巨騰國際控股有限公司

JU TENG INTERNATIONAL HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 3336)**

# INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2006

The board (the "Board") of directors (the "Directors") of Ju Teng International Holdings Limited (the "Company" or "Ju Teng") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2006 (the "Period") as follows:

**CONDENSED CONSOLIDATED INCOME STATEMENT**

*For the six months ended 30 June 2006*

| | *Notes* | **2006 (Unaudited)** ***HK$'000*** | 2005 (Audited) *HK$'000* |
|---|---|---|---|
| **REVENUE** | *2* | **1,470,549** | 1,096,710 |
| Cost of sales | | **(1,261,432)** | ( 898,375) |
| Gross profit | | **209,117** | 198,335 |
| Other income and gains | *3* | **30,931** | 19,508 |
| Selling and distribution costs | | **(9,745)** | ( 12,203) |
| Administrative expenses | | **(97,967)** | ( 91,372) |
| Other expenses, net | | **(2,012)** | ( 852) |
| Finance costs | *4* | **(43,446)** | ( 22,267) |
| Share of profit of an associate | | **644** | – |
| **PROFIT BEFORE TAX** | *5* | **87,522** | 91,149 |
| Tax | *6* | **(17,178)** | ( 13,107) |
| **PROFIT FOR THE PERIOD** | | **70,344** | 78,042 |
| Attributable to: | | | |
| Equity holders of the Company | | **70,468** | 78,042 |
| Minority interests | | **(124)** | – |
| | | **70,344** | 78,042 |
| **INTERIM DIVIDEND** | | **–** | – |
| EARNINGS PER SHARE | *7* | | |
| – Basic | | **HK7.0 cents** | HK10.5 cents |
| – Diluted | | **HK7.0 cents** | HK10.5 cents |

**CONDENSED CONSOLIDATED BALANCE SHEET**
*30 June 2006*

| | Notes | **30 June 2006 (Unaudited)** *HK$'000* | 31 December 2005 (Audited) *HK$'000* |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **1,319,060** | 1,159,704 |
| Lease premium for land | | **22,785** | 15,956 |
| Goodwill | | **1,065** | – |
| Investment in an associate | | **19,351** | – |
| Deferred tax assets | | **4,500** | 3,913 |
| Available-for-sale investment | | **23,537** | – |
| Prepayment for acquisition of property, plant and equipment | | **32,666** | – |
| Prepayment for acquisition of investments | | **–** | 33,462 |
| Total non-current assets | | **1,422,964** | 1,213,035 |
| **CURRENT ASSETS** | | | |
| Inventories | | **866,483** | 764,963 |
| Trade receivables | *8* | **771,513** | 797,530 |
| Factored trade receivables | *8* | **386,961** | 502,067 |
| Prepayments, deposits and other receivables | | **51,225** | 65,313 |
| Derivative financial instruments | | **5,123** | 3,565 |
| Pledged bank balances and time deposits | | **30,053** | 30,993 |
| Cash and cash equivalents | | **260,505** | 226,699 |
| Total current assets | | **2,371,863** | 2,391,130 |
| **CURRENT LIABILITIES** | | | |
| Trade and bills payables | *9* | **679,124** | 629,985 |
| Other payables and accruals | | **230,244** | 289,137 |
| Tax payable | | **77,048** | 63,730 |
| Bank advances on factored trade receivables | *8* | **386,961** | 512,477 |
| Interest-bearing bank borrowings | | **1,071,266** | 343,102 |
| Total current liabilities | | **2,444,643** | 1,838,431 |
| **NET CURRENT ASSETS/(LIABILITIES)** | | **(72,780)** | 552,699 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **1,350,184** | 1,765,734 |
| **NON-CURRENT LIABILITIES** | | | |
| Interest-bearing bank borrowings | | **2,212** | 526,260 |
| | | **2,212** | 526,260 |
| Net assets | | **1,347,972** | 1,239,474 |

| | | |
|---|---|---|
| **EQUITY** | | |
| **Equity attributable to equity holders of the Company** | | |
| Issued capital | **100,000** | 100,000 |
| Reserves | **1,224,843** | 1,139,474 |
| | **1,324,843** | 1,239,474 |
| **Minority interests** | **23,129** | – |
| Total equity | **1,347,972** | 1,239,474 |

