)**	770,155
Non-controlling interests	**(43,776)**	218,917
	(423,418)	989,072

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**7,728,064**	8,462,966
Lease premium for land		**552,232**	596,427
Goodwill		**53,985**	53,985
Deferred tax assets		**70,658**	52,855
Prepayments for acquisition of property, plant and equipment		**12,489**	8,790
Equity investment designated at fair value through other comprehensive income		**10,826**	-
Available-for-sale investment		**-**	24,987
Total non-current assets		**8,428,254**	9,200,010
CURRENT ASSETS			
Inventories		**1,589,528**	1,545,656
Trade receivables	9	**3,261,538**	2,744,612
Prepayments, deposits and other receivables		**307,248**	354,903
Pledged and restricted bank balances		**66,400**	39,809
Cash and cash equivalents		**1,157,244**	1,750,770
Total current assets		**6,381,958**	6,435,750
CURRENT LIABILITIES			
Trade and bills payables	10	**1,099,014**	919,973
Other payables and accruals		**1,635,675**	1,491,665
Tax payable		**202,795**	200,547
Interest-bearing bank borrowings		**2,958,305**	2,463,662
Total current liabilities		**5,895,789**	5,075,847
NET CURRENT ASSETS		**486,169**	1,359,903
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,914,423**	10,559,913
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**1,185,962**	2,005,317
Deferred income		**44,220**	154,127
Deferred tax liabilities		**60,439**	52,084
Total non-current liabilities		**1,290,621**	2,211,528
Net assets		**7,623,802**	8,348,385
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	11	**116,634**	114,755
Reserves		**5,960,714**	6,632,921
		6,077,348	6,747,676
Non-controlling interests		**1,546,454**	1,600,709
Total equity		**7,623,802**	8,348,385

NOTES

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

This financial information has been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for an equity investment which has been measured at fair value. This financial information is presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

<u>New and revised HKFRSs</u>

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than as explained below regarding the impact of HKFRS 9 and HKFRS 15, the adoption of the above new and revised HKFRSs has had no significant financial effect on this financial information.

(a) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement
The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

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

(a) (continued)

Classification and measurement (continued)
A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

		HKAS 39 measurement				HKFRS 9 measurement	
	Notes	Category	Amount *HK$'000*	Reclassification *HK$'000*	ECL *HK$'000*	Amount *HK$'000*	Category
Financial assets							
Equity investment designated at fair value through other comprehensive income	(i)	N/A	-	24,987	-	24,987	FVOCI[1] (equity)
Available-for-sale investment	(i)	AFS[2]	24,987	(24,987)	-	-	N/A
Trade receivables	(ii)	L&R[3]	2,744,612	-	(3,015)	2,741,597	AC[4]
Financial assets included in prepayments, deposits and other receivables		L&R[3]	258,665	-	-	258,665	AC[4]
Pledged and restricted bank balances		L&R[3]	39,809	-	-	39,809	AC[4]
Cash and cash equivalents		L&R[3]	1,750,770	-	-	1,750,770	AC[4]
			4,818,843	-	(3,015)	4,815,828	
Financial liabilities							
Trade and bills payables		AC[4]	919,973	-	-	919,973	AC[4]
Financial liabilities included in other payables and accruals		AC[4]	922,856	-	-	922,856	AC[4]
Interest-bearing bank borrowings		AC[4]	4,468,979	-	-	4,468,979	AC[4]
			6,311,808	-	-	6,311,808	

1 FVOCI: Financial asset at fair value through other comprehensive income
2 AFS: Available-for-sale investment
3 L&R: Loans and receivables
4 AC: Financial assets or financial liabilities at amortised cost

Notes:

(i) The Group has elected the option to irrevocably designate its previous available-for-sale equity investment as an equity investment at fair value through other comprehensive income.

(ii) The gross carrying amount of the trade receivables under the column "HKAS 39 measurement - Amount" represent the amount before the measurement of ECLs.

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

(a) (continued)

Impairment

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9.

	Impairment allowances under HKAS 39 at 31 December 2017	Re-measurement	ECL allowances under HKFRS 9 at 1 January 2018
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	-	3,015	3,015

Impact on retained profits

The impact of transition to HKFRS 9 on retained profits is as follows:

	Retained profits
	HK$'000
Balance as at 31 December 2017 under HKAS 39	6,048,217
Recognition of ECLs for trade receivables under HKFRS 9	(3,015)
Balance as at 1 January 2018 under HKFRS 9	6,045,202

(b) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

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

(b) (continued)

The Group's contracts with customers for the sale of goods include only one single performance obligation. The Group has concluded that revenue from sale of goods should be recognised at the point of time when control of the goods is transferred to the customer, generally on delivery of the goods. The Group has concluded that the initial application of HKFRS 15 has had no significant impact on the Group's revenue recognition.

