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**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 2016**

**Financial Highlights**

- Revenue for the year ended 31 December 2016 was approximately HK\$8,002 million, representing a decrease of approximately 10.4%.
- Gross profit for the year ended 31 December 2016 was approximately HK\$1,343 million, representing a decrease of approximately 29.5%.
- Gross profit margin for the year ended 31 December 2016 decreased to approximately 16.8% from approximately 21.3% for the year ended 31 December 2015.
- Profit attributable to equity holders of the Company for the year ended 31 December 2016 was approximately HK\$501 million, representing a decrease of approximately 42.8%.
- Basic earnings per share attributable to equity holders of the Company for the year ended 31 December 2016 decreased to approximately HK45.1 cents, representing a decrease of approximately 41.4%.
- Net asset value per share attributable to equity holders of the Company as at 31 December 2016 was approximately HK\$5.6 as compared with approximately HK\$5.8 as at 31 December 2015.

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 2016 as follows:

## **CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*For the year ended 31 December 2016*

	<i>Notes</i>	<b>2016</b> <b>HK\$'000</b>	<b>2015</b> <b>HK\$'000</b>
<b>REVENUE</b>	3	<b>8,002,359</b>	8,936,133
Cost of sales		<u><b>(6,659,322)</b></u>	<u>(7,030,579)</u>
Gross profit		<b>1,343,037</b>	1,905,554
Other income and gains	3	<b>273,360</b>	154,451
Selling and distribution expenses		<b>(105,854)</b>	(108,506)
Administrative expenses		<b>(621,588)</b>	(650,497)
Other expenses		<b>(48,453)</b>	(60,560)
Finance costs	4	<u><b>(94,363)</b></u>	<u>(90,268)</u>
<b>PROFIT BEFORE TAX</b>	5	<b>746,139</b>	1,150,174
Income tax expense	6	<u><b>(156,412)</b></u>	<u>(204,919)</u>
<b>PROFIT FOR THE YEAR</b>		<u><b>589,727</b></u>	<u>945,255</u>
Attributable to:			
Equity holders of the Company		<b>500,586</b>	874,957
Non-controlling interests		<u><b>89,141</b></u>	<u>70,298</u>
		<u><b>589,727</b></u>	<u>945,255</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>	8		
- Basic (HK cents)		<u><b>45.1</b></u>	<u>76.9</u>
- Diluted (HK cents)		<u><b>44.3</b></u>	<u>74.7</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***For the year ended 31 December 2016*

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>PROFIT FOR THE YEAR</b>	<b><u>589,727</u></b>	<b><u>945,255</u></b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<b>(680,528)</b>	(652,603)
Available-for-sale investment:		
Change in fair value	<b>(9,017)</b>	(8,797)
Income tax effect	<b>909</b>	1,497
Reclassification adjustment for losses included in the consolidated statement of profit or loss – impairment loss	<b><u>3,415</u></b>	<u>-</u>
	<b><u>(4,693)</u></b>	<u>(7,300)</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>	<b><u>(685,221)</u></b>	<b><u>(659,903)</u></b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b><u>(95,494)</u></b>	<b><u>285,352</u></b>
Attributable to:		
Equity holders of the Company	<b>(59,361)</b>	<b>314,138</b>
Non-controlling interests	<b><u>(36,133)</u></b>	<b><u>(28,786)</u></b>
	<b><u>(95,494)</u></b>	<b><u>285,352</u></b>

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

31 December 2016

	Notes	2016 HK\$'000	2015 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		8,079,378	8,397,593
Lease premium for land		486,086	465,616
Deferred tax assets		5,727	-
Goodwill		53,985	40,062
Prepayments for acquisition of property, plant and equipment		73,172	3,034
Available-for-sale investments		14,581	24,803
Total non-current assets		<u>8,712,929</u>	<u>8,931,108</u>
<b>CURRENT ASSETS</b>			
Inventories		1,289,404	1,295,793
Trade receivables	9	2,875,870	3,079,708
Prepayments, deposits and other receivables		369,576	509,095
Principal-protected investment deposits		-	61,745
Pledged bank balances		31,459	37,049
Cash and cash equivalents		1,529,053	1,541,485
Total current assets		<u>6,095,362</u>	<u>6,524,875</u>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	10	1,041,913	1,051,886
Other payables and accruals		1,027,432	915,832
Tax payable		201,857	217,033
Interest-bearing bank borrowings		1,657,469	3,492,946
Total current liabilities		<u>3,928,671</u>	<u>5,677,697</u>
<b>NET CURRENT ASSETS</b>		<u>2,166,691</u>	<u>847,178</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>10,879,620</u>	<u>9,778,286</u>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings		2,791,440	1,410,591
Deferred income		302,787	417,500
Deferred tax liabilities		41,399	22,788
Total non-current liabilities		<u>3,135,626</u>	<u>1,850,879</u>
Net assets		<u>7,743,994</u>	<u>7,927,407</u>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Issued capital	11	113,471	111,997
Reserves		6,248,731	6,433,901
		6,362,202	6,545,898
<b>Non-controlling interests</b>		<u>1,381,792</u>	<u>1,381,509</u>
Total equity		<u>7,743,994</u>	<u>7,927,407</u>