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

The condensed consolidated interim financial statements for the Period are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2005, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period's financial statements:

| | |
|---|---|
| HKAS 39 Amendment | The Fair Value Option |
| HKAS 39 & HKFRS 4 Amendments | Financial Guarantee Contracts |
| HK(IFRIC)-Int 4 | Determining whether an Arrangement contains a Lease |

The adoption of the above new and revised HKFRSs has no material impact on the accounting policies of the Group and the methods of computation in the Group's condensed consolidated financial statements.

The comparative amounts in respect of the six months ended 30 June 2005 are extracted from the accountants' report on the Group included in the Company's prospectus dated 25 October 2005 ("Prospectus").

### 2. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary reporting basis, by geographical segment.

**(a) Business segments**

The Group was principally engaged in the manufacture and sale of notebook computer casings. Therefore, no further business segment analysis is presented.

**(b) Geographical segments**

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of customers.

The following table presents the revenue of the Group's geographical segments.

*Segment revenue from external customers:*

| | **For the six months ended 30 June** | |
|---|---|---|
| | **2006** | 2005 |
| | **(Unaudited)** | (Audited) |
| | ***HK$'000*** | *HK$'000* |
| The People's Republic of China (the "PRC") | **1,286,360** | 1,004,246 |
| The Republic of China | **181,066** | 81,816 |
| Others | **3,123** | 10,648 |
| | **1,470,549** | 1,096,710 |

## 3. OTHER INCOME AND GAINS

| | For the six months ended 30 June | |
|---|---|---|
| | **2006** | 2005 |
| | **(Unaudited)** | (Audited) |
| | ***HK$'000*** | *HK$'000* |
| Subcontracting fee income | **722** | 1,473 |
| Interest income | **1,888** | 592 |
| Sale of scrap materials | **8,592** | 4,158 |
| Sale of used moulds | **–** | 1,305 |
| Exchange gains, net | **11,490** | 11,422 |
| Excess over the cost of acquisition of interest in an associate | **1,625** | – |
| Others | **6,614** | 558 |
| | **30,931** | 19,508 |

## 4. FINANCE COSTS

| | For the six months ended 30 June | |
|---|---|---|
| | **2006** | 2005 |
| | **(Unaudited)** | (Audited) |
| | ***HK$'000*** | *HK$'000* |
| Interest on bank loans and other loans wholly repayable: | | |
| Within five years | **43,428** | 22,245 |
| Over five years | **18** | 22 |
| | **43,446** | 22,267 |

## 5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

| | For the six months ended 30 June | |
|---|---|---|
| | **2006** | 2005 |
| | **(Unaudited)** | (Audited) |
| | ***HK$'000*** | *HK$'000* |
| Cost of inventories sold | **1,247,545** | 869,960 |
| Depreciation | **57,454** | 42,572 |
| Amortisation of lease premium for land | **170** | 172 |
| Losses on write-off/disposal of items of property, plant and equipment, net | **302** | 34 |

## 6. TAX

| | For the six months ended 30 June | |
|---|---|---|
| | **2006** | 2005 |
| | **(Unaudited)** | (Audited) |
| | ***HK$'000*** | *HK$'000* |
| Current – provision for the period | | |
| – Mainland China | **6,149** | 2,822 |
| – Overseas | **11,708** | 11,508 |
| Deferred tax | **(679)** | ( 1,223) |
| Tax charge for the period | **17,178** | 13,107 |

Hong Kong profits tax has not been provided as the Group did not have any assessable profits arising in Hong Kong during the Period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates based on existing legislation, interpretation and practices in respect thereof.

