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 2019

Financial Highlights

- Revenue for the year ended 31 December 2019 was approximately HK$8,916 million, representing a slight decline of approximately 1.7%.
- Gross profit for the year ended 31 December 2019 was approximately HK$1,145 million, representing an increase of approximately 5.9%.
- Gross profit margin for the year ended 31 December 2019 increased to approximately 12.8% from approximately 11.9% for the year ended 31 December 2018.
- Profit attributable to equity holders of the Company for the year ended 31 December 2019 was approximately HK$146 million, representing an increase of approximately 5.2%.
- Basic earnings per share attributable to equity holders of the Company for the year ended 31 December 2019 increased to approximately HK 15.9 cents, representing an increase of approximately 12.8%.
- Net asset value per share attributable to equity holders of the Company as at 31 December 2019 was approximately HK$5.0 as compared with approximately HK$5.2 as at 31 December 2018.

The board (the "**Board**") of directors (the "**Directors**") of Ju Teng International Holdings Limited (the "**Company**" or "**Ju Teng**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2019 as follows. For the reasons explained in the paragraph headed "Review of Annual Results" in this announcement, the auditing process for the annual results of the Group for the year ended 31 December 2019 has not been completed as at the date of this announcement.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**
*Year ended 31 December 2019*

| | *Notes* | **2019** *HK$'000* | 2018 *HK$'000* |
|---|---|---|---|
| **REVENUE** | 3 | **8,916,007** | 9,072,101 |
| Cost of sales | | **(7,771,052)** | (7,990,787) |
| Gross profit | | **1,144,955** | 1,081,314 |
| Other income and gains | 3 | **142,284** | 270,292 |
| Selling and distribution expenses | | **(134,328)** | (125,531) |
| Administrative expenses | | **(669,430)** | (711,675) |
| Other expenses | | **(17,787)** | (15,334) |
| Finance costs | 4 | **(137,172)** | (161,153) |
| **PROFIT BEFORE TAX** | 5 | **328,522** | 337,913 |
| Income tax expense | 6 | **(116,608)** | (137,569) |
| **PROFIT FOR THE YEAR** | | **211,914** | 200,344 |
| Attributable to: | | | |
| Equity holders of the Company | | **145,913** | 138,660 |
| Non-controlling interests | | **66,001** | 61,684 |
| | | **211,914** | 200,344 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY** | 8 | | |
| - Basic (HK cents) | | **15.9** | 14.1 |
| - Diluted (HK cents) | | **15.8** | 14.1 |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
*Year ended 31 December 2019*

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **PROFIT FOR THE YEAR** | **211,914** | 200,344 |
| **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 | **(227,027)** | (610,699) |
| Release of exchange fluctuation reserve upon disposal of a subsidiary | **(962)** | - |
| Net other comprehensive expenses that may be reclassified to profit or loss in subsequent periods | **(227,989)** | (610,699) |
| 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 | **16,170** | (14,225) |
| Income tax effect | **(1,755)** | 1,162 |
| | **14,415** | (13,063) |
| **OTHER COMPREHENSIVE EXPENSES FOR THE YEAR, NET OF TAX** | **(213,574)** | (623,762) |
| **TOTAL COMPREHENSIVE EXPENSES FOR THE YEAR** | **(1,660)** | (423,418) |
| Attributable to: | | |
| Equity holders of the Company | **(27,112)** | (379,642) |
| Non-controlling interests | **25,452** | (43,776) |
| | **(1,660)** | (423,418) |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
*31 December 2019*