## NOTES

### 1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICY 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 available-for-sale investment and principal-protected investment deposits, which have 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.

#### New and Revised HKFRSs

Amendments to HKFRS 10,  
HKFRS 12 and HKAS 28 (2011)  
Amendments to HKFRS 11

HKFRS 14

Amendments to HKAS 1  
Amendments to HKAS 16  
and HKAS 38

Amendments to HKAS 16  
and HKAS 41

Amendments to HKAS 27 (2011)

*Annual Improvements*  
*2012-2014 Cycle*

*Investment Entities: Applying the*  
*Consolidation Exception*  
*Accounting for Acquisitions of Interests in*  
*Joint Operations*

*Regulatory Deferral Accounts*  
*Disclosure Initiative*  
*Clarification of Acceptable Methods of*  
*Depreciation and Amortisation*  
*Agriculture: Bearer Plants*

*Equity Method in Separate Financial*  
*Statements*

Amendments to a number of HKFRSs

Adoption of these new and revised HKFRSs did not have any material effect on the financial position or performance of the Group.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a potential impact on its results of operations and financial position.

## 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:*

	<b>2016</b> <b>HK\$'000</b>	2015 <i>HK\$'000</i>
The People's Republic of China (the "PRC"), excluding Hong Kong	<b>7,867,765</b>	8,548,222
The Republic of China (the "ROC")	<b>95,957</b>	91,423
Others	<b>38,637</b>	296,488
	<b>8,002,359</b>	8,936,133

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

#### (ii) *Non-current assets:*

	<b>2016</b> <b>HK\$'000</b>	2015 <i>HK\$'000</i>
The PRC, excluding Hong Kong	<b>8,515,389</b>	8,776,760
The ROC	<b>177,204</b>	154,317
Others	<b>28</b>	31
	<b>8,692,621</b>	8,931,108

The non-current assets information above excluding available-for-sale investments and deferred tax assets is based on the locations of the assets.

### **Information about major customers**

Revenue of approximately HK\$1,710,949,000, HK\$1,533,477,000, HK\$1,080,252,000, HK\$935,901,000, HK\$808,392,000 and HK\$805,703,000 for the year ended 31 December 2016 were derived from sales to six major customers, each of which contributed 10% or more sales to the Group's revenue, including sales to a group of entities which are known to be under common control with these customers.

Revenue of approximately HK\$2,362,540,000, HK\$1,707,507,000, HK\$1,263,976,000 and HK\$929,031,000 for the year ended 31 December 2015 were derived from sales to four major customers, each of which contributed 10% or more sales to 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

Revenue represents the invoiced value of goods sold, net of value-added tax, after allowances for returns and trade discounts, and after elimination of all significant intra-group transactions.

An analysis of revenue, other income and gains, is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Revenue</b>		
Sale of goods	<b>8,002,359</b>	8,936,133
	<b>=====</b>	<b>=====</b>
<b>Other income and gains</b>		
Interest income	9,812	16,515
Subsidy income	145,761	43,592
Compensation income	1,211	13,504
Foreign exchange gains, net	102,830	73,950
Rental income	9,418	3,359
Dividend income	699	1,335
Others	3,629	2,196
	<b>273,360</b>	154,451
	<b>=====</b>	<b>=====</b>

### 4. FINANCE COSTS

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interest on bank loans and other loans	102,505	97,127
	<b>=====</b>	<b>=====</b>
Total interest expense on financial liabilities not at fair value through profit or loss	102,505	97,127
Less: Interest capitalised	(8,142)	(6,859)
	<b>94,363</b>	90,268
	<b>=====</b>	<b>=====</b>