Consideration received from customers in advance
Before the adoption of HKFRS 15, the Group recognised consideration received from customers in advance as other payables. Under HKFRS 15, the amount is classified as contract liabilities which is included in other payables and accruals.

Therefore, upon adoption of HKFRS 15, the Group reclassified HK$32,127,000 from other payables to contract liabilities as at 1 January 2018 in relation to the consideration received from customers in advance as at 1 January 2018.

As at 31 December 2018, under HKFRS 15, HK$35,097,000 was classified as contract liabilities in relation to the consideration received from customers in advance for the sale of goods.

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.

<u>Geographical information</u>

(i) Revenue from external customers:

	2018	2017
	HK$'000	*HK$'000*
The People's Republic of China (the "**PRC**"), excluding Hong Kong	**8,939,032**	7,611,024
The Republic of China (the "**ROC**")	**112,655**	105,228
Others	**20,414**	35,545
	9,072,101	7,751,797

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

2. OPERATING SEGMENT INFORMATION (continued)

Geographical information (continued)

(ii) Non-current assets:

	2018	2017
	HK$'000	*HK$'000*
The PRC, excluding Hong Kong	**8,200,386**	8,972,943
The ROC	**146,343**	149,197
Others	**41**	28
	8,346,770	9,122,168

The non-current asset information above, excluding an equity investment designated at fair value through other comprehensive income/ available-for-sale investment and deferred tax assets, is based on the locations of the assets.

Information about major customers

Revenues of approximately HK$2,123,290,000, HK$1,736,073,000, HK$1,710,691,000 and HK$1,516,919,000 for the year ended 31 December 2018 were derived from sales to four major customers, the revenue from each of which amounted to 10% or more of the Group's revenue, including sales to a group of entities which are known to be under common control with these customers.

Revenues of approximately HK$1,769,138,000, HK$1,536,583,000, HK$1,205,066,000, HK$870,422,000, and HK$826,970,000 for the year ended 31 December 2017 were derived from sales to five major customers, the revenue from each of which amounted to 10% or more of the Group's revenue, including sales to a group of entities which are known to be under common control with these customers.

3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2018	2017
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Sale of goods	**9,072,101**	7,751,797

3. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2018

	HK$'000
Geographical markets	
The PRC, excluding Hong Kong	**8,939,032**
The ROC	**112,655**
Others	**20,414**
	9,072,101

(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.

	2018 ***HK$'000***	2017 *HK$'000*
Other income and gains		
Interest income	**31,147**	21,594
Subsidy income#	**48,434**	143,411
Compensation income	**9,760**	15,710
Gross rental income	**25,325**	21,797
Write-back of long outstanding trade payables, other payables and accruals	**10,216**	3,224
Foreign exchange gains, net	**142,261**	-
Dividend income	**-**	361
Others	**3,149**	6,891
	270,292	212,988

Various government subsidies have been received for enterprises engaged 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:

	2018	2017
	HK$'000	*HK$'000*
Interest on bank and other loans	**172,215**	117,482
Total interest expense on financial liabilities not at fair value through profit or loss	**172,215**	117,482
Less: Interest capitalised	**(11,062)**	(8,821)
	161,153	108,661

5. PROFIT BEFORE TAX

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

	2018	2017
	HK$'000	*HK$'000*
Cost of inventories sold	**7,990,787**	6,647,762
Depreciation	**1,067,527**	1,026,830
Amortisation of lease premium for land	**14,495**	12,923
Provision/(reversal of provision) for inventories, net	**32,131**	(51,769)
Reversal of impairment of other receivables	**-**	(320)
Reversal of impairment of trade receivables	**(1,615)**	(50)
Loss on disposal of items of property, plant and equipment, net	**240**	8,220
Write-off of trade receivables	**6,936**	-
Foreign exchange losses/(gains), net	**(142,261)**	98,880

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 year (2017: 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.