| | Notes | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **7,174,534** | 7,728,064 |
| Right-of-use assets | | **546,196** | - |
| Lease premium for land | | **-** | 552,232 |
| Goodwill | | **52,488** | 53,985 |
| Deferred tax assets | | **61,654** | 70,658 |
| Prepayments for acquisition of property, plant and equipment | | **66,764** | 12,489 |
| Equity investment designated at fair value through other comprehensive income | | **26,841** | 10,826 |
| Total non-current assets | | **7,928,477** | 8,428,254 |
| **CURRENT ASSETS** | | | |
| Inventories | | **1,657,535** | 1,589,528 |
| Trade receivables | 9 | **3,146,961** | 3,261,538 |
| Prepayments, deposits and other receivables | | **205,047** | 307,248 |
| Pledged and restricted bank balances | | **33,824** | 66,400 |
| Cash and cash equivalents | | **1,142,072** | 1,157,244 |
| Total current assets | | **6,185,439** | 6,381,958 |
| **CURRENT LIABILITIES** | | | |
| Trade and bills payables | 10 | **1,064,696** | 1,099,014 |
| Other payables and accruals | | **1,566,366** | 1,635,675 |
| Lease liabilities | | **1,764** | - |
| Tax payable | | **156,929** | 202,795 |
| Interest-bearing bank borrowings | | **2,869,848** | 2,958,305 |
| Total current liabilities | | **5,659,603** | 5,895,789 |
| **NET CURRENT ASSETS** | | **525,836** | 486,169 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **8,454,313** | 8,914,423 |
| **NON-CURRENT LIABILITIES** | | | |
| Interest-bearing bank borrowings | | **904,999** | 1,185,962 |
| Deferred income | | **35,646** | 44,220 |
| Lease liabilities | | **2,960** | - |
| Deferred tax liabilities | | **62,205** | 60,439 |
| Total non-current liabilities | | **1,005,810** | 1,290,621 |
| **Net assets** | | **7,448,503** | 7,623,802 |
| **EQUITY** | | | |
| **Equity attributable to equity holders of the Company** | | | |
| Issued capital | 11 | **116,634** | 116,634 |
| Reserves | | **5,759,964** | 5,960,714 |
| | | **5,876,598** | 6,077,348 |
| **Non-controlling interests** | | **1,571,905** | 1,546,454 |
| **Total equity** | | **7,448,503** | 7,623,802 |

## 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$**" or "**HKD**") and all values are rounded to the nearest thousand except when otherwise indicated.

<u>New and revised HKFRSs</u>

| | |
|---|---|
| Amendments to HKFRS 9 | *Prepayment Features with Negative Compensation* |
| HKFRS 16 | *Leases* |
| Amendments to HKAS 19 | *Plan Amendment, Curtailment or Settlement* |
| Amendments to HKAS 28 | *Long-term Interests in Associates and Joint Ventures* |
| HK(IFRIC)-Int 23 | *Uncertainty over Income Tax Treatments* |
| *Annual Improvements to HKFRSs 2015-2017 Cycle* | Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 |

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the adoption of the above new and revised HKFRSs has had no significant financial effect on this financial information.

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

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

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

New definition of a lease

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

As a lessee – Leases previously classified as operating leases

*Nature of the effect of adoption of HKFRS 16*
The Group has lease contracts for certain of its office properties and motor vehicles. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with lease term of 12 months or less ("**short-term leases**") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

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

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

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

As a lessee – Leases previously classified as operating leases (continued)

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

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

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 as at 1 January 2019 was as follows:

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

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

Financial impact at 1 January 2019 (continued)

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

| | *HK$'000* |
|---|---|
| **Operating lease commitments as at 31 December 2018** | 1,739 |
| Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019 | (1,367) |
| Commitments relating to leases of low-value assets | (72) |
| | 300 |
| Incremental borrowing rate as at 1 January 2019 | 4.02% |
| **Lease liabilities as at 1 January 2019** | 287 |

## 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

*(i) Revenue from external customers:*

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| The People's Republic of China (the "**PRC**" or "**Mainland China**"), excluding Hong Kong | **8,760,503** | 8,939,032 |
| The Republic of China (the "**ROC**") | **115,369** | 112,655 |
| Others | **40,135** | 20,414 |
| | **8,916,007** | 9,072,101 |

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:*

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| The PRC, excluding Hong Kong | **7,695,302** | 8,200,386 |
| The ROC | **140,082** | 146,343 |
| Others | **4,598** | 41 |
| | **7,839,982** | 8,346,770 |

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

Information about major customers

Revenues of approximately HK$2,251,948,000, HK$1,506,148,000, HK$1,225,507,000, HK$1,185,813,000 and HK$975,973,000 for the year ended 31 December 2019 were derived from sales to five major groups of customers, the revenue from each of which amounted to 10% or more of the Group's revenue.

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 groups of customers, the revenue from each of which amounted to 10% or more of the Group's revenue.