## 7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the Period attributable to equity holders of the Company of HK$70,468,000 (six months ended 30 June 2005: HK$78,042,000) and the 1,000,000,000 (six months ended 30 June 2005: 740,000,000) ordinary shares in issue during the Period on the assumption that the group reorganisation to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited effected on 17 June 2005 and the capitalisation issue of shares effected on 2 November 2005 had been completed on 1 January 2005.

The calculation of diluted earnings per share is based on the profit for the Period attributable to equity holders of the Company of HK$70,468,000 (six months ended 30 June 2005: HK$78,042,000). The weighted average number of ordinary shares used in the calculation is 1,000,000,000 (six months ended 30 June 2005: 740,000,000) ordinary shares in issue during the Period, as used in the basic earnings per share calculation, and the weighted average of 1,016,793 (six months ended 30 June 2005: 21,857) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential shares into shares.

## 8. TRADE RECEIVABLES

The Group allows an average credit period ranging from 90 days to 120 days to its customers. An aged analysis of the trade receivables and factored trade receivables as at the balance sheet date, based on invoice date, is as follows:

| | **30 June 2006 (Unaudited)** *HK$'000* | 31 December 2005 (Audited) *HK$'000* |
|---|---|---|
| **Trade receivables** | | |
| Within 3 months | **565,092** | 558,198 |
| 4 – 6 months | **186,167** | 229,889 |
| 7 – 12 months | **13,615** | 5,781 |
| Over 1 year | **6,639** | 3,662 |
| | **771,513** | 797,530 |
| **Factored trade receivables** | | |
| Within 3 months | **242,093** | 312,337 |
| 4 – 6 months | **144,868** | 188,618 |
| 7 – 12 months | **–** | 1,112 |
| | **386,961** | 502,067 |

As at 30 June 2006, certain subsidiaries of the Group had factored trade receivables of HK$386,961,000 to banks on a without-recourse basis for cash. As the subsidiaries of the Group still retained the risks and rewards associated with the delay in payment by the customers, the financial asset derecognition conditions as stipulated in HKAS 39 have not been fulfilled. Accordingly, the proceeds from the factoring of the Group's trade receivables have been accounted for as liabilities in the consolidated balance sheet.

### 9. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the balance sheet date, based on invoice date, is as follows:

| | **30 June 2006 (Unaudited)** *HK$'000* | 31 December 2005 (Audited) *HK$'000* |
|---|---|---|
| Within 3 months | **516,229** | 511,356 |
| 4 – 6 months | **135,863** | 91,062 |
| 7 – 12 months | **12,757** | 19,424 |
| Over 1 year | **14,275** | 8,143 |
| | **679,124** | 629,985 |

## MANAGEMENT DISCUSSION AND ANALYSIS

## PROSPECTS

The management remains optimistic about the Group's performance. Even though the Group recorded a strong growth in the turnover for the first half of the year, the demand for notebook computers was lower than expected which was attributable to the sluggish demand in Europe and the inventory correction. The management expects the demand for notebook computers in the second half of the year will remain strong and is following the normal seasonality after the price cut on the central processing unit ("CPU") and migration to the new dual core platform. The Group would continue to make use of its advanced casing technologies, including thin-wall moulding and advanced surface painting to improve the profit margin as the management believes that the appealing product design plays a very important role in stimulating the customers' demand.

## FINANCIAL REVIEW

The Group recorded a substantial growth of 34% in turnover for the Period and reached approximately HK$1,471 million. Although the Group continued to benefit from the strong global demand for notebook computers, its gross profit margin for the first half of the year declined to 14% from 18% in 2005 which resulted from the price competition, appreciation of Renminbi ("RMB") and development costs for new casing models.

The Group's operating costs and other operating expenses, including administrative expenses, selling and distribution costs and other expenses for the Period remained stable at approximately HK$110 million, representing a slight increase of 5% as compared with that of 2005. Operating costs for the Period and the six months ended 30 June 2005 accounted for 7.5% and 9.5% of the Group's turnover respectively.

Finance costs increased significantly by 95% to approximately HK$43 million for the Period as compared with that of 2005. This was mainly due to the increase in bank borrowings and the increase in both the United States dollars ("USD") and RMB borrowing rate during the Period.