	2018	2017
	HK$'000	*HK$'000*
Provision for the year:		
Current – The PRC, excluding Hong Kong		
Charge for the year	**143,359**	140,302
Underprovision in prior years	**14,856**	422
Current – Overseas		
Charge for the year	**4,183**	26,784
Overprovision in prior years	**(13,041)**	(36,885)
Deferred tax	**(11,788)**	(35,460)
Total tax charge for the year	**137,569**	95,163

7. DIVIDENDS

	2018	2017
	HK$'000	*HK$'000*
Proposed final – HK10 cents (2017: HK8 cents) per ordinary share (note)	**116,634**	91,804

Note:

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to equity holders of the Company of HK$138,660,000 (2017: HK$76,929,000) and the weighted average number of 983,377,279 (2017: 1,101,919,378) ordinary shares in issue excluding shares held under the share award plan during the year.

No adjustment has been made to the basic earnings per share amount presented for the year ended 31 December 2018 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amount presented.

For the year ended 31 December 2017, the calculation of the diluted earnings per share amount was based on the profit for that year attributable to equity holders of the Company of HK$76,929,000. The weighted average number of ordinary shares used in the calculation was 1,101,919,378 ordinary shares in issue excluding shares held under the share award plan during that year, as used in the basic earnings per share calculation, and the weighted average number of 7,812,080 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

9. TRADE RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**3,262,938**	2,744,612
Impairment	**(1,400)**	-
	3,261,538	2,744,612

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 reporting period, based on the invoice date and net of loss allowance, is as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 3 months	**2,288,051**	1,857,513
4 to 6 months	**963,140**	853,535
7 to 12 months	**10,347**	33,564
	3,261,538	2,744,612

10. TRADE AND BILLS PAYABLES

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

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

	2018	2017
	HK$'000	*HK$'000*
Within 3 months	**882,588**	679,754
4 to 6 months	**204,382**	181,257
7 to 12 months	**5,620**	9,171
Over 1 year	**6,424**	49,791
	1,099,014	919,973

11. SHARE CAPITAL

	2018	2017
	HK$'000	*HK$'000*
Authorised:		
2,000,000,000 shares of HK$0.1 each	**200,000**	200,000
Issued and fully paid:		
1,166,342,445 (2017: 1,147,550,445) shares of HK$0.1 each	**116,634**	114,755

During the year, the movements in the Company's share capital were as follows:

	Number of shares in issue of HK$0.1 each	Share capital *HK$'000*	Share premium account *HK$'000*	Total *HK$'000*
At 1 January 2017	1,134,708,445	113,471	77,697	191,168
Issue of shares in connection with the exercise of share options (Note)	12,842,000	1,284	11,173	12,457
Transfer from employee share-based compensation reserve	-	-	14,398	14,398
2016 final dividend	-	-	(77,697)	(77,697)
At 31 December 2017 and at 1 January 2018	**1,147,550,445**	**114,755**	**25,571**	**140,326**
Issue of shares in connection with the exercise of share options (Note)	**18,792,000**	**1,879**	**25,933**	**27,812**
Transfer from employee share-based compensation reserve	**-**	**-**	**33,763**	**33,763**
At 31 December 2018	**1,166,342,445**	**116,634**	**85,267**	**201,901**

Note:

During the year, the Company issued a total of 18,792,000 (2017: 12,842,000) shares at an exercise price of HK$1.48 (2017: HK$0.97) per share, pursuant to the exercise of options granted under the share option scheme of the Company, resulting in the issue of 18,792,000 (2017: 12,842,000) shares of HK$0.1 each for a total cash consideration, before expenses, of HK$27,812,000 (2017: HK$12,457,000). A total of HK$33,763,000 (2017: HK$14,398,000) was transferred from the employee share-based compensation reserve to the share premium account upon the exercise of the share options.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review & Prospects

Global economic growth momentum in 2018 was lower than it was in 2017. The International Monetary Fund (IMF) attributed the weakened confidence for the outlook of corporations to the influence of trade protectionism, while the manufacturing purchasing managers' index declined from approximately 55 at the beginning of 2018 to approximately 52 at the end of the year. Global PC shipments in which includes desktops, notebooks, and ultra-mobile computers, entered into their seventh year of contraction. According to Gartner, a market research firm, the global PC shipment declined by 1.3% in 2018 due to CPU shortages. Nevertheless, increase in sales of metal casings and the depreciation of Renminbi ("**RMB**"), enabled Ju Teng to perform well against the market during the year.

As one of the world's leading manufacturers of notebook computer casings, Ju Teng specializes in notebook computers, 2-in-1 computers, and tablets. In 2018, major brands introduced new notebook computer models that were mainly made of metal casings. Light, thin and sturdy aluminum casings became popular for their design and practicality. During the year, Ju Teng's advanced technologies including anodizing and micro-arc oxidation leaded to a breakthrough in the Group's metal casings sales, which drove the Group's annual revenue growth of 17% to approximately HK$9,072 million.