## 3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| *Revenue from contracts with customers* | | |
| Sale of goods | **8,916,007** | 9,072,101 |

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

Revenue from contracts with customers

(i) Disaggregated revenue information

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| *Geographical markets* | | |
| The PRC, excluding Hong Kong | **8,760,503** | 8,939,032 |
| The ROC | **115,369** | 112,655 |
| Others | **40,135** | 20,414 |
| | **8,916,007** | 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.

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Other income and gains** | | |
| Interest income | **13,506** | 31,147 |
| Subsidy income# | **48,217** | 48,434 |
| Compensation income | **8,761** | 9,760 |
| Gross rental income | **25,625** | 25,325 |
| Write-back of trade receivables | **803** | - |
| Write-off of long outstanding trade payables, other payables and accruals | **785** | 10,216 |
| Foreign exchange gains, net | **41,204** | 142,261 |
| Others | **3,383** | 3,149 |
| | **142,284** | 270,292 |

# 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:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest on bank loans | **146,713** | 172,215 |
| Interest on lease liabilities | **71** | - |
| Total interest expense on financial liabilities not at fair value through profit or loss | **146,784** | 172,215 |
| Less: Interest capitalised | **(9,612)** | (11,062) |
| | **137,172** | 161,153 |

## 5. PROFIT BEFORE TAX

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

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Cost of inventories sold | **7,771,052** | 7,990,787 |
| Depreciation of property, plant and equipment | **1,008,032** | 1,067,527 |
| Depreciation of right-of-use assets | **13,575** | - |
| Amortisation of lease premium for land | **-** | 14,495 |
| Impairment/(reversal of impairment) of trade receivables | **509** | (1,615) |
| Loss on disposal of items of property, plant and equipment, net | **12,576** | 240 |
| Loss on disposal of a subsidiary | **2,048** | - |
| Provision/(reversal of provision) for inventories, net | **(930)** | 32,131 |
| Write-off/(write-back) of trade receivables | **(803)** | 6,936 |
| Foreign exchange gains, net | **(41,204)** | (142,261) |

## 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 (2018: Nil). Taxes on assessable profits have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Provision for the year: | | |
| Current – The PRC, excluding Hong Kong | | |
| Charge for the year | **116,414** | 143,359 |
| Underprovision in prior years | **9,385** | 14,856 |
| Current – Overseas | | |
| Charge for the year | **11,844** | 4,183 |
| Overprovision in prior years | **(28,839)** | (13,041) |
| Deferred tax | **7,804** | (11,788) |
| Total tax charge for the year | **116,608** | 137,569 |

## 7. DIVIDENDS

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Proposed final – HK10 cents (2018: HK10 cents) per ordinary share (note) | **116,634** | 116,634 |

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$145,913,000 (2018: HK$138,660,000) and the weighted average number of 920,097,876 (2018: 983,377,279) ordinary shares in issue excluding shares held under the share award plan during the year.

For the year ended 31 December 2019, 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$145,913,000. The weighted average number of ordinary shares used in the calculation was 920,097,876 ordinary shares in issue excluding shares held under the share award plan during the year, as used in the basic earnings per share calculation, and the weighted average number of 5,808,914 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

For the year ended 31 December 2018, no adjustment has been made to the basic earnings per share amount presented 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 that year.

## 9. TRADE RECEIVABLES

| | **2019**<br>***HK$'000*** | 2018<br>*HK$'000* |
|---|---|---|
| Trade receivables | **3,148,870** | 3,262,938 |
| Impairment | **(1,909)** | (1,400) |
| | **3,146,961** | 3,261,538 |

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

An ageing analysis of the Group's trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

| | **2019**<br>***HK$'000*** | 2018<br>*HK$'000* |
|---|---|---|
| Within 3 months | **2,317,879** | 2,288,051 |
| 4 to 6 months | **818,294** | 963,140 |
| 7 to 12 months | **10,788** | 10,347 |
| | **3,146,961** | 3,261,538 |

## 10. TRADE AND BILLS PAYABLES

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

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

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 3 months | **862,024** | 882,588 |
| 4 to 6 months | **186,652** | 204,382 |
| 7 to 12 months | **9,465** | 5,620 |
| Over 1 year | **6,555** | 6,424 |
| | **1,064,696** | 1,099,014 |

## 11. SHARE CAPITAL

| | **2019** | 2018 |
|---|---|---|
| | ***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 (2018: 1,166,342,445) shares of HK$0.1 each | **116,634** | 116,634 |