## 5. PROFIT BEFORE TAX

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Cost of inventories sold	6,616,459	6,944,708
Depreciation	983,657	970,068
Amortisation of lease premium for land	11,899	9,525
Provision for slow-moving and obsolete inventories	40,284	49,108
Loss on disposal of items of property, plant and equipment, net	38,827	31,035
Loss on disposal of an available-for-sale investment	-	690
Impairment of available-for-sale investments	3,415	-
Foreign exchange gains, net	<u>(102,830)</u>	<u>(73,950)</u>

## 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 (2015: 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.

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Provision for the year		
Current – The PRC, excluding Hong Kong		
Charge for the year	135,315	185,732
Underprovision in prior years	4,612	3,086
Current – Overseas		
Charge for the year	38,098	32,686
Overprovision in prior years	(35,145)	(26,105)
Deferred tax	13,532	9,520
Total tax charge for the year	<u>156,412</u>	<u>204,919</u>

## 7. DIVIDENDS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Additional final dividend for prior year (note (a))	-	1,919
Proposed final – HK10 cents (2015: HK15 cents) per ordinary share (note (b))	<u>113,471</u>	<u>167,997</u>
	<u>113,471</u>	<u>169,916</u>

## 7. DIVIDENDS (continued)

Notes:

- (a) Subsequent to the approval of the 2014 financial statements and prior to the book close period of the 2014 final dividend, additional 12,795,006 ordinary shares were issued by the Company as a result of the exercise of the subscription rights by certain warrant holders. Accordingly, an additional 2014 final dividend amounting to HK\$1,919,000 was paid in 2015.
- (b) 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 amount is based on the profit for the year attributable to equity holders of the Company of HK\$500,586,000 (2015: HK\$874,957,000) and the weighted average number of 1,110,895,303 (2015: 1,137,859,442) ordinary shares in issue excluding shares held under the share award scheme during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to equity holders of the Company of HK\$500,586,000 (2015: HK\$874,957,000). The weighted average number of ordinary shares used in the calculation is 1,110,895,303 (2015: 1,137,859,442) ordinary shares in issue excluding shares held under the share award scheme during the year, as used in the basic earnings per share calculation, and the weighted average number of 18,403,185 (2015: 34,204,992) 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

The general credit terms of the Group range from 60 days to 120 days. Trade receivables are non-interest-bearing.

An aged analysis of the Group's trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2016 HK\$'000	2015 HK\$'000
Within 3 months	2,113,334	2,211,049
4 to 6 months	748,380	848,644
7 to 12 months	14,156	20,015
	<u>2,875,870</u>	<u>3,079,708</u>

## 9. TRADE RECEIVABLES (continued)

The aged analysis of the Group's trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Neither past due nor impaired	2,475,806	2,672,922
1 to 3 months past due	391,890	389,344
4 to 6 months past due	7,624	11,158
7 to 12 months past due	550	6,284
	<u>2,875,870</u>	<u>3,079,708</u>

Receivables that were neither past due nor impaired relate to a number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

## 10. TRADE AND BILLS PAYABLES

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

An aged 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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 3 months	757,840	800,983
4 to 6 months	210,144	225,442
7 to 12 months	15,364	10,850
Over 1 year	58,565	14,611
	<u>1,041,913</u>	<u>1,051,886</u>

## 11. SHARE CAPITAL

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Authorised:		
2,000,000,000 shares of HK\$0.1 each	<b><u>200,000</u></b>	<u>200,000</u>
Issued and fully paid:		
1,134,708,445 (2015: 1,119,977,185) shares of HK\$0.1 each	<b><u>113,471</u></b>	<u>111,997</u>

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

	Number of shares in issue of HK\$0.1 each	Share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2015	1,161,950,000	116,195	539,238	655,433
Issue of shares in connection with the exercise of share options (note(i))	16,514,000	1,651	15,922	17,573
Issue of shares in connection with the exercise of warrants (note(ii))	13,671,185	1,367	61,520	62,887
Share issue expenses	-	-	(418)	(418)
Cancellation of shares repurchased (note(iii))	(72,158,000)	(7,216)	(247,941)	(255,157)
Transfer from employee share-based compensation reserve	-	-	24,405	24,405
2014 final dividend	-	-	(174,664)	(174,664)
At 31 December 2015 and at 1 January 2016	<b>1,119,977,185</b>	<b>111,997</b>	<b>218,062</b>	<b>330,059</b>
Issue of shares in connection with the exercise of share options (note(i))	<b>14,730,000</b>	<b>1,473</b>	<b>12,815</b>	<b>14,288</b>
Issue of shares in connection with the exercise of warrants (note(ii))	<b>1,260</b>	<b>1</b>	<b>6</b>	<b>7</b>
Share issue expenses	-	-	(9)	(9)
Transfer from employee share-based compensation reserve	-	-	14,820	14,820
2015 final dividend	-	-	(167,997)	(167,997)
At 31 December 2016	<b><u>1,134,708,445</u></b>	<b><u>113,471</u></b>	<b><u>77,697</u></b>	<b><u>191,168</u></b>