Meanwhile, the depreciation of RMB since May 2018 resulted in a significant increase in foreign exchange gains from Ju Teng's production in Mainland China. The foreign exchange gains was mainly attributable to the translation of trade receivables denominated in United States Dollars ("**USD**"), due to the depreciation of RMB against USD as at 31 December 2018 as compared with 31 December 2017. As a result, profit attributable to shareholders of Ju Teng increased by 80.2% to approximately HK$139 million.

Looking ahead, despite an unstable global economy and factors such as continuing rise in trade protectionism which may hit consumer confidence, there is no sign of decline of demand for business computers, Gartner expects that the Windows 10 upgrade will continue to drive global PC demand until 2020. The market is waiting to see whether the CPU shortage will ease in 2019.

Ju Teng is confident in its business prospects and will continue to invest in metal casing production facilities in order to fulfill growing demand for the metal casings products. In the future, the Group will continue to position itself to capture new market opportunities, achieve new milestones, and create value for shareholders.

Financial Review

During the year, due to the increase in sales of metal casings products by the Group with a higher unit price than that of plastic casings, the Group's revenue increased by approximately 17.0% to approximately HK$9,072 million (2017: approximately HK$7,752 million). However, the Group's gross profit margin during the year declined to approximately 11.9% (2017: approximately 14.2%) which was mainly attributable to the appreciation of RMB against HKD during the year by approximately 2.8% as compared to 2017 even though RMB had weakened since May 2018. Appreciation of RMB during the year caused an increase in the Group's production costs as most of the Group's revenue is denominated in USD while most of the Group's production costs are denominated in RMB.

Other income and gains of the Group mainly consisted of foreign exchange gains of approximately HK$142 million (2017: foreign exchange losses of approximately HK$99 million) arising from the depreciation of RMB against USD as at 31 December 2018 as compared with 31 December 2017, mainly resulting from the translation of trade receivables denominated in USD, subsidy income of approximately HK$48 million (2017: approximately HK$143 million), interest income of approximately HK$31 million (2017: approximately HK$22 million) and rental income of approximately HK$25 million (2017: approximately HK$22 million). Due to the foreign exchange gains, the Group recorded a significant increase of approximately 26.9% in other income and gains to approximately HK$270 million (2017: approximately HK$213 million) during the year, accounting for approximately 3.0% (2017: approximately 2.7%) of the Group's revenue.

As a result of appreciation of RMB during the year, the Group recorded an increase of approximately 3.2% in operating costs, including administrative expenses, and selling and distribution expenses, to approximately HK$837 million (2017: approximately HK$811 million). The percentage of operating costs of the Group decreased to approximately 9.2% (2017: approximately 10.5%) of the Group's revenue.

During the year, other expenses of the Group mainly consisted of employees' compensation of approximately HK$5 million (2017: approximately HK$25 million). Employees' compensation in 2017 was mainly resulting from the downsizing of the mould work force but no such amount was incurred during the year. Since there was a substantial decrease in employees' compensation and no exchange losses, net (2017: exchange losses, net of approximately HK$99 million) was recorded during the year, the Group recorded a substantial decrease of approximately 88.6% in other expenses to approximately HK$15 million (2017: approximately HK$134 million), accounting for approximately 0.2% (2017: approximately 1.7%) of the Group's revenue.

Finance costs of the Group increased by approximately 48.3% to approximately HK$161 million (2017: approximately HK$109 million) for the year as compared to that of 2017, which was mainly attributable to the increase in loan interest rate. Interest capitalised during the year was approximately HK$11 million (2017: approximately HK$9 million).

Income tax expenses of the Group increased by approximately 44.6% to approximately HK$138 million (2017: approximately HK$95 million) for the year as compared to that of 2017, mainly resulting from the increase in profit before tax. The Group's effective tax rate for the year was 40.7% (2017: 36.3%) because the deferred tax assets have not been recognized for certain tax losses incurred by certain subsidiaries.

The profit attributable to equity holders of the Company for the year amounted to approximately HK$139 million (2017: approximately HK$77 million), representing a substantial increase of approximately 80.2% when compared to that of 2017. The increase in the profit attributable to equity holders of the Company was mainly attributable to the increase in the Group's revenue, increase in other income and gains and decrease in other expenses.