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review & Prospects

In 2019, shipments of the global personal computers ("**PC**"), which includes desktop, notebook and super mobile computers, recovered after seven consecutive years of decline. According to the latest survey results by market research firm, Gartner, Inc. ("**Gartner**"), over 261 million units of PC were shipped in 2019, representing an increase of 0.6% as compared with 2018. As the world's leading notebook computer casing manufacturer, the overall business of Ju Teng and its subsidiaries (collectively referred to as the "**Group**") benefited from the rising PC market and remained stable in 2019. The Group recorded a revenue of approximately HK$8,916 million (2018: approximately HK$9,072 million) and a profit attributable to equity holders of the Company of approximately HK$146 million (2018: approximately HK$139 million) for the year ended 31 December 2019.

Notebook computer, 2-in-1 computer, and tablet computer casings remained the Group's major source of revenue. Ju Teng continued to develop technology and marketing of metal casings, which command higher unit prices than plastic casings. Due to the surge in demand of business PC replacement caused by Microsoft's cessation to support Windows 7, the global PC shipments rose for the first time since 2012. The growth of global PC shipments during the year also stabilized the supply and demand of capacity in the industry. On the other hand, due to the location of the production plants in mainland China, the Group's production and labor costs were affected by the fluctuations in the renminbi ("**RMB**") exchange rate during the year. The decline in the RMB exchange rate against HKD in the second half of 2019 has effectively reduced the Group's production costs.

Despite the growth in the PC shipment for the first time in seven years, the industry is aware that this growth is short-term and expects the PC market to slow down again after 2020. Although a market research firm has predicted that the overall economic factors will continue to restrain the PC industry and the growth in PC market as seen in 2019 may not persist in 2020, Gartner still expects a wave of PC replacement for small and medium sized enterprises in the emerging market, attributable to Microsoft's cessation to support Windows 7. Gartner estimates that 80% of the PC in use will be upgraded to Windows 10 by the end of 2020, bringing the total to about 1 billion PC. Furthermore, the launch of a series of high-end and lightweight notebook computers, "Project Athena", a joint project by Intel and a group of notebook computer vendors, is expected to further motivate a wave of PC replacement in 2020. In the year ahead, Ju Teng will continue to keep abreast of the latest industry and market trends, introduce more potential materials to the Group, and allocate more resources to technology research and development in order to grasp more and greater opportunities.

In addition, as a result of the impact of the outbreak of the new coronavirus pneumonia epidemic (the "**Epidemic**"), countries around the world have adopted varying degrees of restrictions on the flow of people. In order to facilitate work from home and online teaching, the Group expects that shipments of commercial and educational versions of notebook computer will increase this year and the Group, as a major manufacturer of notebook computer casings, will benefit from the growth of these products.

Although there are still many uncertainties in the international political and economic landscape, including the escalating trade friction between the PRC and United States and the outbreak of the Epidemic, the Group's business and financial performance remain solid. The Group will continue to perform epidemic prevention work at its production plants, closely monitor the epidemic development and formulate measures to deal with risks and uncertainties that may be caused by the Epidemic. Looking ahead, the Group remains cautiously optimistic about its prospects, and believes its businesses will remain healthy while addressing the challenges, and strive to create better value for its shareholders.

**Financial Review**

During the year, due to the slight decrease in shipment of notebook computer casing, the Group's revenue slightly decreased by approximately 1.7% to approximately HK$8,916 million (2018: approximately HK$9,072 million). However, the Group's gross profit margin during the year increased to approximately 12.8% (2018: approximately 11.9%) which was mainly attributable to the depreciation of RMB against HKD during the year by approximately 4.5% as compared to 2018. Depreciation of RMB during the year caused a decrease in the Group's production costs as most of the Group's revenue is denominated in United States Dollar ("**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$41 million (2018: approximately HK$142 million) arising from the depreciation of RMB against USD as at 31 December 2019 as compared with 31 December 2018, mainly resulting from the translation of trade receivables denominated in USD, subsidy income of approximately HK$48 million (2018: approximately HK$48 million), interest income of approximately HK$14 million (2018: approximately HK$31 million) and rental income of approximately HK$26 million (2018: approximately HK$25 million). Since there was a substantial decline in foreign exchange gains during the year, the Group recorded a significant decrease of approximately 47.4% in other income and gains to approximately HK$142 million (2018: approximately HK$270 million) during the year, accounting for approximately 1.6% (2018: approximately 3.0%) of the Group's revenue.