## 11. SHARE CAPITAL (continued)

Notes:

- (i) During the year, the Company issued a total of 14,730,000 (2015: 15,844,000) shares at an exercise price of HK\$0.97 (2015: HK\$0.97) and Nil (2015: 670,000) shares at an exercise price of HK\$3.29 per share, pursuant to the exercise of options granted under the share option scheme of the Company, resulting in the issue of 14,730,000 (2015: 16,514,000) shares of HK\$0.1 each for a total cash consideration, before expenses, of HK\$14,288,000 (2015: HK\$17,573,000). A total of HK\$14,820,000 (2015: HK\$24,405,000) was transferred from the employee share-based compensation reserve to the share premium account upon the exercise of the share options.
- (ii) A bonus issue of warrants (the “**Warrants**”) was made by the Company in the proportion of one Warrant for every eight shares held on the record date, i.e. 9 April 2015, resulting in 143,954,000 Warrants being issued. Each Warrant entitles the warrant holder thereof to subscribe for one warrant share at the initial subscription price of HK\$4.60 per warrant share (subject to adjustment) at any time during the period from 15 April 2015 to 14 October 2016 (both days inclusive).

During the year, the Company issued a total of 1,260 (2015: 13,671,185) shares at a subscription price of HK\$4.60 per warrant share pursuant to the exercise of subscription rights attached to the Warrants by certain warrant holders, resulting in the issue of 1,260 (2015: 13,671,185) shares of HK\$0.10 each for a total cash consideration, before expenses, of HK\$6,000 (2015: HK\$62,887,000). The issued capital of the warrant shares was increased by the par value and the premium received thereon after deducting the related expenses incurred on the issue of the bonus warrants have been credited to share premium account of the Company accordingly.

The subscription rights attaching to the warrants has been expired on 14 October 2016.

- (iii) During the year ended 31 December 2015, the Company purchased 67,180,000 of its shares on The Stock Exchange of Hong Kong Limited for a total consideration of HK\$254,659,000, of which 67,180,000 of the repurchased shares were cancelled in 2015. The issued capital of the cancelled shares was reduced by the par value and the premium paid thereon including related expenses have been charged to share premium of the Company accordingly. The 4,978,000 shares repurchased in 2014, which were held as treasury shares as at 31 December 2014, were also cancelled in January 2015.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business Review & Prospects**

Capital markets have been complex and volatile following concerns over the faltering economic growth and shifting global politics. These external headwinds combined with contracting demand for PCs led to a decline in PC shipments around the world. According to data from Gartner Inc. (“Gartner”), a market research and advisory firm, global PC shipments declined 6.2% in 2016 from the previous year, recording 270 million units and marking declines in PC shipment for five consecutive years since 2012. As the world’s leading manufacturer of notebook computer casings, Ju Teng’s business is closely tied to the performance of the PC market. Despite successive rising gross profits against market routs over the two previous years, Ju Teng’s performance was negatively impacted by the market’s ongoing contraction.

According to Digitimes Research, a market research firm, consumers delayed buying new PCs while manufacturers reduced their releases of new PC models, driving the decline in sales. Additionally, PC manufacturers reduced their prices to try to boost demand, which also affected Ju Teng’s performance. Although the RMB’s depreciation reduced production costs, Ju Teng also lowered its prices so as to maintain its market share and remain on good terms with its customers. This led to a decrease in gross profit for the year.

Looking ahead, growth in the global PC market in 2017 is expected to stabilize and even slightly recover. The decline in consumer PC shipments may narrow to 3%, while commercial demand may record a 1% increase, according to information from International Data Corporation (“IDC”), a market research institution. Ju Teng, meanwhile, is taking steps to follow trends and fulfill market demands.

Ju Teng will continue to focus on its core business of notebook computer casings, but will also look for opportunities in new business segments in order to grow business and increase profits. According to IDC, driven by growing demand for thin and light PCs, sales of notebook computers in China and Asia Pacific is expected to see some recovery. Additionally, Ju Teng’s casings for the increasingly popular 2-in-1 PCs will maintain positive growth. 2-in-1 PCs are driving the Group’s increased focus on metal casings, which are typical of the high-end notebook computer segment, and enhanced the development strategy in metal casing of the Group.