Liquidity and Financial Resources

As at 31 December 2018, total bank borrowings of the Group amounted to approximately HK$4,144 million (31 December 2017: approximately HK$4,469 million), representing a decrease of approximately 7.3% as compared to that of 31 December 2017. 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 31 December 2018, the Group's bank loans denominated in USD and New Taiwan Dollars were approximately HK$4,109 million (31 December 2017: approximately HK$4,431 million) and approximately HK$35 million (31 December 2017: approximately HK$38 million) respectively.

During the year, the Group's cash flows from operating activities decreased to approximately HK$835 million from approximately HK$1,104 million in 2017, which was mainly due to the increase in trade receivables. As a result of the purchase of fixed assets for the production plant in Taizhou City, PRC, the Group recorded a net cash outflow from investing activities of approximately HK$746 million (2017: approximately HK$469 million). The increase was mainly due to the compensation income received for relocation of production plants of approximately HK$396 million in 2017. During the year, due to the repayment of bank borrowings and payment of 2017 final dividend, the Group recorded a net cash outflow from financing activities of approximately HK$661 million (2017: approximately HK$450 million). As at 31 December 2018, the Group had cash and bank balances of approximately HK$1,157 million (31 December 2017: approximately HK$1,751 million).

As at 31 December 2018, the Group's gearing ratio, calculated as total bank borrowings of approximately HK$4,144 million (31 December 2017: approximately HK$4,469 million) divided by total assets of approximately HK$14,810 million (31 December 2017: approximately HK$15,636 million) was approximately 28.0% (31 December 2017: approximately 28.6%). The decrease in gearing ratio was mainly due to the decrease in bank borrowings as at 31 December 2018 as compared with 31 December 2017.

Financial Ratios

Inventory turnover days of the Group during the year of approximately 73 days (2017: approximately 85 days) was lower than that of 2017 as the Group imposed tighter inventory control policies. There was an increase in the Group's inventories of approximately 2.8% to approximately HK$1,590 million as at 31 December 2018 from approximately HK$1,546 million as at 31 December 2017.

Trade receivables turnover days of the Group during the year slightly increased to approximately 131 days (2017: approximately 129 days). Trade receivables as at 31 December 2018 increased to approximately HK$3,262 million, compared to approximately HK$2,745 million as at 31 December 2017.

Trade and bills payables turnover days of the Group during the year remained relatively stable at approximately 50 days (2017: approximately 51 days).

Pledge of Assets

As at 31 December 2018, certain land and buildings of the Group with a net carrying amount of approximately HK$21 million (2017: approximately HK$22 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 year, the Group recorded exchange gains of approximately HK$142 million (2017: exchange losses of approximately HK$99 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

As at 31 December 2018, the Group had approximately 39,000 employees (31 December 2017: approximately 32,000 employees). The Group recorded staff costs of approximately HK$2,661 million (2017: approximately HK$2,144 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 31 December 2018, 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$148 million (31 December 2017: approximately HK$206 million).

Contingent Liabilities

As at 31 December 2018, the Group did not have any significant contingent liabilities.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

FINAL DIVIDEND

The Directors recommend the payment of a final dividend of HK10 cents per share in respect of the year ended 31 December 2018 (2017: HK8 cents per share) to shareholders whose names appear on the register of members of the Company on 24 May 2019 subject to the approval by the shareholders of the Company at the forthcoming annual general meeting (the "**AGM**") to be held on 15 May 2019.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining members who are qualified for attending the AGM of the Company, the register of members of the Company will be closed from 9 May 2019 to 15 May 2019 (both days inclusive), during which no transfer of shares can be registered. To qualify for the attendance at the AGM of the Company, shareholders must ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company (the "**Branch Share Registrar**"), Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on 8 May 2019.

For the purpose of determining members who are qualified for the proposed final dividend for the year ended 31 December 2018, and conditional on the passing of the resolution approving the declaration of the final dividend by the shareholders in the AGM of the Company, the register of members of the Company will also be closed from 23 May 2019 to 24 May 2019 (both days inclusive), during which no transfer of shares can be registered. To qualify for the final dividend (which will be payable on or about 31 May 2019) to be approved at the AGM of the Company, shareholders must ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Branch Share Registrar at the above address no later than 4:30 p.m. on 22 May 2019.

CORPORATE GOVERNANCE PRACTICES

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

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

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the announcement have been agreed by the Company's auditors, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the Company's website (http://www.irasia.com/listco/hk/juteng) and the Hong Kong Stock Exchange's website (http://www.hkexnews.hk). The 2018 annual report will be despatched to the shareholders of the Company and will be made available on the websites of the Company and the Hong Kong Stock Exchange in due course in accordance with the Listing Rules.

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

Hong Kong, 19 March 2019

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