As a result of the depreciation of RMB during the year, the Group recorded a decrease of approximately 4.0% in operating costs, which include administrative expenses, and selling and distribution expenses, to approximately HK$804 million (2018: approximately HK$837 million). The percentage of operating costs of the Group reduced to approximately 9.0% (2018: approximately 9.2%) of the Group's revenue.

During the year, other expenses of the Group mainly consisted of employees' compensation of approximately HK$0.6 million (2018: approximately HK$5 million), loss on disposal of items of property, plant and equipment, net of approximately HK$13 million (2018: approximately HK$0.2 million) and loss on disposal of a subsidiary which was engaged in mould production of approximately HK$2 million (2018: Nil). Since there was an increase in loss on disposal of items of property, plant and equipment, net was recorded during the year, the Group recorded an increase of approximately 16.0% in other expenses to approximately HK$18 million (2018: approximately HK$15 million), accounting for approximately 0.2% (2018: approximately 0.2%) of the Group's revenue.

Finance costs of the Group decreased by approximately 14.9% to approximately HK$137 million (2018: approximately HK$161 million) for the year as compared to that of 2018, which was mainly attributable to the decrease in total bank borrowings. Interest capitalised during the year was approximately HK$10 million (2018: approximately HK$11 million).

Income tax expenses of the Group decreased by approximately 15.2% to approximately HK$117 million (2018: approximately HK$138 million) for the year as compared to that of 2018. As deferred tax assets have not been recognized for certain tax losses incurred by certain subsidiaries, the Group's effective tax rate for the year remained at a higher level of approximately 35.5% (2018: approximately 40.7%).

The profit attributable to equity holders of the Company for the year amounted to approximately HK$146 million (2018: approximately HK$139 million), representing an increase of approximately 5.2% when compared to that of 2018. The increase in the profit attributable to equity holders of the Company was mainly attributable to the increase in the group's gross profit and decrease in operating costs.

**Liquidity and Financial Resources**

As at 31 December 2019, total bank borrowings of the Group amounted to approximately HK$3,775 million (31 December 2018: approximately HK$4,144 million), representing a decrease of approximately 8.9% as compared to that as at 31 December 2018. The Group's bank borrowings were at floating interest rate and included short-term loans with 1-year maturity, 2-year term loans and 5-year revolving syndicated loans. As at 31 December 2019, the Group's bank loans denominated in USD, New Taiwan Dollars and RMB were approximately HK$3,663 million (31 December 2018: approximately HK$4,109 million), approximately HK$33 million (31 December 2018: approximately HK$35 million) and HK$79 million (31 December 2018: Nil) respectively.

During the year, the Group's cash flows from operating activities increased to approximately HK$1,149 million from approximately HK$835 million in 2018, which was mainly due to the decrease in trade receivables and prepayments, deposits and other receivables. As a result of the purchase of production machinery in order to strengthen the environmental protection measures as well as to improve production efficiency, the Group recorded a net cash outflow from investing activities of approximately HK$619 million (2018: approximately HK$746 million). During the year, due to the repayment of bank borrowings and payment of 2018 final dividend, the Group recorded a net cash outflow from financing activities of approximately HK$533 million (2018: approximately HK$661 million). As at 31 December 2019, the Group had cash and bank balances of approximately HK$1,142 million (31 December 2018: approximately HK$1,157 million).

As at 31 December 2019, the Group's gearing ratio, calculated as total bank borrowings of approximately HK$3,775 million (31 December 2018: approximately HK$4,144 million) divided by total assets of approximately HK$14,114 million (31 December 2018: approximately HK$14,810 million) was approximately 26.7% (31 December 2018: approximately 28.0%). The decrease in gearing ratio was mainly due to the decrease in total bank borrowings as at 31 December 2019 as compared with 31 December 2018.

**Financial Ratios**

Inventory turnover days of the Group during the year rose to approximately 78 days (2018: approximately 73 days) due to the increase in inventory level to meet customers' demand before the lunar new year holiday in January 2020. There was an increase in the Group's inventories of approximately 4.3% to approximately HK$1,658 million as at 31 December 2019 from approximately HK$1,590 million as at 31 December 2018.