As the world’s leading manufacturer of casings for notebook computer and handheld devices, in 2016, Ju Teng maintained its dominant position in R&D and innovation for plastic and metal casings; its composite materials casings are also widely recognized by the industry. As part of the Group’s effort to improve profit margins and optimize its product mix, Ju Teng is also focusing more of its resources towards metal casings production.

The Group intends to maintain its competitiveness by keeping in close step with market trends, seeking opportunities to expand into new markets, and launching new products. Through resilience, careful planning, and strong execution, the Group will continue to achieve strong results amid future challenges.

## Financial Review

During the year, due to the decrease in global shipment of notebook computers and the downward adjustment of selling price of products of the Group in order to maintain the Group's market share, the Group's revenue was declined by approximately 10.4% to approximately HK\$8,002 million (2015: approximately HK\$8,936 million). Moreover, resulting from the decrease in selling price and the decrease in turnover, the Group's gross profit margin during the year dropped to approximately 16.8% (2015: approximately 21.3%).

Other income and gains of the Group mainly consisted of subsidy income of approximately HK\$146 million (2015: approximately HK\$44 million) and foreign exchange gains of approximately HK\$103 million (2015: approximately HK\$74 million). Due to the substantial increase in various government subsidies received by certain subsidiaries of the Company in the PRC and the increase in foreign exchange gains due to the depreciation of Renminbi ("RMB"), the Group recorded an increase of approximately 77% in other income and gains to approximately HK\$273 million (2015: approximately HK\$154 million) during the year, accounting for approximately 3.4% (2015: approximately 1.7%) of the Group's revenue.

During the year, due to depreciation of RMB, the Group recorded a decrease of approximately 4.2% in operating costs, including administrative expenses, and selling and distribution expenses, to approximately HK\$727 million (2015: approximately HK\$759 million). Resulting from the decrease in revenue, the percentage of operating costs of the Group increased to approximately 9.1% (2015: approximately 8.5%) of the Group's revenue.

During the year, other expenses of the Group mainly consisted of losses on disposal of items of property, plant and equipment of approximately HK\$39 million (2015: approximately HK\$31 million). Due to the substantial decrease in the amount of written off of certain trade receivables, the Group recorded a decrease of approximately 20% in other expenses to approximately HK\$48 million (2015: approximately HK\$61 million), accounting for approximately 0.6% (2015: approximately 0.7%) of the Group's revenue.

Finance costs of the Group increased by approximately 4.5% to approximately HK\$94 million (2015: approximately HK\$90 million) for the year as compared to that of 2015, which was mainly attributable to the increase in loan interest rate. Interest capitalised during the year was approximately HK\$8.1 million (2015: approximately HK\$6.9 million).

Income tax expenses of the Group decreased by approximately 23.7% to approximately HK\$156 million (2015: approximately HK\$205 million) for the year as compared to that of 2015, resulting from the decrease in profit before tax.

The profit attributable to equity holders of the Company for the year amounted to approximately HK\$501 million (2015: approximately HK\$875 million), representing a decrease of approximately 42.8% when compared to that of last year. The decrease in the profit attributable to equity holders of the Company was mainly attributable to the decrease in the Group's revenue and gross profit.

## **Liquidity and Financial Resources**

As at 31 December 2016, total bank borrowings of the Group amounted to approximately HK\$4,449 million (31 December 2015: approximately HK\$4,904 million), representing a decrease of approximately 9.3% as compared to that of 31 December 2015. The Group's bank borrowings include short-term loans with 1-year maturity, 2-year term loans and 5-year revolving syndicated loans. As at 31 December 2016, the Group's bank loans denominated in United States dollar ("USD"), and New Taiwan Dollars were approximately HK\$4,417 million (31 December 2015: approximately HK\$4,848 million), and approximately HK\$32 million (31 December 2015: approximately HK\$56 million) respectively.

During the year, the Group's cash flows from operating activities increased to approximately HK\$1,897 million from approximately HK\$1,536 million last year, which was mainly due to the decrease in trade receivables and increase in other payables and accruals. As a result of the establishment of new plant in Taizhou and the purchase of fixed assets for the expansion of production capacity in Jiangsu Province and Chongqing City, the Group recorded a net cash outflow from investing activities of approximately HK\$1,274 million (2015: approximately HK\$1,358 million). During the year, due to the repayment of certain syndicated loan facilities amounts, the Group recorded a net cash outflow from financing activities of approximately HK\$601 million (2015: approximately HK\$140 million). As at 31 December 2016, the Group had cash and bank balances of approximately HK\$1,529 million (31 December 2015: approximately HK\$1,541 million).