The Group's net profit for the Period declined to approximately HK$70 million from approximately HK$78 million in 2005. The decrease in profitability was attributable to the decrease in gross profit margin and the higher interest costs.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2006, the Group had total bank borrowings of approximately HK$1,073 million, representing an increase of 23% as compared to that of 31 December 2005. The increase in bank borrowings was to finance the acquisition of machinery and equipment. The Group's bank loans with carrying amounts of approximately HK$1,049 million (31 December 2005: HK$829 million), approximately HK$21 million (31 December 2005: HK$37 million), and approximately HK$3 million (31 December 2005: HK$3 million) were denominated in USD, RMB and New Taiwan dollars respectively.

During the Period, the Group continued to enter into trade receivables factoring facilities on a without recourse basis to improve the Group's cash flow. As a result of the increase in finance costs and increase in inventories to meet the expected sales growth in the second half of the year, the Group's net cash inflow from operating activities decreased to HK$30 million from approximately HK$83 million in 2005. As at 30 June 2006, the Group had cash and bank balances of approximately HK$260 million.

The gearing ratio of the Group, calculated as total bank borrowings of approximately HK$1,073 million (31 December 2005: HK$869 million) over total assets of approximately HK$3,795 million (31 December 2005: HK$3,604 million), as at 30 June 2006 was 28%, representing an increase of 4% as at 31 December 2005. The increase in gearing ratio was attributable to the increase in bank borrowings to finance the Group's expansion plan.

As the maturity date of the majority of the Group's bank borrowings will fall due within one year, the Group had net current liabilities of HK$73 million as at 30 June 2006. The Group is currently negotiating with the banks to extend the banking facilities and obtain long term bank borrowing to refinance the existing short term bank borrowing facilities by the end of this year.

## PLEDGE OF ASSETS

As at 30 June 2006, the Group's pledged bank balances and time deposits of approximately HK$30,053,000 (31 December 2005: HK$30,993,000) and leasehold land and buildings and machineries with an aggregate carrying amount of approximately HK$799,148,000 (31 December 2005: HK$751,397,000) and trade receivables of approximately HK$383,727,000 (31 December 2005: HK$439,110,000) were pledged to secure banking facilities granted to the Group.

## FOREIGN EXCHANGE EXPOSURE

The Group is exposed to fluctuation in foreign exchange rates. Since most of the Group's revenue is denominated in USD and most of the Group's expenses are denominated in RMB, appreciation of the RMB will adversely affect the Group's profitability. Accordingly, the Group has continued to enter into forward foreign exchange contracts to mitigate possible exchange losses relating to fluctuations in the values of the USD and RMB.

## EMPLOYEES

As at 30 June 2006, the Group had approximately 25,000 employees and staff costs amounted to approximately HK$228 million (six months ended 30 June 2005: HK$189 million). The Group's employees are remunerated in line with the 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 the individual employee. The Group also operates a defined contribution Mandatory Provident Fund retirement benefits scheme for all its employees in Hong Kong, and provides its PRC employees with welfare schemes as required by the applicable laws and regulations of the PRC.

## USE OF PROCEEDS FROM THE NEW ISSUE

The Company issued 260 million new shares of HK$0.10 each at an offer price of HK$1.4 per share by way of international placing and public offer in Hong Kong ("New Issue"). The net proceeds from the New Issue ("Net Proceeds") after deducting relevant expenses were approximately HK$322 million. Since the Company's listing on 3 November 2005, the Group had utilised the Net Proceeds in accordance with the plan disclosed in the Prospectus, as to approximately HK$118 million for acquisition of new machinery, approximately HK$95 million for acquisition of interests in companies engaged in mould manufacturing and production materials supplies, and approximately HK$77 million for the repayment of the outstanding bank borrowings. The balance of the Net Proceeds was placed with licensed banks in Hong Kong as deposits and will continue to be applied in the future for their intended uses as set out in the Prospectus and as general working capital of the Group.