Trade receivables turnover days of the Group during the year decreased to approximately 129 days (2018: approximately 131 days) as the Group imposed a more effective credit control and working capital management. Trade receivables as at 31 December 2019 decreased to approximately HK$3,147 million, compared to approximately HK$3,262 million as at 31 December 2018.

Trade and bills payables turnover days of the Group during the year remained stable at approximately 50 days (2018: approximately 50 days).

**Pledge of Assets**

As at 31 December 2019, certain land and buildings of the Group with a net carrying amount of approximately HK$21 million (2018: approximately HK$21 million) were pledged to secure banking facilities granted to the Group.

**Foreign Exchange Exposure**

Since most of the Group's revenue is denominated in USD and most of the Group's expenses are denominated in RMB, the appreciation of RMB will have adverse effect on the Group's profitability and vice versa. During the year, the Group recorded exchange gains of approximately HK$41 million (2018: approximately HK$142 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 2019, the Group had approximately 37,000 employees (31 December 2018: approximately 39,000 employees). The Group recorded staff costs (excluding directors' remuneration) of approximately HK$2,696 million (2018: approximately HK$2,661 million) during the year.

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 2019, the capital commitments which the Group had contracted for but were not provided for in the financial information in respect of the acquisition of land, buildings, machinery and office equipment amounted to approximately HK$293 million (31 December 2018: approximately HK$148 million).

**Contingent Liabilities**

As at 31 December 2019, the Group did not have any significant contingent liabilities.

### Events after the Reporting Period

Since the outbreak of the Epidemic across the PRC, a number of provinces and municipalities in the PRC have taken emergency public health measures and various actions to prevent the spread of the Epidemic. As of the date of this announcement, all of the Group's production facilities in the PRC have largely resumed to its normal operation, albeit some of its employees are unable to return to work due to the implementation of travel restrictions and crowd control measures imposed in certain areas by the local authorities in the PRC. In addition, due to such restrictions, the normal operations of the businesses of some of the customers of the Group and the logistics network for the delivery of goods have been affected. Since the outbreak of the Epidemic, the Group has been maintaining close communication with its customers and endeavour to accommodate and fulfill its commitment for the customers' orders and liaise with its customers to adjust delivery schedules as and when appropriate.

The Board expects that the adverse impact brought by the Epidemic will be temporary, and the operation environment in the PRC will gradually return to normal upon the lifting of relevant epidemic prevention measures. The Board will continue to monitor closely the development of the Epidemic and relevant PRC government policies and will continue to assess the impact of the development of the Epidemic on the Group's operations and financial performance and provide updates on any material development to the shareholders and potential investors in a timely manner.

Save as disclosed, the Directors are not aware of any important events affecting the Group that have occurred since the end of the year ended 31 December 2019 and up to the date of this announcement.

## 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 2019 (2018: HK10 cents per share), amounting to approximately HK$116,634,000, to the shareholders of the Company subject to the approval by the shareholders of the Company at the forthcoming annual general meeting ("**AGM**"). It is expected that the final dividend will be payable on or about 15 June 2020. For the purpose of determining members who are qualified for the proposed final dividend for the year ended 31 December 2019, the date for the closure of the register of members of the Company will be made available on the websites of the Company and The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") in due course in accordance with the Rules (the "**Listing Rules**") Governing the Listing of Securities on the Hong Kong Stock Exchange.

## CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules. The Company and 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.

## REVIEW OF ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 December 2019 has not been completed due to the travel restrictions imposed in various cities in the PRC by the PRC government to curb the outbreak of the Epidemic. Therefore, the annual results contained herein have not been agreed with the Company's auditors as required under Rule 13.49(2) of the Listing Rules.

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

## FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the annual results for the year ended 31 December 2019 as agreed by the Company's auditors and the adjustments (if any) to the annual results contained herein. The Company expects the auditing process will be completed on or before 8 April 2020 and in any event not later than 15 April 2020.

The date of forthcoming AGM and the dates for the closure of the register of members of the Company for the purpose of (1) determining members who are qualified for attending the AGM of the Company; and (2) determining members who are qualified for the proposed final dividend will also be further announced in accordance with the Listing Rules.

## 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 2019 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.

***The financial information contained herein in respect of the annual results of the Group have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.***

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

Hong Kong, 31 March 2020

*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.*