As at 31 December 2016, the Group's gearing ratio, calculated as total bank borrowings of approximately HK\$4,449 million (31 December 2015: approximately HK\$4,904 million) divided by total assets of approximately HK\$14,808 million (31 December 2015: approximately HK\$15,456 million) was approximately 30% (31 December 2015: approximately 31.7%). The decrease in gearing ratio was due to the decrease in total bank borrowings.

## **Financial Ratios**

Inventory turnover days of approximately 71 days (2015: 67 days) of the Group for the year was slightly higher than that of 2015 due to the decline in revenue during the year. There was a decrease in the Group's inventories of approximately 0.5% to approximately HK\$1,289 million as at 31 December 2016 from approximately HK\$1,296 million as at 31 December 2015.

Trade receivables turnover days of the Group during the year increased to approximately 132 days (2015: 126 days), which was attributable to the slower payment from the customers during the year. Trade receivables as at 31 December 2016 decreased by approximately 6.6% to approximately HK\$2,876 million (31 December 2015: approximately HK\$3,080 million).

Trade and bills payable turnover days of the Group for the year increased to approximately 57 days (2015: 55 days) and remained relatively stable when compared to that of 2015.

### **Pledge of Assets**

As at 31 December 2016 and 31 December 2015, the Group did not have any leasehold land and buildings and machinery pledged to secure banking facilities granted to the Group.

As at 31 December 2016 and 31 December 2015, shares of certain subsidiaries of the Company 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 depreciation of RMB will have positive effect on the Group's profitability. During the year, the Group recorded an exchange gain of approximately HK\$103 million (2015: approximately HK\$74 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 2016, the Group had approximately 34,000 employees (31 December 2015: approximately 34,000 employees). The Group recorded staff costs (excluding directors' remuneration) of approximately HK\$2,012 million (2015: approximately HK\$2,096 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 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 employees with welfare schemes as required by the applicable laws and regulations of the PRC.

### **Capital Commitment**

As at 31 December 2016, 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\$258 million (31 December 2015: approximately HK\$110 million).

### **Contingent Liabilities**

As at 31 December 2016, 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 has 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 2016 (2015: HK15 cents per share) to shareholders whose names appear on the register of members of the Company on 25 May 2017 subject to the approval by the shareholders of the Company at the forthcoming annual general meeting (the "**AGM**") to be held on 18 May 2017.

## **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 15 May 2017 to 18 May 2017 (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, Wanchai, Hong Kong, no later than 4:30 p.m. on 12 May 2017.

For the purpose of determining members who are qualified for the proposed final dividend for the year ended 31 December 2016, 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 24 May 2017 to 25 May 2017 (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 2 June 2017) 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 23 May 2017.

## **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 "**The Hong Kong Stock Exchange**"). The Company and the corporate governance committee of the Company periodically reviews its corporate governance practices to ensure its continuous compliance with the CG Code. Save as disclosed below, the Company had complied with the code provisions of the CG Code for the year.

## **Code Provision A.2.1**

Pursuant to Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. For the year ended 31 December 2016, Mr. Cheng Li-Yu is the chairman of the Board but the Company has not appointed any chief executive officer. The day-to-day management of the business of the Group and the execution of the instructions and directions of the Board are managed by the management team of the Group which comprises some of the executive Directors and the senior management of the Group. The Directors believe that the allocation of the daily management of different sectors of the Group's business amongst the senior management who possesses experiences and qualifications in different areas will enable the Group to enhance the effectiveness and efficiency of the implementation of its business plan.

As the Board would like Mr. Cheng Li-Yu to focus on his role for the Group's overall strategy planning, forecast and analysis of market trend and establishment of the Group's future development direction, Mr. Chiu Hui-Chin was appointed as the Chief Executive Officer of the Company to be responsible for the overall operation management of the Group with effect from 1 March 2017. Such arrangement would also be in line with the requirements in Code Provision A.2.1 of the CG Code.

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

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted and applied a code of conduct regarding the Directors' securities transaction on terms no less exacting than the required standard set out in the Model Code 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 2016 as set out in this 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 2016 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, 21 March 2017

*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.*