## MATERIAL ACQUISITIONS

During the Period, the Group acquired the following subsidiaries, associates and investment:

(a) On 23 January 2006, the Group entered into an agreement for the acquisition of 70% interest in Mindforce Holdings Limited ("Mindforce") at a consideration of US$4.9 million (approximately HK$38.2 million). Mindforce, a company incorporated in the British Virgin Islands, has a wholly-owned PRC subsidiary, WIS Precision (Kunshan) Co., Ltd., which is principally engaged in the manufacture and sale of notebook computer casings and related products in the PRC. The 30% interest in Mindforce is indirectly held by Wistron Corporation ("Wistron"), one of the major customers of the Group and is one of the leading notebook computer assemblers. After the acquisition, the Group has become a major notebook computer casings supplier to Wistron. The Group also entered into a master sales agreement with Wistron on 27 March 2006.

(b) On 13 February 2006, the Group entered into an agreement for the acquisition of 36.5% interest in Smart Success Enterprises Limited ("Smart Success") at a consideration of approximately US$2.2 million (approximately HK$17.1 million). Smart Success, a company incorporated in Samoa, has a wholly-owned PRC subsidiary, Chengyang Precision Mold (Kunshan) Co., Ltd., which is principally engaged in the manufacture and sale of moulds in the PRC and is one of the Group's moulding suppliers. By acquisition of 36.5% interest in Smart Success, the Group is able to secure a stable supply of mouldings.

(c) On 20 March 2006, the Group entered into an agreement for the acquisition of approximately 5.26% interest in 柏騰科技股份有限公司 at a consideration of NT$67 million (approximately HK$18 million). 柏騰科技股份有限公司 is a company incorporated in the Republic of China and is principally engaged in the provision of coating services and is a subcontractor for coating services of the Group.

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

During the six months ended 30 June 2006, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

## INTERIM DIVIDENDS

The Board does not recommend the payment of interim dividend for the period ended 30 June 2006.

## CORPORATE GOVERNANCE PRACTICES

The Company continues to devote much efforts on formulating sufficient corporate governance practices which it believes is crucial to its healthy growth and business needs. During the Period, the Company had complied with the code provisions of the Code on Corporate Governance Practices (" CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), save for the code provisions in relation to code provision A.2.1 of the CG Code regarding the requirement for separate roles of the chairman and the chief executive officer and the performance thereof by different individuals. Details of the considered reasons for such deviation had been set out in the corporate governance report ("CG Report") contained in the Company's annual report for the year ended 31 December 2005. The Board will continue to review the current management structure from time to time and shall make necessary changes when appropriate and inform the shareholders accordingly.

In order to align with code provision A.4.2 (regarding rotation of directors and the re-election of directors appointed to fill casual vacancy) and E.2.1 (regarding the right to demand poll by directors at general meetings) of the CG Code, being the other deviations from the CG Code as mentioned in the CG Report, the Company amended the relevant provisions of its articles of association at its annual general meeting held on 25 May 2006.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted 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, all Directors have confirmed that they have fully complied with the standards set out in the Model Code throughout the Period.

## REVIEW BY AUDIT COMMITTEE

The Audit Committee, comprising three independent non-executive Directors, has reviewed and discussed with the management the accounting principles and practices adopted by the Group and the Company's unaudited consolidated interim financial results for the Period.

## PUBLICATION ON THE STOCK EXCHANGE'S WEBSITE

The interim results announcement of the Company will be published on the Stock Exchange's website (http://www.hkex.com.hk). The 2006 Interim Report of the Company will be dispatched to the shareholders and will be made available on the website of Stock Exchange in due course.

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

Hong Kong, 18 September 2006

*As at the date of this announcement, the executive Directors are Mr. Cheng Li-Yu, Mr. Cheng Li-Yen, Mr. Hsieh Wan-Fu, Mr. Huang Kuo-Kuang, Mr. Lo Jung-Te and Mr. Tsui Yung Kwok, and the independent non-executive Directors are Mr. Yu Chwo-Ming, Mr. Tsai Wen-Yu and Mr. Yip Wai Ming.*